Rethinking Funeral Financing

Exploring a South African National Funeral Insurance scheme for equitable and affordable cover

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Executive Summary

The cost of funerals in South Africa ranks amongst the highest in the world, largely driven by the cultural expectations of dignified funerals. As a result, funeral insurance coverage in South Africa is high, and likely inflates the country's insurance penetration statistics on a whole, which position the country as having the highest insurance penetration on the continent and among the highest globally. Yet the funeral market is fragmented, pricing is often inequitable as most policies are age-rated, and policyholders often pay disproportionately for overlapping or inadequate cover. Recognising these challenges, the Actuarial Society of South Africa (ASSA) commissioned this research to inform a framework that can serve as a foundation for meaningful discussion around the design, feasibility and implementation of a National Funeral Insurance (NFI) scheme that is affordable, equitable, and administratively efficient.

Research Scope:

Our research has been structured into six sections, each designed to inform the design and feasibility of an NFI framework. The list below describes these sections as well as the questions that are answered within each of these sections.

1. **Situational Analysis:** Explores the cultural, economic, and regulatory context of funerals in South Africa. It maps the fragmented funeral insurance landscape across formal, informal, and public sectors, and assesses affordability, coverage gaps, and market inefficiencies.
2. **Methodology**: Describes the mixed-methods approach used in the research, including actuarial analysis of premium and claims data, and qualitative interviews with key stakeholders.
3. **Data Analysis and Findings:** Presents quantitative and qualitative insights into the funeral insurance market, including pricing, profitability, consumer behaviour, and fraud risks. It highlights inefficiencies and inequities in current offerings.
4. **Existing Policy Design:** An exploration of the products that are currently bought in terms of: policy cover amounts, policy add-ons, premiums rate and structure comparisons, policy rules and current statistics on fraud and non-disclosure.
5. **Exploring a National Funeral Insurance Scheme:** Having completed the above research, this section focuses on the proposed rules and benefit design of an NFI, the financing of the scheme, risk and fraud considerations, regulatory considerations as well as recommendations and future steps. Although cost estimation of the NFI Fund is a critical element, it is beyond the scope of this research.
6. **Recommendations and Next Steps:** Offers policy and design recommendations and suggests piloting the NFI in select districts. It emphasises the importance of stakeholder engagement, regulatory clarity, and financial sustainability.

While the report explores the NFI as one possible mechanism, it does not assume it is the only solution. A broader policy architecture (e.g. a three-tiered non-contributory, contributory social insurance, and private insurance) may also be appropriate and could be explored in future work.

Key Findings:

- **Cultural importance and financial burden:** Large funerals are customary and culturally appropriate. But the average cost of a funeral (average ~R15,000 formal cover bought) is unaffordable for many, especially those living below the poverty line.
- **Coverage gaps and inefficiencies:** An estimated 48% of South Africans reportedly hold funeral cover, however policy persistency is poor especially in the first year of cover. Many individuals hold multiple policies, and coverage remains inconsistent and fragmented across different population segments.
- **Multiple types of providers:** The current market includes insurers, banks, burial societies, funeral homes, retailers, trade unions, bargaining councils, retirement funds and the public sector. These bodies have varied regulation, benefits, and pricing.
- **Premiums and affordability:** Premiums vary significantly across types of providers. Burial societies often charge the highest relative to the benefits offered yet have more flexibility on missed premiums. Providers with direct access to policyholders' bank accounts, such as banks and retailers using debit orders, are able to offer substantially cheaper cover. For the lowest earners, even a seemingly modest premium of R50 per month can represent 3–5% of their total income.
- **Fraud and regulatory risks:** Funeral insurance has the highest rate of reported insurance fraud, and informal providers often operate without adequate oversight. The lack of regulation in the informal sector can have dire consequences for vulnerable households during times of loss, including inflated premium amounts, failure of promised pay-outs, and delays in cash flow timing.

Recommendations for an NFI:

1. **Policy Design:**
    - Open to all South Africans with a South African identity document
    - Offer a basic, capped funeral service package (not a lump sum cash amount). The package may cover: bare minimal services, such as body retrieval, storage, preparation, a coffin, transport, and burial or cremation arrangements. It should allow access to fair burial space as well as respect cultural diversity.
    - This can be funded from existing public schemes such as the indigent burial benefit, the Road Accident Fund (RAF) benefit, the Compensation for Occupational Injuries and Diseases Act (COIDA) funeral benefit and the Unemployment Insurance Fund (UIF) dependency benefit. Further investigation is needed to determine whether these sources provide sufficient funding for the scheme; if not, supplementary funding sources need to be identified.
    - Individuals should be allowed to purchase private funeral insurance as a top-up benefit or for value-added services (cattle, catering, flowers, etc.).
    - Separate the roles of purchaser, payer, and provider to ensure accountability and minimise conflicts of interest. We recommend that the Department of Home Affairs serve as the purchaser responsible for benefit design and contracting. A designated South African bank

should manage the pooled fund and act as the payer. Funeral parlours, once vetted and contracted, should serve as the service providers.

2. **Provider Network and Quality:**
   - A network of licensed funeral providers and funeral parlours with clear criteria and performance standards should be created.
   - Ensure that each beneficiary of the fund has a choice of service providers to incentivise quality and competition.
3. **Fraud Mitigation:**
   - Strict oversight and monitoring to prevent fraud and corruption.
   - Offer services and not cash which could assist with avoiding perverse incentives and behaviours
   - Ensure due diligence and licensing is compulsory and monitored for all providers.
4. **Benefit Administration:**
   - There should be no financial transactions between the fund and the beneficiary. Instead, the designated payer should make direct payments to contracted funeral service providers, who will deliver the agreed-upon services to beneficiaries. Beneficiaries should not have to interact with the payer at all and these boundaries should not be crossed.
   - There should be quick and dignified funeral service delivery without needing any upfront payments from families.
5. **Regulatory Compliance:**
   - The NFI should be structured as a publicly funded, capped service and appropriately governed through public-sector frameworks (PFMA compliance, Auditor-General oversight, GRAP-based financial reporting, transparent procurement, and enforceable SLAs with regulated banks and accredited funeral providers). This aligns with the governance used for analogous public benefits (e.g., RAF, COIDA).
   - Accounting and licensing standards for public provisioning of benefits should be followed.

Importantly, the NFI is conceptualised as a collaborative model that preserves market plurality while addressing the equity and affordability gaps that the private sector alone cannot resolve. It is therefore conceived as a baseline public good that complements the existing ecosystem and continues to rely on private insurers, funeral parlours, and burial societies to provide supplementary cover and services.

Next Steps:

- Initiate multi-stakeholder engagement with relevant key stakeholders, such as the National Treasury, Department of Home Affairs, local municipalities, and funeral industry bodies.
- Pilot the NFI in select districts which have a high prevalence of indigent burial.
- Develop the underlying operational systems, provider vetting processes, and data-sharing protocols and other commercial agreements required between the payer, funder and provider.

- Marketing campaigns should be created and rolled out to ensure community awareness, understanding and uptake.

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Definition of terms

Term	Definition
Single premium	A policy in which the policyholder pays the full premium amount upfront in a single lump sum, covering the entire duration of the policy.
Funeral home	Also known as a funeral parlour. A business that arranges and manages funeral services. **A formal funeral home** is a registered business that offers licensed funeral services, whereas an **informal funeral home** operates without formal licenses or regulatory oversight.
Burial society	A community-based group established to assist members cover funeral costs through pooled contributions. **Formal burial societies** are registered entities, often underwritten by insurers and subject to financial regulations. **Informal burial societies** operate without formal registration or regulation.
Lapse rates	The percentage of insurance policies that are terminated due to non-payment of premiums, resulting in the cessation of cover.
Not taken up	A policy that has lapsed without cover ever commencing because the first premium was not paid.
Persistency	The percentage of insurance policies that remain active or in-force over a specific period of time.
Underwriting	A process used to assess the risk of insuring a person or group. It involves evaluating factors such as age, health, occupation, and lifestyle to determine eligibility for cover, applicable premiums, and any exclusions or conditions.
lump sum dependency benefit	A lump sum or once off cash payment made to the dependents of a deceased. The intention is to provide temporary short-term support to immediate family members of the deceased.

Section 1: Situational analysis

1.1 Introduction

Funerals in South Africa comprise a rich tapestry of traditions and rites, which reflect South African's diverse cultures and religions. Ceremonies often involve unique cultural practices, family and community participation, as well as extended periods of hospitality. While these traditions are rooted in honouring the deceased, the costs thereof add to the high financial burden placed on families during this time. As a result, the cost of funerals frequently exceed what many households[1], especially those living near or below the poverty line, can afford. In fact, South African funerals rank amongst the most expensive in the world.[2] The financial strain of funding a funeral is compounded by the persistently high levels of inequality and poverty in the country, where over half of the population lives below the upper national poverty line[3]. Additionally, with the high level of violence, and high crime rates, combined with low levels of financial inclusion, the planning and financing of a dignified funeral is challenging.

Funeral insurance has therefore become one of the most widely bought insurance products in South Africa, to cover the high costs that arise from funerals. The funeral insurance landscape, however, is complex, fragmented and difficult to navigate. It involves many types of providers, such as formal insurers; funeral home policies; burial societies; retailers as well as some public sector offerings. These offerings vary in types of cover, cover amounts, affordability, policy design, claims processes and regulatory oversight.

Additionally, for many low-income individuals, this fragmentation and design variation, result in exorbitant premiums for the same levels of cover available to high-income earners. In the funeral market, where cover is typically non-underwritten, these disparities are driven less by classical risk-based pricing and more by structural factors such as distribution and collection costs, lapse risk, payment method (cash vs. debit order), and administrative inefficiencies.[13,14,43] By contrast, in fully underwritten life insurance, differential pricing by risk factor can produce a "poverty premium."[4])

Recognising these challenges, the need for a National Funeral Insurance (NFI) scheme has come under consideration, one that seeks to improve access, enhance financial protection, and promote equity in funeral insurance coverage. To respond to the consideration of an NFI, the Actuarial Society of South Africa (ASSA) has commissioned this research to flesh out a framework that can be used in discussions to inform the design and potential implementation of such a scheme.

This report provides an overview of the current funeral insurance environment in South Africa and offers recommendations for the design of a NFI scheme. It explores the cultural and economic significance of funerals, maps the fragmented insurance landscape across formal, informal, and public sectors. It also analyses the current design of policies bought as well as policy uptake, affordability, and access. Building on this, the report assesses the feasibility of an NFI scheme, including benefit design, funding, regulation, fraud risks, and administration. The NFI is explored as a central concept, however, we are aware that it is not the only solution. The report also acknowledges the potential for alternatives or complementary approaches which may warrant further investigation. The findings aim to support the development of a sustainable and inclusive framework that enhances financial protection and equity in funeral insurance.

1.1.1 The cultural significance of funerals in South Africa

In a context shaped by poverty, violence, and high crime rates, planning a dignified funeral becomes both a moral and financial challenge. In many low- and middle-income countries, such as South Africa, the number of attendees at a funeral can be a marker of social standing in the community.[5] This cultural expectation creates an opening for funeral plans and services to further extract value from grieving families. In such scenarios, the deceased's body can become a financial asset and a source of profit for the funeral home.

For many families, funeral insurance policies offer more than just financial security; they symbolise care, dignity, and the affirmation of human worth after death. These policies aim to restore dignity both for the deceased and their surviving loved ones, offering a structured way to cope with grief while upholding cultural expectations.

A mixed-methods study identified two primary factors driving the demand for funeral and financial services, which are:[6]

- **The social and psychological impact of death**, especially when the deceased was a household wage earner.
- **The cultural importance of a dignified funeral**, the meaning of which varies significantly across cultures and religions.

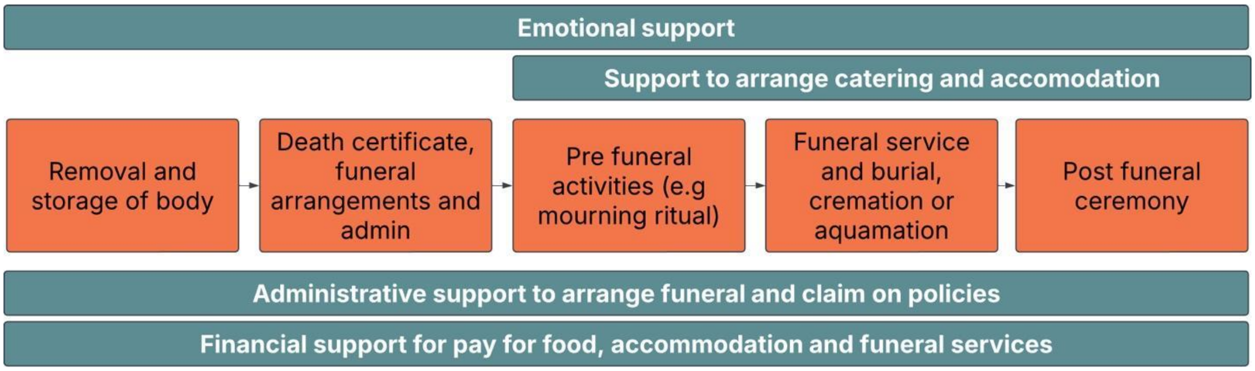
Additionally, research highlighted the following specific needs expressed by bereaved family members:

- **Support from a trusted individual:** Because decision making is difficult during this time, and with the added stress caused by the short time frame between death and burial, families reported that bringing a trusted person to the funeral planning meetings was important.[7]
- **Pre-planning:** prior to the death of a loved one, planning the funeral can reduce emotional strain
- **Dignity:** Families emphasised the need for dignity which is often achieved through respectful and appropriate preparation and display of the body[5] and upholding cultural expectations of dignity and honour.[5]

In many African cultures, particularly those grounded in traditional beliefs, ancestors play a critical role in the lives of the living. Extravagant and festive funerals are seen as essential to honouring the ancestors.[6] Funerals also serve to strengthen family ties and affirm community standing, often measured by the number of attendees. Families may go to extreme financial lengths—sacrificing essentials like food and electricity—to meet these expectations.

Figure 1[6] below shows the **typical funeral process** and the associated needs along the pathway, which include emotional support, administrative support, financial support and catering and accommodation.

Figure 1: The typical funeral process and the associated needs along the journey



1.1.2 The Commercialisation of Grief: Consumer vulnerability in funeral services

After the death of a loved one, grieving family members often withdraw from making decisions—especially financial ones. In this emotionally vulnerable state, they may find themselves exposed to exploitation by service providers. In South Africa, this vulnerability is compounded by the unequal distribution of knowledge between families and funeral service providers, which can lead to unethical business practices.

Research highlights how funeral homes and related services frequently capitalise on this "consumer vulnerability." Due to an imbalance in knowledge, families often face inflated prices for essentials such as coffins, urns, and other funeral-related items. Vulnerable consumers—particularly those who are already marginalised by poverty, age, or ethnicity—are especially at risk.[7] Even when presented with more affordable options, many families feel social and emotional pressure to select more expensive packages in order to honour the deceased in a way that is culturally appropriate.[7]

1.2 Understanding the funeral insurance policy environment

1.2.1 The funeral insurance regulatory environment

Funeral insurance is a type of long-term insurance and therefore subject to similar regulations as life insurance in South Africa. However, because it involves low cover levels, simple benefits, and is often embedded in community-based structures, it is also regulated as a form of microinsurance. This dual classification means that funeral insurance providers have to comply with wider regulations from various bodies. Additionally, insurers and funeral providers are businesses and therefore have to adhere to legislation that affects their operations, from tax requirements to business administration. Funeral homes, burial societies, and public sector providers are all expected to comply with these laws and more. A comprehensive list of the relevant regulatory bodies, relevant acts, and the specific clauses of acts that affect funeral-related businesses can be found in Appendix 1. The list below provides a useful summary of how these regulations influence product design and day-to-day operations:

- **Cover Limits:**
  - The Insurance Act and GOI 7 prescribe a maximum funeral cover level of R100,000 per life insured per insurer, with annual CPI-linked adjustments from 2018 allowed
  - To qualify as microinsurance, funeral products must remain within this cap, which affects the amount of extra benefits that can be added to cover.
- **Waiting Periods and Exclusions:**
  - Policyholder Protection Rules (PPRs) prescribe waiting periods in the following way: six months for natural death, none for accidental death and12 months for suicide.
- **Claims Turnaround Requirements:**
  - Claims settlements to be completed within 48 hours of receiving all required documents.
- **Transparency and Disclosure:**
  - Clear communication upfront is required by FAIS, PPR, and the Consumer Protection Act, particularly about premium amounts, waiting periods, exclusions, premium escalation amounts and timing, and cancellation terms.
- **Affordability and Distribution Compliance:**
  - FAIS and FSCA regulations require that intermediaries need to be fit-and-proper and are required to meet consumer needs.
  - All distribution models, especially brokerage via funeral homes or burial societies, need to be formalised with appropriate licensing and underwritten by an insurer.
- **Governance and Capital Requirements:**
  - The GOI standards and the SAM framework prescribe that adequate capital reserves, effective risk management, and fit-and-proper governance structures are kept for insurers and micro-insurers.
  - There are reduced capital requirements for micro insurers.
- **Public Schemes:**
  - Public benefits (e.g., RAF, COID, UIF and indigent burial programs) are governed by different bodies and regulations.
- **Non-Insurers:**
  - Funeral homes, and burial societies that sell insurance benefits are prescribed to have these underwritten by insurers. They must also adhere to the Co-operatives Act and Friendly Societies Act.
- **Prohibition of Bundling with Credit Without Regulation:**
  - Funeral cover bundled with credit products must comply with the National Credit Act.

The list above and Appendix 1 illustrates the complex regulatory landscape surrounding funeral insurance providers. Funeral insurance operates within a framework of insurance-specific legislation, together with broader business, regulatory structures, financial integrity, and taxation requirements. Funeral homes or formal burial societies that offer insurance products face an even more challenging compliance environment due to the multiple layers of regulations they must navigate. Informal providers, like informal burial societies, must adhere to co-operative regulations. Public sector initiatives such as the RAF, COID and UIF intersect with private funeral insurance policies.

The significant compliance burden, especially for micro insurers and hybrid models, often leads to higher administrative costs, which may affect the affordability of funeral cover for low-income consumers.

Funeral insurance therefore sits at the intersection of financial regulation, consumer rights, social protection, and public accountability. As regulatory reforms continue to be refined, the focus is on becoming more transparent, preventing fraud, and ensuring that funeral insurance products are well-governed and accessible to all South Africans.

1.2.2 The funeral insurance provider landscape

The funeral insurance provider landscape is complex, fragmented and difficult for consumers to navigate. It involves many types of providers, such as formal insurers; funeral homes; burial societies; retailers; trade-unions; bargaining councils; retirement funds as well as some public sector offerings. In some cases, individuals who find these products insufficient or unaffordable may resort to taking out loans to cover funeral-related expenses.

The offerings from these providers vary in types of cover, cover amounts, affordability, policy design, claims processes and regulatory oversight. As a result, the consumer experience can differ significantly depending on the type of provider accessed.

While this list is not exhaustive, the analysis presented in the sections that follow draws on product offerings from a diverse set of providers across both the public and private sectors. Table 1 below outlines the categories and names of the funeral cover providers included in this research.

Table 1: Funeral cover providers researched

Provider types	Provider names
Insurers	Old Mutual, Simply, Assupol, Sanlam, Metropolitan, Hollard, KingPrice, Discovery Life, Liberty and African Unity Life
Banks	Capitec, Standard Bank, Investec, FNB
Funeral homes and burial societies	Doves group, Icebolethu, Newlands Funeral Home, Avbob mutual assurance society*, Dignity*, Umhlanga Funeral Home, Chevrah Kadisha Jewish burial society, Wisani Burial Services
Provident and pension funds	Government Employees Pension Fund (GEPF)
Retailers	DSTV, MTN, Vodacom and Shoprite Checkers

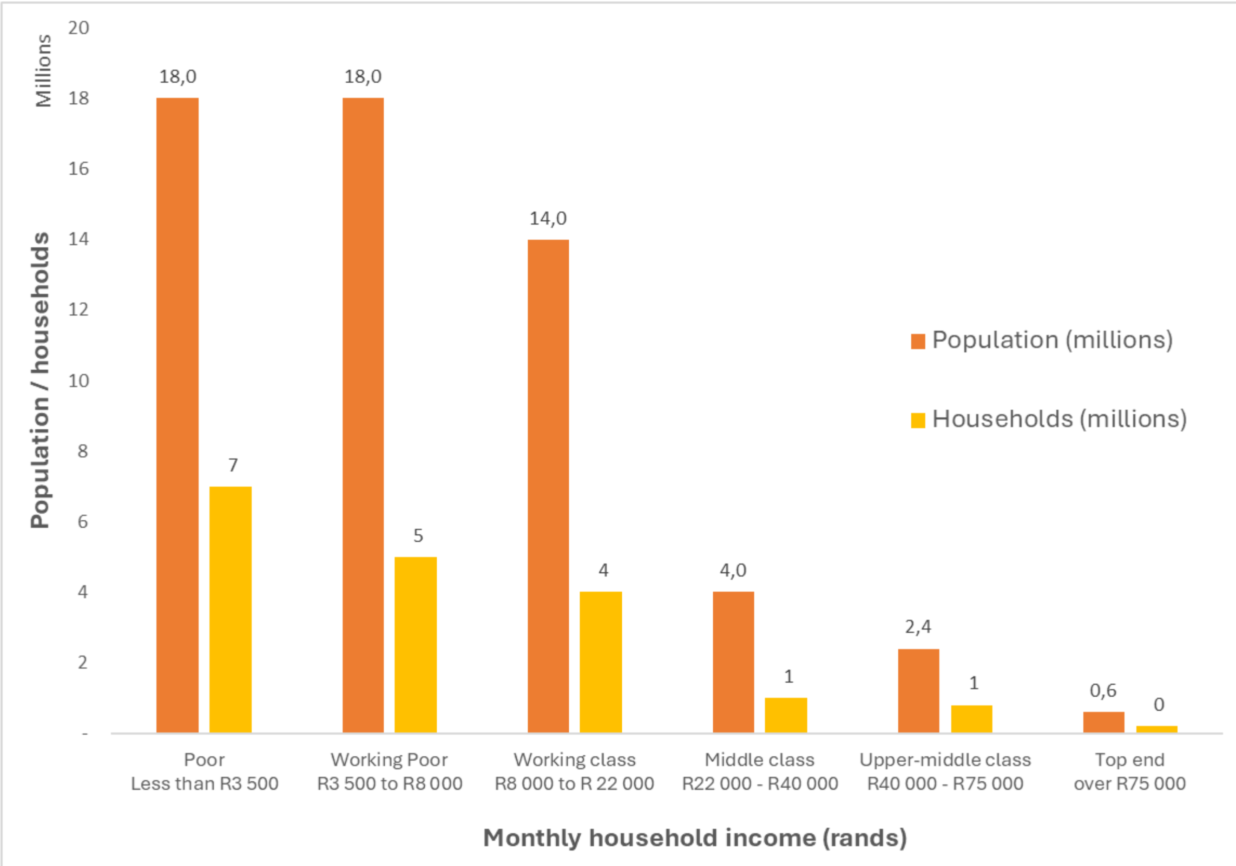
Provider types	Provider names
Trade unions	The Congress of South African Trade unions (COSATU), National Union of Metal Workers (NUMSA), National union of mineworkers (NUM), National Education, Health and Allied Workers' Union (NEHAWU), National Union of Public Service and Allied workers (NUPSAW)
Bargaining councils	South African National Taxi Council (SANTACO) and its Bathathu Group Funeral Scheme, National Bargaining Council for the Road Freight Industry that provides funeral cover through its provident fund
Public sector offering	Road Accident Fund (RAF), the Compensation for Occupational Injuries and Diseases (COID), the Unemployment Insurance Fund (UIF; not funeral cover), SASSA, military veterans' benefits, and indigent burial

*both insurers as well as funeral homes

1.2.3 Market Coverage and Gaps

Funeral insurance provided by private entities is typically bought by the lower and middle-income market segments in South Africa. The financial burden associated with a death and funeral, relative to monthly income and limited savings, can be financially debilitating for this sub-population in particular. The financial pressure is compounded by the fact SA has some of the highest funeral costs in the world[2]. As a result, the need for funeral cover extends beyond the lower income market into the middle-income market too. The results of a consumer survey showed that more than 50% of the participants in the middle income market indicated holding a funeral insurance policy.[8] Given the large size of the lower and lower-middle income market segments in SA, it is not surprising that funeral insurance coverage is high. It is likely that the target market for funeral cover comprises a small portion of the poor, the working poor, the working class, and a portion of the middle class as seen in Figure 2 below, comprising at least 56% of the population of the country. The fact that high-end financial institutions also offer funeral products highlight the important role funerals play for all South Africans, irrespective of socio-economic status.

Figure 2: The SA Consumer Landscape by segments based on household income (2020)



Source: The South African Consumer landscape (Paul Egan)[9]

The table below provides updated statistics of the above graph, segmenting the "Poor", "Working Poor" and grouping all quintiles above this. It gives a sense of the updated income thresholds, as per the Income & Expenditure Survey of 2022/23, which was released in January 2025.

Table 2: Population Distribution by Income Quintile (Income and Expenditure Survey 2022/23)

Quintile	Monthly Income	Estimated% of Households	Estimated Number of Households	Estimated Population
Poor	**0 - R3 970**	30%	5.34 million	17.1 million
Working Poor	**R3 970 - R7 980**	40%	7.12 million	22.1 million
Working Class +	**R7 980 +**	30%	5.34 million	17.1 million
Total		**100%**	**17.8 million**	**57 million**

Since 2023, many municipalities defined indigent households as those earning below R3,970 per month (approximately twice the size of the state old age pension amount). The median national monthly household income nationally is R10,000 per month, and the average national monthly household income is R17,030. The income distribution seen in Table 2, suggests that households earning between the indigent threshold (R3,970) and the median income (R17,030) comprises about 40% of all households. These households fall within the vulnerable middle-income bracket where households may face considerable financial pressure when confronted with funeral costs. This highlights a critical gap in affordability and financial protection, reinforcing the need for accessible, reliable funeral cover solutions across income levels.

1.2.3.1 Formal funeral sector coverage

1.2.3.1.1 Existing policies

SA has the highest insurance coverage on the continent, and surprisingly, one of the highest insurance penetration in the world.[10] However, these penetration rates are likely inflated by the widespread uptake of funeral cover[11]. Funeral cover penetration is seemingly high, with 48% of South African adults reportedly holding a funeral cover policy in 2024.[12] However, this statistic may be inflated as funeral products often record poor policy persistency. Studies show that 55% of all new policies do not persist beyond the first year, and of these, 23% are classified as Not Taken Up (NTU) meaning that they lapse before receipt of the first premium.[13] It is therefore questionable how many of the reported 42%[11] are actually covered beyond the first year.

According to publicly available Association for Savings and Investment (ASISA) statistics, there were approximately 15,309,000 individual funeral policies in force as at the end of June 2024. In addition, there were 30,101 active group scheme businesses. The Table 3 below summarises some of the high-level statistics calculated from this data source[14]

Table 3: High-level funeral insurance statistics

	Numbers	% of midpoint
Number of policies 1/01/2024	14 959 109	
Number of policies 30/06/2024	15 309 460	
Number of policies at the midpoint	15 134 284	
New policies during the half	3 004 351	19.9%
Lapses	2 200 589	14.5%
Deaths	105 828	0.7%

Source: ASISA June 2024 data[14]

It is challenging to determine the actual number of lives covered, as individual funeral policies often extend coverage to multiple family members, and each group scheme may insure many members within a broader organisation or employer group.

Research suggests that a large proportion of South Africans hold multiple funeral policies[6], often combining different types, such as a formal funeral insurance policy alongside membership in a burial society or a product offered by a funeral home. A 2005 report estimated that approximately six million people were members of burial societies.[6] However, many of these societies operate informally and may not be captured in formal datasets such as the ASISA funeral policy counts displayed in the table above.

Various sources indicate that between 40%[15] and 70%[6] of policyholders interviewed reported holding two or more funeral policies. These overlapping policies are not necessarily reflected in the ASISA-reported figure of 15.3 million funeral insurance policies. If we conservatively assume that each policy covers only one life and that 50% of policyholders hold two formal policies, a refined estimate suggests that approximately 11.475 million unique lives are covered—equating to about 18.2% of South Africa's total population.

However, this figure undoubtedly underrepresents the actual formal coverage, given the omission of group scheme lives (other than grouped individual business). The fact that multi-life policies exist, as well as the impact of policy lapses particularly related to NTU policies, may however temper coverage downward. However, this low estimate of 18.2% is very far away from the reported 48%[12] of South Africans covered. It is therefore possible that the 48%[12] coverage relates to coverage from both the informal and formal insurance providers. Even though this is a conservative estimate, it remains significantly higher than the 10%[16] population coverage associated with life insurance, as reported in a Financial Sector Conduct Authority (FSCA) survey.

1.2.3.1.2 New policies

The section above highlights that funeral insurance is one of the most widely held insurance products in South Africa. An analysis of ASISA data, between 1 January and 30 June 2024[14], revealed that it is also the most purchased product in terms of new business. Formal providers issued ~3 million (as seen in Table 2 above) new funeral policies, comprising 53% of all new individual insurance business during that period. These new policies accounted for 19.9% (as seen in Table 2 above) of the total number of funeral policies held at the beginning of the year, indicating a particularly strong growth trajectory within this segment. By comparison, new policies across all individual insurance lines made up only 13.7% of their respective starting counts, highlighting funeral cover as a key driver of new business in the insurance market.

One of the reasons for the high uptake of funeral products is that it is for low cover amounts, there is a true need for funeral cover, and it is relatively affordable compared to other types of insurance. Medical or financial underwriting of cover is generally not required.[17] This means that policies can be purchased without undergoing medical assessments or a financial needs analysis, all of which are usually requirements for purchase of other lines of insurance business. This low barrier-to-entry, together with the ease of purchasing policies online with a few clicks and verifications, and a true need for the product makes funeral insurance highly accessible and frequently bought.

However, the ease of purchase and low barriers to entry come with trade-offs. Funeral insurance is also the line of business with the highest lapse rates and poorest persistency rates.[13,14] Furthermore, because payouts are relatively small and are processed quickly, the product is also more vulnerable to fraud compared to other lines of insurance products.[14,18]

1.2.3.2 Informal funeral sector coverage

The Informal sector offers two broad types of funeral insurance products. The first comprises for profit products, typically sold by funeral parlours who seek to make profits from both the provision of their funeral services and the sale of cover. The second consists of not-for-profit products, some of which may not be direct-funeral products. These exist at a community level and consist of such schemes such as *stokvels*, which operate on a mutual aid basis and are often formed by members of the same community, church, or workplace.[6,19]

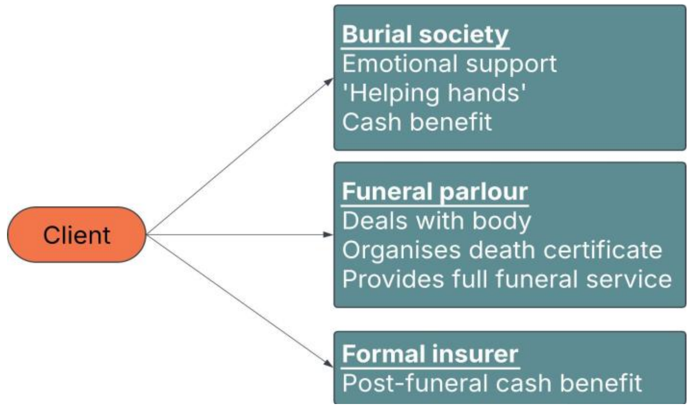
If we assume that approximately 18.2% (from section 1.2.3.1.1) of the population is covered through the formal sector, it is plausible that the reported 48%[12] funeral cover penetration includes 29.8% from the informal sector. A 2019 article suggests that 19% of the population belonged to a stokvel.[20] Additionally, it was reported that 54% of all informal savings were for funerals and burials.[21] This would equate to stokvels comprising about 10.3% of funeral coverage. It is therefore plausible that the remaining ~19.5%informal funeral coverage come from funeral homes and burial societies. It is also likely that there is some overlap, with individuals holding both formal and informal cover. Many people hold multiple funeral covers, which can lead to complications at claims stage—especially when regulatory limits (such as maximum allowable payouts without underwriting) are exceeded.

1.2.3.3 Burial Societies: An Alternative Model

Burial societies offer a community-based model of support where membership is generally inherited through families. Figure 3[6] below outlines the different roles of funeral parlours, formal insurers and burial societies. They do not provide insurance but rather function as informal financial cooperatives or risk-pooling services. They are seen as the "helping hands" and the support often includes:

- Emotional and physical assistance (e.g., preparing food, setting up the funeral)
- A bereavement cash benefit to cover costs not handled by funeral parlours (e.g., groceries, livestock)
- Simple processes typically only requiring the chairperson's involvement to activate support

Figure 3: The different roles of burial societies, funeral parlours and formal insurers in SA



1.2.3.4 Public sector coverage

Often, the general population is unsure of the benefits available to them from state-owned entities. There is no centralised source where citizens can access comprehensive information about these benefits. Some benefits are outlined in government gazettes, while others are mentioned on outdated websites.

In the public sector, social funeral cover is provided by some bodies but is often less direct and covers different types of subpopulations. There are schemes that cover the entire population, such as The Road Accident Fund (RAF) which provides compensation towards a funeral if a breadwinner passes away in a road accident. This benefit will cover any individual that travels by road, whether the individual was the driver or passenger, of their own vehicle or public transport. All road accidents that result in death are able to claim from RAF, meaning that the entire population is covered by this scheme.[22] Other schemes cover only a sub-population and are discussed below.

1.2.3.4.1 Public sector: working population

South Africa's employed population comprises approximately 17.1 million people. Of this total, 68.4%(11.7 million) are employed in the formal sector, 19.5% (3.3 million) are employed in the informal sector and the remaining 12.1% (2.1 million) are employed in private households and agricultural positons.[11] Those formally employed are generally covered by social insurance schemes, such as the Unemployment Insurance Fund (UIF) and Compensation for Occupational Injuries and Diseases (COIDA).

Although not traditional funeral insurance, the UIF offers a lump-sum dependency benefit to the family of a deceased contributor. The size of this benefit depends on the deceased member's annual calculated credit day benefit, which would have applied for a year if the member became unemployed, and is payable to the deceased's family.[11] Therefore this provides some death cover but the size of cover as well as the timing of payment is not similar to a funeral insurance policy.

The COIDA scheme provides a more traditional funeral benefit, whereby a government-gazetted funeral benefit of R20,797 per member death is paid. This benefit is payable if the member dies due to occupational injuries or occupational disease. Additionally, a widow(er)'s lumpsum is payable to the spouse or spouses, divided equally between multiple spouses where applicable. The surviving spouse may obtain a widow's pension benefit until death. The dependent children may also receive a pension benefit until they reach the age of 18, or upon earlier events such as emancipation, marriage, or death.[24,25]

In addition to these social insurance schemes for the formally employed, there are other benefits available to this sub-population depending on their memberships. Trade union memberships often include direct or indirect funeral cover from insurers or burial societies, either paid for from subscription fees or at additional affordable premium rates. Members of pension funds, such as some government employees, may have funeral cover through other arrangements, such as the funeral benefit component of the Government Employees Pension Fund (GEPF) which has a member base of over 1.267 million active members[27].

The benefits described above are only available to the formally employed subpopulation. People employed in the informal sector do not benefit from such social welfare insurance. This sub-population often earns above the poverty safety net but also cannot access the social insurance schemes provided to the formally employed. In some cases, segments of the informally employed, have access to social schemes, such as domestic workers who are required to be registered with the UIF and COID. However, for most informally employed individuals, funeral cover must be purchased independently, either from formal providers (which may be challenging under certain circumstances) or from informal providers, or both.[19,26]

1.2.3.4.2 Public sector: Other subpopulations

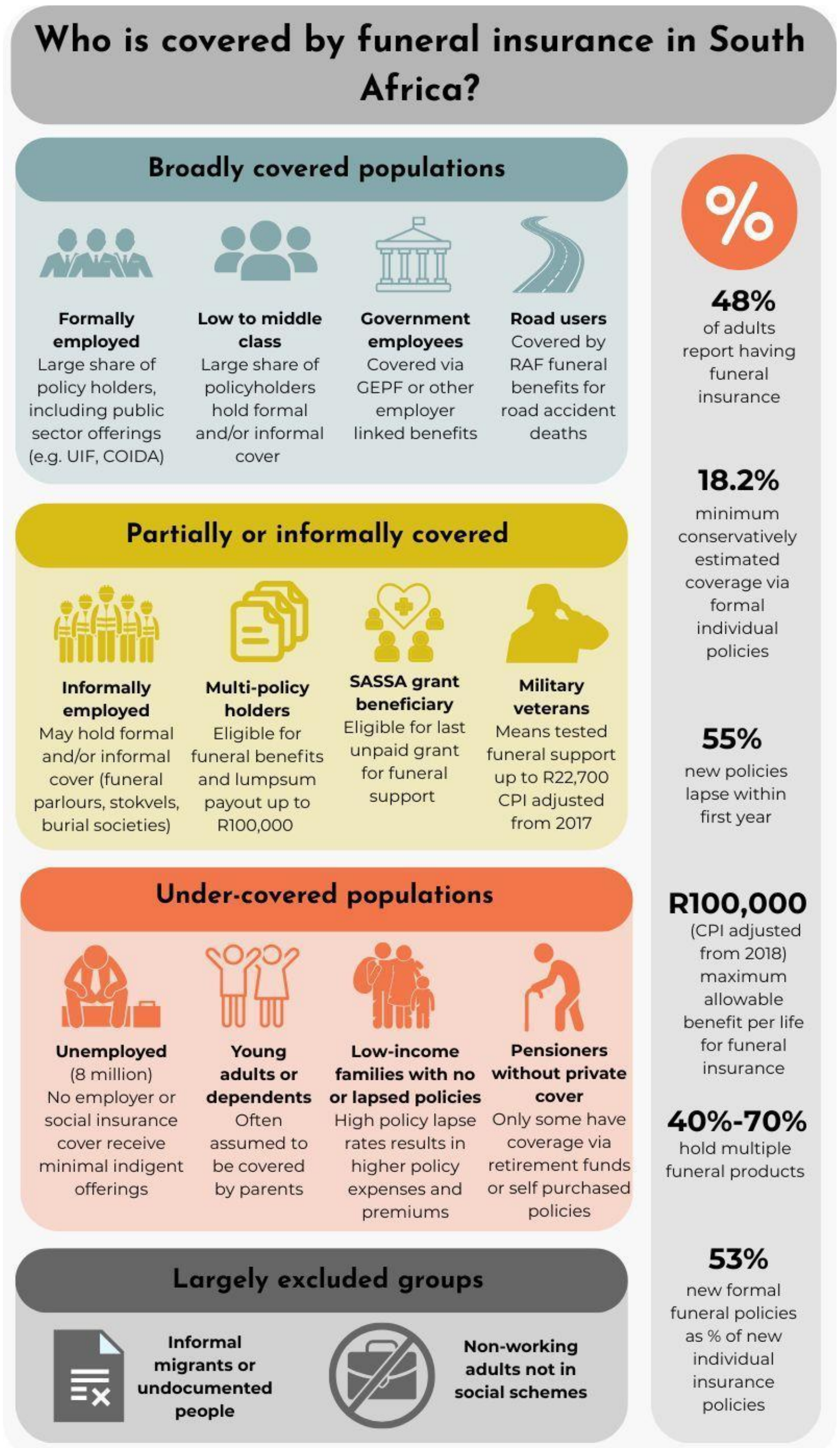
Other than the employed subpopulation, limited social insurance is available elsewhere.

For military veterans, dependents are entitled to support for burial or cremation services and the provision of a tombstone, up to a maximum of R22,700 (adjusted annually for CPI from 2017). This benefit is means-tested and is available to dependents where the household income, from both formal and informal employment, is less than R125,000 per annum.[28] South Africa currently has around 87,000[29] military veterans at present, the segment of these that earn below the mean test amount and therefore that would qualify for this benefit is difficult to estimate.

For families living below the poverty line and unable to afford a funeral, various municipalities offer an indigent burial benefit. To qualify, applicants must be unemployed (~8 million people[30]), receiving a child grant (~13 million children[31]), disability grant (~1 million adults in 2022[32]), or government pension, and must not have any insurance policies or other sources of income. The benefit typically includes body removal, post-mortem services (if the cause of death requires investigation), and the burial itself. Approved service providers, contracted by each municipality, deliver these services.[19]

The South African Social Security Agency (SASSA) offers an indirect form of funeral support. When a grant recipient (~45% of the population receives a grant[33]) passes away, their dependents are entitled to claim the member's last unpaid grant payment. This amount can assist the family with funeral-related expenses. The benefit is only available if the final grant payment remains unclaimed at the time of death.[34] Figure 4 provides a graphic summary of the funeral coverage and market gaps discussed above.

Figure 4: Infographic summarising funeral coverage in South Africa



1.3. Affordability Analysis

1.3.1 Cost of funerals

It has been noted, for this research, that the cost of a funeral in South Africa can vary widely. A brief exercise was done to estimate the range of funeral costs, as displayed in Table 4 below. Based on these estimated costs, funerals in South Africa tend to range between R10, 000 and R150, 000.

Table 4: Typical Funeral Costs in South Africa

Funeral Cost Category	Burial Cost	Cremation Cost
Burial plot	R2 000 – R20 000	n/a
Coffin	R500 – R50 000	urn R1 500– R5 000+
Cremation Service	n/a	R5 000 - R15 000
Undertaker	R4 000 - R10 000	R4 000 - R10 000
Concrete/Brick & Tombstone	R2 000 - R10 000	n/a
Venue, Catering, Flowers, Print	R2 000 – R35 000	R1 000 - R20 000
Repatriation	R5 000 – R20 000+	R10 000+

Cost indications were drawn from estimates from OUTsurance, Hippo insurance aggregator and OneLife Insurance and were supplemented from stakeholder interviews. Cremation is typically more affordable, with the total expected cost starting around R11,000. Burial costs are higher due to the plot, foundation and tombstone and typically start around R13,000.

1.3.2 Cost of funeral insurance relative to income levels

Many South African providers offer funeral cover starting between R10,000 and R15,000 of cover. Analysis of ASISA data for the calendar years 2022 and 2023, shows that the average lump sum funeral benefits paid out were R14,670 and R13,665 respectively (difference between years is likely driven by a small change in the mix of services). This suggests that, despite the wide range of cover levels available on the market, consumers usually opt for cover levels around R15,000.[39] If this reflects the actual cost of funerals, it is significantly higher than the 2025 national minimum wage of approximately R4,990 per month.[35] In this context, funeral insurance becomes a critical tool from an affordability perspective.

While risk-based pricing leads to higher monthly premiums for older and lower-income individuals ("poverty premium") in life insurance, the effects of the poverty premium are less pronounced in the funeral space. Most large formal funeral insurance products, including those sold through funeral homes, are primarily age-rated and structured around family composition, with little to no variation by sex or income. There are exceptions that were seen where some small insurers had many risk rating factors with an impact closer to the life insurance poverty premium dilemma. In many informal or community-based arrangements such as burial societies, flat premium structures are more frequent, often with age differences only between pensioners and non-pensioners.

As such, while the principle of the poverty premium is highly relevant in the broader insurance landscape, funeral insurance in South Africa exhibits limited signs of this inequity in pricing. Instead, affordability barriers may arise more from absolute premium levels and structural factors, such as product design, high costs of distribution, higher profit and expense margins, policy lapses, and administrative inefficiencies, than from discriminatory rating practices.

A recent analysis, based on the authors' own data collection and analysis, of roughly 2,500 funeral cover policy data points across 16 providers, was categorised by age, sex, cover amount, and monthly premium, and included a mix of Tier 1, Tier 2, and Tier 3 insurers. The dataset reflects a representation of the market: Tier 1 insurers (large institutions) account for approximately half of providers, while Tier 2 (mid-size) and Tier 3 (smaller or niche insurers) made up the rest, ensuring a cross-section of the market. This analysis showed that:

- Premiums for a R10,000 cover range from R7/month (married professional young adult) to over R200/month (individuals over 65).
- For many individuals below the upper poverty line (R1 634/month), even a R50 premium would represent 3% of their total income, a burden which is comparable to transport costs.
- By contrast, the same R50 premium represents just 0.2% of monthly income for a middle-class household earning R22,000/month.

In this context cross subsidies may be socially desirable since they help spread cost burdens more equitably across income and age groups, and would make funeral insurance more accessible, reducing the financial risk. Inclusive design in funeral insurance can ease the intergenerational and emotional toll of unaffordable funerals, particularly in communities where dignity in death is closely tied to family stature and cultural appropriateness.

Table 5: Average Premium, Sum Assured and Premium per R1000 Sum Assured (SA) by member type

		Avg Sum Assured (R)	Avg Monthly Premium (R)	Monthly Premium per R1 000 SA	% of Insurer Rate
Main member	Burial Society	50 000	215	4.3	126%
	Insurer	**39 362**	**122**	**3.4**	**100%**
	Union	29 941	113	2.7	80%
	Retailer	32 000	55	1.9	54%
	Bank	50 000	42	0.8	25%
	Total	33 597	116	3.0	87%
Main member + child	**Insurer**	**35 244**	**141**	**4.1**	**100%**
	Union	32 556	114	1.6	40%
	Total	34 176	134	3.1	76%
Main member + spouse	Burial Society	50 000	352	7.0	137%
	Insurer	**35 930**	**179**	**5.1**	**100%**
	Retailer	50 000	113	2.3	44%
	Bank	50 000	94	1.9	36%
	Total	36 556	178	5.0	98%
Main member + spouse + child	**Insurer**	**37 447**	**200**	**5.4**	**100%**
	Union	28 764	166	5.0	92%
	Retailer	23 750	109	5.0	93%
	Total	32 013	179	5.1	95%

The table above includes funeral cover benefits only and excludes any cashback benefits. From Table 5, it is evident that:

- Burial societies charge significantly more compared to other funeral cover providers. Considering cover for the Main Member only, despite offering a similar or even lower average sum assured compared to banks or insurers, burial societies have the highest premium rate per R1000 of cover, which is 26% higher than the baseline insurer premium rate per R1000 of cover. This suggests Burial societies may rely more on community trust or convenience than on price competitiveness. They also allow more flexibility in terms of how many premiums can be missed before cover lapses and thus also take on a bit more risk than other funeral cover providers.
- Banks offer the most cost-effective cover. With a premium of R42 for R50,000 cover, banks provide the cheapest funeral insurance, costing only 25% of the insurer premium rate per R1000 of cover. This pricing advantage likely reflects several factors: lower risk due to premium collection via bank debit orders, efficiencies gained through cross-selling with

other banking products, reduced distribution and administrative costs through digital channels, economies of scale, and potential customer selection effects. While banks do serve different demographic segments, ranging from mass-market to higher-income clients, the common features of formal banking relationships (such as stable payment mechanisms and lower collection risk) appear to be more influential in driving pricing outcomes than income segmentation alone.

- Retailers and unions provide moderate value. Retailers and unions offer mid-range affordability, but retailers edge out unions in cost-effectiveness. This could reflect the economies of scale and low cost of distribution at national retailers and suggests that partnerships with retailers may be a strategic opportunity to expand access to more affordable funeral cover. This is also essentially cross-selling for retailers who may already have credit facilities with their customer base and therefore there are discounts from distribution and administration.

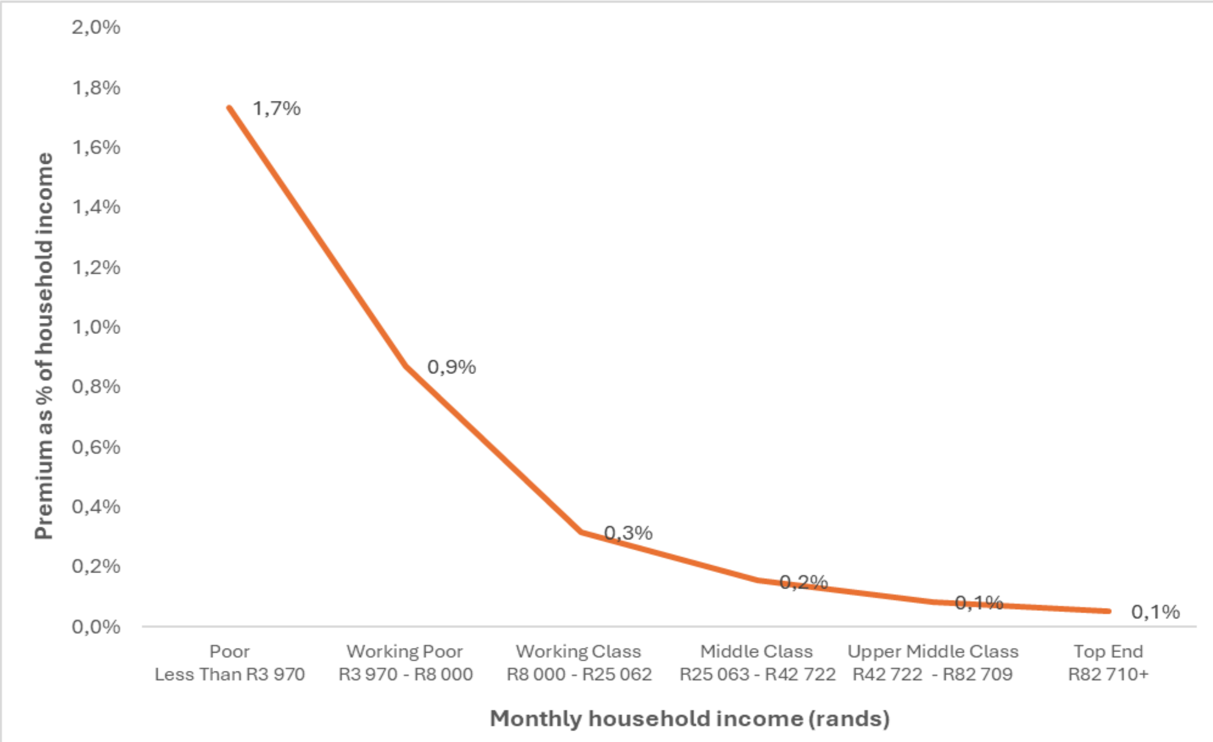
1.3.3 Wage differences impact premium affordability

The World Bank (2016) notes that microinsurance fails when monthly premiums exceed between 2% and 5% of monthly household income. Microinsurance is considered "affordable" when monthly premiums are less than 2% of monthly household income, with the range of 2%-5% being considered "moderately affordable." While it is difficult to understand the magnitude of the 2% - 5% of household income that would be applicable for funeral insurance only, where funeral premiums alone are near these levels, it indicates limited capacity for further coverage (life insurance and other insurance categories).

In-force premium and policy data from ASISA was used to provide an estimate of average insurance premium size. Individual funeral risk policies equated to premiums of ~R249 for individual policies and R155 for grouped individual policies for 30 June 2024. If we assume that a living wage is at least R6,350 per month, then this average premium equates to 4% of that living wage. If 2-5% of household income is used as a yardstick for affordable insurance premiums, and 4% is used for funeral insurance only, then it is likely that additional insurance cover will go beyond this yardstick. For a family living below or near the poverty line, ~R250 could buy staple groceries for the week, or pay for weekly work transport so it is understandable why premiums may be skipped or policies lapse in times of financial hardship.

Given the data used in this analysis, a Main Member would pay R52 per month for funeral cover of R15 000. Figure 5 below shows this monthly premium as a percentage of household income quintiles.

Figure 5: Average monthly funeral premium as a % of household income



For households earning the national minimum wage (~R4,990 per month), a R52 funeral insurance premium represents just over 1% of income. While this may seem small, the burden becomes more visible when considering those in the lowest income brackets, where even modest expenses compete with essentials like food and transport.

For a domestic worker, earning around R3,200 a month, the same premium accounts for roughly 1.6% of income. For a household earning R6,500, R52 funeral premium represents 0.8%, and for a middle-income family earning R15,000 or more, it drops below 0.4%.

Despite the squeeze on low-income households, funeral cover remains a high priority, largely due to cultural expectations around burial and the significant costs involved, which often exceed R10,000. This helps explain why, even in financial hardship, many families stretch to maintain their policies, though lapses are common when trade-offs become unavoidable.

1.4. Profitability of Funeral and Microinsurance in SA

1.4.1 Context

It is important to understand the underlying cost dynamics of funeral insurance when considering the feasibility of a NFI scheme. Any NFI scheme would need to hold a balance between affordability and long-term financial sustainability. By considering profit margins currently observed in the market, policymakers can identify the extent to which administrative efficiencies, collective risk pooling, or alternative distribution models could lead to savings from efficiencies and create room for an NFI fund without undermining solvency or quality of the service.

The provision of funeral cover occupies a unique space between formal insurance and community-based risk sharing. A profitability analysis can aid in exposing excessive mark-ups, hidden fees, or structural inefficiencies that may disproportionately affect low-income households. It also offers insight into whether existing market practices align with the principles of fair pricing and consumer protection.

The importance of this analysis becomes even clearer when viewed from a household budgeting perspective. Investigating the relationship between premium levels, actual claim costs, and insurer profit margins is thus essential to determine whether current products enhance or erode the financial resilience of those they aim to protect.

1.4.2 Methodology and Assumptions

Traditionally, profitability is assessed as:

Net Profit = Premiums (Less Lapses) – Expected Claims – Admin & Distribution Costs

Profit Margin = Net Profit / Premium

Considering the scarce transparency around cost structures, this high-level analysis concentrates on the relationship between premium income and the underlying pure risk cost, defined as the expected claims burden.

Table 6: Notes on Key Assumptions

Assumption	Notes
Mortality incidence	The SA85-90 curve was adjusted to allow for the recent CSI mortality investigation estimates
Distribution	Distribution costs vary between providers and are high upfront; Most providers also have ongoing commission
Administration	The cost of administration will need to be considered for each provider and usually ranges between 10% and 25%
Lapses	First-year lapse rate range: 20 – 50% (industry average ~32 %).

Because data to substantiate these elements are very limited, comparing expected claims directly with premium income was thought to offer the most reliable basis for our assessment.

Expected annual claims were calculated by applying age- and sex-specific mortality rates to typical cover amounts. This estimate serves as a proxy for the underlying pure risk cost—essentially the baseline required to fund claims in the absence of profit or overhead.

Expected Annual Claims Cost = Cover Amount × Mortality Rate

Actuarial Mortality Rates (q_x): Typically, underwritten business prices using q_x values taken from actuarial mortality curves. In this analysis, the SA85-90 curve, adjusted to allow for the recent CSI mortality investigations. The value for males between ages 30 – 39 years is approximately 1.3 deaths per 1000 lives.

Crude Mortality Rates (m_x): According to Stats SA there are approximately 4.7 deaths per 1 000 for ages 30–39. This is a central death rate m_x = deaths/exposed population and is population-weighted across the entire age band.

Table 7: Key Metrics from Funeral Insurance for age band 30-40 years for R30 000 Sum Assured

Provider Type	Monthly Premium per R1000 SA	Annual Premium per R1000 SA	Expected Annual Claims Range per R1000 SA	Claims/ Premiums % Range
Burial Society	4.3	51.6	1.3 – 4.7	3% - 9%
Insurer	3.4	40.9	1.3 – 4.7	3%-12%
Union	2.7	32.8	1.3 – 4.7	5%-15%
Retailer	1.9	22.3	1.3 – 4.7	5%-20%
Bank	0.8	10.1	1.3 – 4.7	15%-50%

This table is purely indicative and not intended to be used for pricing purposes. The claims figures reflect an expected mortality range.

Section 2: Methodology

2.1 Aims and objectives

The primary aim of this work was to conduct research that will flesh out the supporting data and analysis for the consideration of a National Funeral Insurance (NFI) for South Africa. This research will assess the viability of such a scheme and consider policy design aspects such as pooling, size and shape and service delivery.

The objectives were to:

- Conduct a situational analysis of existing funeral or microinsurance cover in South Africa
- Research appropriate cover levels, benefit design and claims processes
- Assess the profitability of funeral and microinsurance in South Africa and its impact on affordability
- Understand the importance and relevance of funeral insurance for the South African population

This work relied on a mixed methods approach. The quantitative data was collated from publically available data and analysed using traditional actuarial methods of analysis, as described in the section below. The method has been described in the prior section on Profitability as this is a sub-component of the overall methodology. Qualitative data was collected through in-depth interviews and extensive desktop research. The interviews included three participants: a funeral insurance executive (an actuary), a service provider (the director of a funeral parlour) and an end-user (the daughter of someone who passed away who had funeral insurance through a funeral home).

2.1.1 Quantitative data

2.1.1.1 Cover and Premium Data

We assembled a bottom-up dataset of market premium and cover figures from a representative cross-section of South African funeral-cover providers. Mortality inputs were drawn from publicly available age- and sex-specific rates. Providers included in the analysis are listed below.

Table 8: Providers Included in the Data Point Analysis

Provider types	Provider names
Insurers	Assupol, Discovery, Old Mutual, Hollard, KingPrice, Liberty, Doves African Unity Life
Banks	Capitec, Standard Bank
Funeral homes	Icebolethu, Avbob mutual assurance society*

Provider types	Provider names
Retailers	DSTV, Vodacom
Public sector offering	PSA, NEHAWU-MHA

2.1.1.2 Mortality Data

Publicly available mortality rates were used. The base curve used was SA85–90. Adjustments were made for more recent mortality investigations (e.g. updated CSI mortality estimates) to make it more relevant.

2.1.2 Qualitative data

As mentioned, the qualitative data was derived from three in-depth interviews conducted with three core role players in the industry (funder, provider and end-user). Findings were analysed both inductively (to discover new themes) and deductively (to answer specific questions) following traditional qualitative thematic analysis. The dataset was small, so analysis was done manually on Microsoft Word^{TM}.

The team also undertook a desktop review of published and grey literature to inform Section 1 of this report as well as the existing policy design and exploring a NFI sections. The qualitative findings therefore assisted the researchers to answer the aims and objectives of this research.

Section 3: Data analysis and findings

3.1 Quantitative data

A comparison of annual premiums across provider types reveals that the expected claims cost comprises only a small portion of the total funeral policy premium. This is not unusual in insurance pricing, where considerable margins are built in to cover the real costs of doing business. Distribution costs, particularly high in the first year, can account for between 30% and 50% of the first-year premium. In addition, insurers must factor in reserve margins, operational expenses, and profit. These are necessary components for the sustainability of any insurance model.

It is also important to note that assumptions will differ by provider type. For example, policies sold through burial societies may experience significantly higher mortality rates than those underwritten by formal insurers or distributed through banks. This variation influences both pricing and the extent of margins required.

Another way to understand profitability of funeral insurance, is to analyse the embedded value (EV), value of new business (VNB), and return on embedded value (ROEV) from the financial statements of insurers. The VNB margin is the Value of New Business expressed as a proportion of the Present Value of New Business Premiums.

Below is a summary of these metrics for Assupol, Clientèle, and Old Mutual's Mass and Foundation Cluster (MFC), based on their 2023 financial reports. Some key profitability metrics include:

- Clientele has an Embedded Value (EV) of R5.89 billion, Value of New Business (VNB) and a VNB Margin of 4.8%
- Assupol reports a Return on EV of 6.5%
- Old Mutual Mass and Foundation Cluster (MFC), which represents their funeral business has a VNB of R1 190 million, VNB Margin of 9% and a Return on EV of 11.2%

The above analysis is based on publicly available data. For a comprehensive profitability assessment, more detailed studies and access to proprietary data would be required.

The above analysis demonstrates that funeral insurance products in South Africa are generally profitable, although margins vary significantly across provider types. Notably, banks appear to operate with greater efficiency and cost-effectiveness in delivering funeral cover, while burial societies tend to charge higher premiums relative to the sum assured.

Several factors drive these differences in profitability, including:

- **Distribution Channels:** Banks leverage existing customer relationships and cross-sell funeral cover to clients who have already been vetted through processes such as FICA compliance and credit assessments. This reduces customer acquisition costs and administrative overhead compared to insurers, who often rely on brokers or direct sales forces.

- **Payment Mechanisms:** Banks typically use debit orders, which carry a lower risk of premium default compared to cash-based or ad-hoc collection methods commonly used by burial societies. This improves persistency and cash flow management.
- **Administrative Efficiencies**: The shorter cash flow journey and lower handling costs within banks' existing financial ecosystems contribute to lower operational expenses, freeing up margins for profitability.
- **Risk Knowledge and Pricing:** Banks possess detailed risk data on their existing clients across multiple product lines, such as loans, savings, and transaction accounts. This enables them to price funeral cover more accurately, potentially applying implicit or explicit risk-rated premiums based on their internal population data—a competitive advantage not always available to standalone insurers or informal providers.

In contrast, burial societies often lack access to risk data, face higher collection and administration costs, and operate in less formal structures, which can contribute to higher premiums and variable product quality.

For a publicly backed NFI, it is important to understand these market dynamics to balance affordability, accessibility and financial sustainability. Insights from the private sector—particularly the efficiency gains observed in bank-distributed funeral cover—can inform the design of a streamlined, cost-effective model that maximises consumer value and reduces systemic inefficiencies in the funeral insurance market.

3.2 Qualitative data

3.2.1 General landscape of funeral insurance in South Africa

The funeral insurance sector in South Africa, although regulated by the Insurance Act, is largely unmonitored in the informal sector. Although regulations are in place, on-the-ground practices in the in-formal sector rarely adhere to these regulations. One participant mentioned many "horror stories" about how unprofessional personnel function in the informal sector space.

Participants spoke about the demographic of clients who are most likely to purchase funeral insurance. They found that most of their clientele were from a low to middle income bracket who realise that they are unlikely to have disposable income at the time of their loved one's death. An older person with no other family support is likely to opt for a more basic cover, whereas larger families who live together will opt for a more expensive package and may feel obligated to care for their parents. Participants also spoke about how lower income earners usually require more elaborate funerals, which aligns with what was found in the literature. They are also likely to have more than one type of funeral cover. One participant explained the reasoning for this, which is that the various 'schemes' pay out at different times and clients need the cash flow at different points.

"And there's different reasons for it... you would have people [belonging] to a burial society, and they could have a policy with an undertaker or a funeral parlour as well. And then on top of that, they could also have cover with an insurer... because what you would find there's a lot of trust... in

the burial society because... the closest of proximity from the client to the burial society... So that amount would pay out immediately and that would, for instance, be available for costs incurred leading up to the funeral. Then you might have a policy with the ... funeral parlour or the undertaker, and what they very much also specialize in, is... whatever happens on the day of the funeral. So, putting out the chairs, the food, the cows, the tombstone... and the casket... So that takes away... needing to organize all those things... And then there's the policy with the insurance providers, and sometimes there are delays." - Actuary

All three participants spoke about the importance of the community throughout the process.

When it comes to burial societies these are administered by community leaders because of the trust established within communities.

"It's a very much a community-based thing... So, for instance, let's say the funeral is on a Saturday, so during the week there would be people coming in and out of your home, just coming to... show support as such... And then on the Friday or on the Saturday, you would have your closest people coming in helping to chop all the food and all of that so It's not about just giving people money... That sense of community is also strong because it's... your people." - Actuary

3.2.2 Product offerings and administration

All participants spoke about how funeral insurance products range from basic individual policies to more elaborate offerings. Brokers or funeral parlour agents act as intermediaries between the families and the service providers. One participant, spoke about the administrative need that she experienced when organising her mother's funeral. She mentioned how the funeral parlour had not yet been onsite on the day of her funeral and were calling her asking her for directions. She found this extremely stressful. She also spoke about the administrative support needed for certification at the Department of Home Affairs - which she wasn't aware of and seems crucial to ensure certain procedures are followed.

"And they actually helped me with some of the papers... because I think there's one form They said, "Yoh, you're not supposed to actually open it. It's confidential. Just make sure it's closed... when you hand it in... Because once they see that it's open, it's confidential, then... they will decline. They will decline you." - End user

The participant from the funeral parlour described the basic package that they provide which includes body removal, preparation and dressing, supply of a basic coffin, family car and hearse, basic flowers for the coffin and a cremation or cemetery fee, which is capped at R2,000. The participant who lost her mother, also lost her uncle and was responsible for his funeral. She emphasised the importance of knowing exactly what a certain package entails, and described how when she lost her uncle, the coffin provided, as part of the basic package, was not suitable for him. Additionally, there was no cover for the mortuary fees.

"On the one that was actually chosen, so you've paid up. But now, we are sitting with... a very small casket. Now, it means you have to add on more money for you to get a bigger one. So, again, you might think you are covered, but not covered, so you still need that extra cash." - End user

“So... he died in hospital. So...You need money to get him out of the hospital... But now it means that person needs cash. Hard cash that amounted to 50,000. So, obviously, my mum now had to pay for ... the body to get out of the hospital, which the children didn't have. And obviously now is the mortuary... for him to stay there for those 5 days. It's costly, it's money.” - End user

This participant described how this experience prepared her for her mother’s death. They were able to take out extra cover to ensure that her mother’s wishes were granted, and that they had no out-of-pocket expenses for her mother’s funeral.

“So, with mom, lucky enough... that experience kind of prepared me... for the next, to say, you know what, actually, things are just so expensive. We had to review the covers that we have.” - End user

An important part of product offerings is being able to meet the needs of the diverse cultures in South Africa. Many families require dignified funerals, and this looks different in each culture. This makes a national scheme challenging to implement because of the diversity in the population.

“I think for me it really talks about respecting the culture as a starting point. Because having a dignified funeral is something that's important for our clientele.” - Actuary

3.2.3 Participants concerns around a national funeral insurance

All three participants mentioned their concerns around the regulation of a national funeral insurance scheme.

“So, my main concern is that people who really need it will not get it... It sounds jaded, but it always would be... pillaged... Instead of it going to the people that need. And that's my concern.” - Service provider

“It mustn't be exhausted in the wrong manner. That's just my hope here, because... obviously people... can use it in different ways for their own benefits.” - End user

One participant had a much broader concern. He described how challenges relating to the funeral sector are part of a wider, systemic issue. He felt that the solution must lie within a “long-term” strategy that must include financial education.

“There is, in this country, a problem when it comes to education in general. And then we talk about financial education as well. So, you can make better financial decisions if you have the relevant tools or knowledge available.” - Actuary

“But what specific part of it is this trying to... address because just putting another scheme out there isn't... going to change the underlying problem. It's going to be like a plaster to a gunshot wound... I don't see this as something that's a quick fix... At all because there's underlying systemic problems in our country that's resulting in these things as well and it's not an easy problem to fix at a high level. You need to fix it at grassroots level and that means being intentional, being slow.” - Actuary

3.2.4 Potential solutions

Because these types of insurance are rooted in the community, one participant spoke about how a national funeral insurance should remain rooted in the community to ensure accountability and prevent mismanagement of funds.

Yes, I think I won't have any reservations if it is an organization that is recognized in the sense that they're community based, and they have... people in the community [who] have faith that [to] go to them. - Service provider

Participants also spoke about the role of education and how this looks different in different socioeconomic spaces. One participant, as mentioned above, spoke about the need for financial education and how gaps in the funeral insurance space must go hand-in-hand with this. Another participant spoke about the need for general education around death, funerals, what needs to happen and what types of policies are out there. The population is largely unaware of what type of administrative, emotional and financial support they are likely to require. Any solution should incorporate information sharing on these topics so that all people are able to make informed decisions to ensure dignified funerals for their loved ones.

Section 4: Existing policy design

4.1 Existing Policy Design

It is important to understand the average product specifications of funeral insurance policies currently available and bought in the South African market. These specifications are crafted by a combination of cover and benefits needed, as well as affordability constraints.

For the development of an NFI Scheme, it is important to understand the nuances of the typical benefits and features that are bought by existing policyholders. This insight can be used to inform the design of a solution that is both relevant and accessible to the population it aims to serve.

Typical Services Offered by Funeral Parlours Include:

- Body storage and preparation
- Coffin provision
- Hearse and family car rentals
- Floral arrangements
- Church and gravesite decorations
- Rental of tents, chairs, and portable toilets
- Printed programmes, catering, and tableware
- Livestreaming or video recording of services

The analysis that follows draws on product offerings from a broad range of providers across the public and private sectors. The sections below detail the common product structures observed across the providers discussed in section 1.2.

4.1.1 Ages at entry

Based on our funeral provider research, all product providers set the minimum entry age for main policyholders at 18 years. Dependents, however, may be covered from any age, with some exceptions applying to older adult dependents. The maximum age at entry is typically 65, though very few providers extend this limit to 70 or even 80 years. Individuals who fall outside these entry age limits are not eligible to purchase new funeral cover.

4.1.2 Cover levels

Cover levels for funeral policies vary significantly across provider types, often reflecting their customer base and distribution channels. Insurers typically offer the highest cover levels, with options ranging from R10,000 up to R100,000 per life assured. While the minimum offering generally starts around R10,000, increments are often available in multiples of R10,000. Our research showed that many insurers capped their offerings at around R70,000 - R80,000.

Banks tend to advertise cover levels relative to the income levels of their customer base and may cap their offerings around R50,000 or R100,000, depending on the segment they serve. Retailers usually operate at the lower end of the spectrum, providing cover between R5,000 and R50,000. In some instances, retailers offer funeral cover as a loyalty benefit, for customers who meet certain criteria. Shoprite Checkers offers grocery-linked benefits of R4,500 on the death of a customer.[36] MTN launched a free cover initiative, Funeral Khava, which offered free cover of R5,000 for subscribers that met certain criteria, which has since transitioned into a paid option for contract subscribers.[37] Vodacom, offers a paid funeral product yet also offer cover in the form of discounted data, and airtime as an added extra.[38]

Analysis of the ASISA data for the calendar year 2022 and 2023, show that the average lump sum funeral benefits paid out were R14,670 and R13,665 respectively (the difference between years is likely driven by a small change in the mix of services). This suggests that, despite the wide range of cover levels available on the market, consumers usually opt for cover levels between R10,000 and closer to R15,000.[39]

Another common benefit observed across providers is that the cover level for death due to unnatural causes or accidents are often higher than death from natural causes. Some providers include this offering in their standard product while others provide this as an optional top up benefit. Often the cover amount is twice the size of cover for natural causes. Sometimes referred to as a "double accident benefit", this benefit is appealing as the additional premium is marginal due to the low probability of its occurrence. However, it is quite beneficial for families as accidental deaths tend to be more financially and emotionally disruptive, often requiring urgent arrangements such as travel and body repatriation, making the higher payout especially valuable.

The differences in cover levels may be influenced by several factors. These include regulatory limits imposed on main policyholders. These also include restrictions on the cover that can be provided to spouses and children in relation to the main policyholder's cover, as well as strategic choices by providers to avoid regulatory breaches if clients hold multiple policies. For example, regulations stipulate that spouses cannot be insured for more than 100% of the main member's cover amount, and children are subject to age-based maximum benefit caps, as previously discussed.

Unlike insurers and banks, funeral homes and burial societies tend to offer indemnity-based products or bundle specific services rather than lump-sum payouts. Depending on the core product as well as added services purchased, these services often span the full funeral process. Services from logistical support and family accommodation before the event, to funeral ceremony arrangements, and post-funeral hospitality are sometimes covered. The base service package typically includes the repatriation of the body, assistance with administrative tasks such as obtaining a death certificate, and organising the ceremony. At the ceremony itself, services might include the provision of a hearse and cemetery arrangements. Post-ceremony services can also extend to hospitality of the guest post the funeral service. Cremation funeral cover usually provides a lower total benefit value and therefore cheaper monthly premiums.

A mid-tier example from the Doves group, called Majesty Burial plan, provided the following benefits, valued at a cost of R85,000:

- **General benefits:** Collection of the deceased, Storage of the deceased (up to 14 days), Washing and beautification, hearse, registration of the death, transportation of the deceased within SA borders, a casket, Coffin spray, grave markers, 100 funeral programmes, an enlarged photo and hiring of 2 family cars

- **Cemetery benefits:** Graveside tent and chairs, carpets and spade, decorative material, lowering device, bag of petals, 24 x water/juice, sound system
- **Home:** Two pole tent, 100 chairs, 100 plates, 100 spoons, 1 gas stove, 4 cooking pots, 4 tables and tablecloths[40]

In the public sector, as mentioned above, cover is more limited and focused on covering essential costs. The support offered may take the form of a lump sum funeral benefit, such as those provided under COID, RAF, or the GEPF, or indirect financial assistance following a death, as seen with the UIF's dependent benefit.

In some cases, indemnity-based funeral cover is made available to specific groups, including military veterans and individuals qualifying for indigent burial schemes. While these benefits provide important support, they are generally modest in value and intended to meet immediate funeral needs rather than offer comprehensive financial protection.

4.1.2.1 Indigent burial schemes

Constitutionally, local municipalities are required to provide burial or cremation services for destitute or indigent people who die in South Africa (often referred to as an indigent or pauper burials). Examples of policy documents governing the current operation and management of these services in many local municipalities[45] reveal that access is subject to strictly defined affordability criteria, which determine whether an individual qualifies for the benefit. Most policy documentation states that a person only qualifies for a "pauper burial" if their household has less than the sum of two SASSA grants as income. This is a low threshold, and many South Africans, despite their real income poverty, would not qualify for this benefit.

The indigent burial benefit is also very limited, with some of the most pertinent rules being:

- The deceased may be buried or cremated depending on family's wishes
- In the case of burial, the Government is allowed to put another (unrelated) deceased person in the same gravesite after 5 years
- Family are prohibited from erecting any tombstones or memorials (if they do, they must reimburse the State for the entire costs of the burial/cremation)
- Family are not allowed to hold any memorial service or event (if they do, they must reimburse the State for the entire costs of the burial/cremation)

One can understand the rationale behind such limitations given the costs. However, the above restrictions and limitations in cover does not really afford families who can't afford a funeral with the dignity required as cover that includes a tombstone and individual graves might have.

4.1.3 Cover escalation

Lump sum funeral cover benefits may either remain fixed or increase annually at a predetermined rate, depending on the product structure selected at the time the policy is taken out. The default rate of annual cover escalation varies by provider. In one instance, where we had access to one of the largest tier 2 insurance provider's policy documentation, the default annual increase in cover was noted to be 6%.

In contrast, indemnity-based funeral cover tends to provide a comprehensive set of services aligned to up to date market rates, effectively escalating in value as service costs rise. However, the terms and conditions agreed to should be stipulated at the policy commencement.

State-provided funeral benefits, where applicable, are generally adjusted each year in line with government gazetted updates.

4.1.4 Premium Structures

4.1.4.1 Premium Frequency, payment methods and amounts

Most funeral policies advertised and sold in South Africa have a monthly premium payment frequency. An analysis of the ASISA statistics shows that at the end of June 2024, monthly premium funeral policies comprised 99.8% (15,279,000 of 15,309,460 policies) of all individual and grouped individual funeral policies sold. While single premium options do exist, they are rarely advertised and are likely unaffordable for the average South African consumer. As a result, single premium policies make up just 0.2% of the total individual and grouped individual funeral insurance policies.

The table below displays the average premiums rates of different types of providers researched.

Table 9: A comparison of monthly premium rates per funeral provider for R50,000 Sum Assured

Funeral cover provider	Average premiums per month		As a proportion of insurer premiums	
	30-year-old main member	30-year-old with spouse	30-year-old main member	30-year-old with spouse
Insurer	R91,64	R142,86	100%	100%
Bank	R21,07	R93,61	23%	66%
Funeral Homes	R107,50	R261,00	117%	183%
Retailer	R80,00	R156,00	87%	109%

It is evident that providers with direct access to consumers' bank accounts have much lower premiums. Banks and retailers, such as mobile network providers charge the lowest premiums especially for covering main members, followed by retailers such as DSTV and then insurers. While these entities are generally not the underwriters of the benefits, they often act as distribution and premium-collection partners to licensed insurers, enabling negotiated rates driven by lower administration costs, improved premium persistency, and reduced collection risk. This is unsurprising, as the lowest-risk method of premium collection is via debit order (as well as payroll deduction), a channel to which banks and many retailers already have seamless access. Other providers rely on manual payment, which is much riskier, such as via a monthly bank deposit and some providers even allow collection of premiums at various retail outlets.

While not immediately visible in the table above, well-established long-term insurance companies (Tier 1) typically apply age-rated pricing to their products, starting with lower premiums at younger ages and increasing as the policyholder ages. As a result, their premiums are comparatively cheaper for younger individuals. However, in the case of age-rated individual funeral business, premiums tend to increase materially from around ages 40 to 50 and upwards, resulting in some of the highest premiums in the market. This is less pronounced for products priced on a broad age-banded, group-style basis.

In contrast, many other providers adopt a flat premium structure based on the type of family member covered rather than age. Funeral homes, whether offering in-house cover or policies underwritten by insurers, generally have higher premiums. These products are often indemnity-based, meaning they cover the actual cost of funeral services rather than paying out a lump sum.

It is also worth noting that many insurers enforce a minimum premium threshold. If the calculated premium (based on the selected product features and rating factors) falls below this minimum, the policy cannot be issued. In such cases, the applicant would need to either increase the cover amount or add additional benefits to meet the required minimum premium level.

4.1.4.2 Premium escalation

It is difficult to gauge the average annual premium escalation percentage taken from ASISA data or from research. Premiums generally escalate annually but in the online applications, it is not clear what the default premium increase is. The premium escalations are generally visible once one formally signs up to buy a policy. Only one or two platforms demonstrate the exact increase in premiums and cover chosen for the policies and these increases were typically in the range of 3% - 10% per annum. A policy document for a tier 2 funeral insurer showed a default premium increase of 10% per annum.

4.1.4.3 Premium payment flexibility

Flexibility in payment terms is often required for individuals in the low-income segments. This is particularly applicable for those employed in the informal sector, which comprised 19.5% of the employed population at the end of 2024[30]. Income can be irregular and cash flow timing can be unpredictable within this subpopulation[41], therefore making it difficult to pay regular set monthly premiums is difficult for this subpopulation.

In most formal funeral cover setting, there is not much flexibility with premiums and policies are usually discontinued or lapsed after 2 or 3 months of not receiving a premium. Informal burial societies offer much more premium flexibility due to it being a community service that is less formal.

4.1.4.4 Premium rating factors

Premium rating factors are primarily used by insurers, while other providers, such as funeral homes, burial societies and retailers tend to offer flat premium structures regardless of individual risk factors. Among insurers, the rating approach is typically straightforward. Funeral insurance premiums have much less rating factors compared to their life insurance counterparts. Premiums are generally based age of the insured, the level of cover selected (including any optional top-ups), and the relationship of the insured to the policyholder (e.g. main member, spouse, or child).

Very few insurers (Tier 3 and few tier 2) include slightly more complex rating models for funeral business that consider additional premium rating factors such as actual age, sex, education level, and marital status. In such cases, as expected, in products where rating factors are applied, sub-populations with a higher likelihood of earlier death are charged higher premiums. Premiums tend to be lower for females, as well as for individuals with tertiary education. Interestingly, there is typically no distinction in premium pricing between individuals with or without a matric qualification and lower premiums only apply once tertiary education is indicated. Married individuals are also usually charged lower premiums. Notably, we did not observe smoker status as a premium rating factor, nor were affordability questions, or lifestyle assessments used as underwriting criteria.

4.1.4.5 Waiting Periods

Our research shows that funeral policies generally impose a waiting period of between 6 and 12 months for deaths from natural causes. This waiting period is intended to prevent individuals from buying cover only once they are ill and anticipating death soon.

In contrast, deaths resulting from unnatural causes or accidents typically carry no waiting period.

Suicide-related deaths usually have a longer waiting period, often between 12 and 24 months depending on the provider, to deter individuals from taking out policies while experiencing suicidal intentions.[18]

4.1.4.6 Family Cover Options

Public sector funeral cover offerings typically only extend to the member of the scheme (main member), such as in the case of the COIDA benefit, which additionally is only paid when death occurs at the workplace.

However, private providers allow a wide range of dependents that can be covered. Lives allowed cover range from main member only, immediate family only or up to 21 dependents of the main member. Some products permit cover for multiple spouses and extended family members. Coverage beyond the nuclear family is often structured as optional add-ons or top-ups, suggesting that the most commonly purchased products focus on the main member, and potentially include a spouse and children. Children are generally covered up to age 18, or up to ages 21-26, if they are full-time students.

Some trade union policies specify that no more than one spouse may be covered and often impose limits on the number of children that can be included.

4.1.5 Claims Process

The claims process of formal funeral insurance products is strictly regulated. A standard set of documentation is stipulated by various funeral insurers for submission of claims, such as:

- A completed claim form
- Certified copies of the valid ID documents of both the claimant and life insured
- The original death certificate (DHA 5)
- Registration of death form (DHA 1663)
- A bank statement of the claimant reflecting the account holder's name and account number
- A police report in cases of death due to unnatural causes
- Any other documentation reasonably requested by the funeral cover provider

In terms of regulatory requirements, claims must be submitted within a prescribed time frame, often within twelve months of the death. Once all required documentation is received by the insurer, the claim must be assessed, validated and a decision on the outcome of the claim reached within 48 hours of receipt of the relevant documents. Most funeral insurers promise payment as well within these 48 hours.

All formal funeral insurance products must be underwritten by a licensed insurer and are therefore subject to the regulatory framework outlined in section 1.2.1 above. In contrast, providers offering informal funeral cover, such as burial societies, stokvels, or those operating under a microinsurance exemption, are not bound by the same claims processes or timelines.

4.1.6 Distribution channels

Funeral policies can be sold either directly to customers or through intermediaries. Brokers, often in the form of funeral parlours, religious organisations, and burial societies, remain the dominant distribution channel in the funeral insurance market. However, direct-to-consumer business is growing, largely due to the affordability benefits of bypassing intermediary costs. The simplicity of funeral products makes them well-suited to direct sales channels. Cover levels are generally low and easy to understand, and the public is familiar with the purpose and value of funeral insurance.

4.1.7 Fraud and non-disclosure

Funeral insurance, due to its low cover levels requiring no medical or financial underwriting, and fast payment of claims[42], is unfortunately highly vulnerable to fraud. An analysis of ASISA statistics shows that 76% of fraud incidents reported for insurance products arose from funeral insurance in 2023 (3,133 fraud incidents reported for funeral cover of 4,130 incidents for all insurance products in 2023).[43] It resulted in an actual loss of R22m which accounts for 31.5% of total fraud loss from insurance business. To put this into perspective, if R22m was used to fund low cover funeral insurance products of R15,000 cover costing R50 for a main member only (R600 per year), ~36 667 people (0.06% of the population) would have been able to be provided funeral insurance cover for the year.

The province that accounted for the most fraud incidents in 2023 was Kwa-Zulu Natal (61.6% of cases). Non digital fraud significantly surpassed digital fraud in 2023, where digital fraud was reportedly 5% the size of non-digital fraud.[43]

ASISA has reported alarming instances of funeral insurance fraud, where individuals and syndicates have gone to extreme lengths to secure illegal funeral insurance payouts. In some cases, families have staged accidents after natural deaths to bypass waiting periods and access a double accident benefit. Criminal networks, often in collusion with mortuary staff, have used unclaimed bodies to claim against fraudulently obtained policies. These scams sometimes begin with fake documentation and involve insuring non-existent individuals or exploiting vulnerable people, such as substance users from poor communities, under false job offers to access their personal information. In one particularly disturbing case reported, an attempt at murder was made on an insured person to activate a claim. These acts raise serious ethical concerns. They also pose a significant threat to the sustainability of the funeral insurance market. Rising fraudulent claims could drive up premiums and erode public trust in a product that offers essential financial relief during times of loss.[18]

4.1.8 Voluntary add-ons and Value-Added Products

Beyond the core funeral cover, many providers offer optional complementary benefits known as Value-Added Products (VAPs). VAP products are typically supplied by third-party companies and are not priced by insurers. Instead, the VAP provider sets the price, which is then added to the main policy premium. While some VAPs may be bundled into the core offering, the majority are offered as optional add-ons.

Formal insurers and banks generally offer a limited range of VAPs, focusing primarily on the core insurance benefit. In contrast, funeral homes, burial societies, and trade unions often provide a much wider selection of these add-ons. These value-added services are often product "wrappers" which are used to increase the appeal and differentiation of certain funeral products and in the case of funeral homes, used to upsell other items in the business. Common examples are listed in the table below.

Table 10: Examples of Add-Ons from Insurers and Value-Added Products (VAPS) from other providers

Type of Add-on or VAP	Description	Examples if applicable
Add-Ons		
Paid Up Premiums (PUP)	Upon reaching a specified retirement age, if the PUP benefit was purchased, the policyholder no longer pays premiums but remains covered for life.	Retirement age reached, no further premiums required, coverage continues.

Type of Add-on or VAP	Description	Examples if applicable
Survivor benefit	In joint-life products, this benefit ensures that if one life assured passes away, the surviving life remains covered.	Continuation of cover for the spouse after the first death.
Cash back benefits	If no claims are made within a specified period (e.g. every 5 years), a percentage of premiums paid during that period is refunded.	5-year cash-back period; policyholder receives a portion of premiums if no claims are made.
Premium waivers and premium holidays	Premiums are waived under specific conditions, such as disability. Some policies allow for a break in payments (e.g. due to retrenchment) without lapsing.	Retrenchment cover allows up to 6 months premium holiday upon proof of retrenchment.
VAPs		
Pre-service top-ups	Benefits and services provided before the funeral takes place.	Locating and repatriating the deceased, autopsy costs, referral to undertaker, airtime, retail credit, body removal.
Funeral service top-up	Additional offerings that enhance the funeral or wake experience.	Hearse, coffin, tombstones, cremation or aquamation, livestock (cow, sheep, goat), discounts from funeral homes, groceries, car hire, accommodation, catering, electricity, clothing, flowers, grave, tents, chairs.
Post funeral offerings	Services provided after the funeral ceremony has taken place.	Trauma counselling, bereavement support, extended grocery benefits, and educational policy contributions.

4.1.9 Lapse and Persistency

Lapse rates in the funeral insurance space are high. In the first half of 2024 alone, 2.2 million funeral policies lapsed.[14] This is higher than the lapse figures for both individual and grouped individual life cover, which altogether saw 1.4 million lapses during the same period. In fact, funeral insurance accounted for 50% of all lapses recorded for individual business (including grouped individual lines). From analysis of ASISA data, using an average of policy numbers at the start and end of the period as a proxy for the population at risk, we calculate a crude lapse rate of 14.5% for funeral policies.

Reasons for poor persistency were primarily reported to include affordability challenges and secondarily inflexible payment terms.[5] High lapse and low persistency rates significantly increase policy expenses for insurers. This is exacerbated when policies lapse early, as the limited premiums collected are insufficient to recoup initial acquisition and administrative costs. These higher lapse rates create a feedback loop, driving up future premiums to offset the risk of early lapses, which in turn may further reduce affordability and contribute to continued policy churn.

Funeral cover is also expensive in SA due to the high cover levels required to fund funerals, the absence of underwriting, and risk-based pricing practices that reflect the higher underlying risk profile of the lower-income market. While these practices are not inherently discriminatory, they contribute to relatively high premium levels, which make funeral cover expensive relative to household income for the very population who need it most.

4.1.10 Summary of Product Specifications and current landscape

Table 11: Summary of Product Specifications

	Burial Societies	Funeral homes	Insurers	Banks	Retailers	Public sector offerings
Joining Fee	Low or none	Sometimes required	None except if indirect membership	None, bank membership is required	None, membership sometimes required	None
Premium range (30 year old main member; R50k SA)	~R215-R260	~R108	~R92	~R21	~R80	Free or indirect
Premium structure	Flat	Age based (pensioner/non-pensioner)	Mostly only Age rated, complex for small insurers.	Age rated	Flat	None or not explicit
Cover levels	R5000+	Indemnity funeral service with attached value (R10,000 - R85,000)	R10,000 - R100,000 Usually capped at R70,000 - R80,000	R10,000 - R100,000 capped according to segment served	R5,000 - R50,000	dependent on benefit; indemnity (indigent) - R20790 (COIDA)
Claims Process	Informal/peer-reviewed	Formal documents required	Highly regulated (48-hour turnaround)	Same as insurer	Depends on underwriter	Admin-heavy but standardised
Premium payment flexibility	High flexibility	Moderate	Low	Low	Low	Not applicable

	Burial Societies	**Funeral homes**	**Insurers**	**Banks**	**Retailers**	**Public sector offerings**
Premium collection	cash, community agent	Cash or debit order	Debit order, salary deduction	Debit order	Cash, debit order, mobile money	State benefits or payroll
Distribution Channels	Community based	Parlours, brokers	Direct, brokers, online	Branch/banking platform	Mobile/apps	Government administered
Add-ons / VAPs	Few, often informal	Wide range (service upsell)	Few (cashback, paid-up premiums)	Few	Some (loyalty-linked)	None
Lapse Risk	Medium	High	High	Lower	Medium	None

**Note: The above summary is drawn from ASISA statistics and direct provider analysis. Cover limits vary widely, but market behaviour suggests that lumpsum cover of R10,000-R15,000 is most commonly bought. Public sector often provides basic, essential coverage only, not designed to replicate private funeral benefits.*

The diagram below summarises the current regulatory and provider landscape, while also capturing the existing funeral policy design and funeral needs that were researched. It serves as an important synthesis of the first two sections of the report, laying the foundation for a clearer understanding of the third section which focuses on the proposed design of an NFI.

Figure 6: A graphical synthesis of the situational analysis and existing funeral policy design

Regulatory environment

- Companies and Intellectual Property Commission (CIPC)
- Competition Commission (CC)
- Co-operatives Development Agency
- Department of Employment and Labour
- Department of Health
- Department of Social Development
- Department of Trade and Industry
- FAIS Ombud
- Financial Intelligence Centre (FIC)
- Financial Services Conduct Authority (FSCA)
- Friendly Societies Registrar
- Local Government (Municipalities)
- National Consumer Commission (NCC)
- National Credit Regulator (NCR)
- National Treasury and Auditor-General South Africa (AGSA)
- Ombudsman for Long-term Insurance (OLTI)
- Prudential Authority (PA)
- Road Accident Fund (RAF)
- South African Revenue Services(SARS)

Funeral Providers

- Insurers
- Banks
- Retailers
- Funeral homes and parlours (formal and informal)
- Burial societies (formal and informal)
- Provident and pension funds
- Trade unions
- Bargaining councils
- Public sector offerings:
  - Road Accident Fund (RAF)
  - the Compensation for Occupational Injuries and Diseases (COID)
  - the Unemployment Insurance Fund (UIF)
  - SASSA
  - military veterans' benefits
  - indigent burial

Funeral Policy Design

- **Cover levels** : R1,000 - R100,000 (max); % differs per beneficiary covered
- **Premiums:** price variation based on provider and policy structure
- **Covered Lives:** Main member, main + spouse, 3–7 children, and multiple extended family members
- **Policy Type**: Individual, family, group policies
- **Waiting Periods**: 6 months for natural death; 12 months for suicide; none for accidental death
- **Age Restrictions**: Entry age varies; often 18–65, some products cover up to age 85
- **Continuation After Death:** Some policies allow cover to continue for spouse/children after main member's death
- **Claim Payout Time:** max 48 hours of claim submission (if documents are in order)
- **Additional Benefits and value added benefits:** Groceries benefit, repatriation, airtime ,transport assistance, legal support, tombstone coverage, double cover for accidental death
- **Distribution Channels**: In-store (retailers), direct/digital, brokers (incl funeral parlours), bank branches,
- **Payment Methods**: Debit order, cash, payroll deduction,
- **Claim Documents Required:** ID, death certificate, claim form, policy documents, medical report if needed
- **Underwriting**: Usually no medicals required; acceptance guaranteed (especially in mass market)

Funeral Needs

- **Cultural Needs:** Dignified funeral, large attendance, ancestor honouring, cultural appropriateness
- **Emotional Needs:** Emotional support, counselling
- Financial Needs: Affordability, financial security, cost transparency, value-for-money add-ons
- **Logistical needs:** pre-planning, administrative support, timely pay-out , repatriation of remains
- **Protection from exploitation:** fair pricing and practices, simplified decision making

Section 5: Exploring a South African National Funeral Insurance scheme for equitable and affordable cover

5.1 Proposed benefit design for an NFI

The purpose of this research project is to explore potential NFI designs. It is important to note that in doing so, we do not assume that an NFI is the only solution to the challenges identified in the situational analysis sections above. Our intention is to explore how an NFI could operate and open up the policy space, rather than close it around a single proposal of an NFI. Other models such as decentralised, mixed tier or community-based approaches may offer viable alternatives. These could be explored in future work, particularly through inclusive, bottom-up stakeholder engagements that consider the diverse needs from those affected.

The intent is to leverage existing capacity to establish a minimum, universal service floor that still enables collaboration between the public sector, private insurers and community structures to operate, compete, and innovate around additional benefits.

In the sections below, we explore the possibility of an NFI. Rather than proposing a set design for a NFI, this section suggests a range of benefit options and considerations that could inform future work and policies. The objective of this section is to present an adaptable framework that can be changed based on stakeholder input, feasibility assessments, and further research.

5.1.1 Eligibility

A key benefit of an NFI lies in the large risk pool inherent in the concept of nationalising an insurance offering. One potential approach is to cover all South Africans and permanent residents with a South African ID number automatically. The scheme would therefore be able to draw from a large diverse population, enhancing financial sustainability and equity. Although South Africa is an ageing population, the country's population pyramid reflects a sizeable proportion of the population below retirement age (we can use this as a proxy for the demand for pay-outs, and therefore as part of the cost and affordability implications).[44] An NFI scheme will therefore be able to balance risk, as funeral claims can therefore be distributed across this broad base. However, further analysis is needed to assess the financial implications of universal inclusion.

We do not recommend any age rating, risk rating or late joiner penalties for those who have never had funeral cover in the past. The entire population will be automatically added to the risk pool at birth or upon receipt of an ID. This automatic inclusion avoids having to put in the usual risk management techniques mentioned above and avoids administrative complexity or penalisation. The relative burden of risk brought by older entrants will be absorbed by the breadth of the large overall risk pool.

5.1.2 Creating a provider network

The authors believe that making use of existing, high-quality providers will be far more effective than the South African Government (SAG) attempting to develop and design its own services and infrastructure. Therefore, one option for the NFI design would be to contract existing high-quality funeral service providers. Like all government contracting, we recommend that the National Department of Home Affairs (NDHA) take responsibility for designing the specifications and requirements for contracting these service providers. In conjunction with the National Treasury (NT), a tender can be advertised for funeral service providers. The involvement of the NT can assist the NDHA in ensuring only reputable and suitable providers are contracted.

Some of the suggested eligibility criteria for contracted providers include:

- Proven geographical reach (provincial or regional allocation of providers)
- Sufficient experience in providing services that cover the range of what is required
- Infrastructure capacity to handle undertaker services for designated areas
- Funeral parlours should have its own mortuary facilities for body storage and preparation prior to funerals or cremations
- The ability to meet minimum quality standards for service provision including hygiene and dignity

These criteria would need to be refined through stakeholder engagement.

5.1.4 Package of services

A capped indemnity-based service package could be considered as a baseline benefit. For the baseline benefit, providers could agree to deliver a basket of funeral services, for a single pre-negotiated capped fee. No additional fees for the services beyond what the NFI contracts for, no hidden fees or upselling will be tolerated. However, should the deceased's family wish to add services additional to the basket of services on offer, the funeral parlour can charge for these extra services or offerings directly. These additions could be funded by the family out-of-pocket in cash or through supplementary funeral insurance policies.

For a funeral provider to be able to contract with the NFI, the provider should be able to provide the following proposed basket of services within the capped indemnity envelope per person:

- Body storage and preparation
- Basic coffin provision and single grave for those who are buried OR urn/receptacle for ashes after cremation if required.
- Hearse/vehicle to transport deceased from place of death to mortuary and to end gravesite or crematorium
- Erection of basic tombstone if the deceased buried

To mitigate the risk of price inflation or price collusion and ensure long-term sustainability, the capped indemnity fee would need to be regularly reviewed and adjusted based on market benchmarks and service cost trends.

To ensure competitive pricing and promote high quality of service, beneficiaries should be offered a choice of at least two or more contracted providers in their area. This choice mechanism introduces a degree of competition, which can help curb cost escalation and incentivise better service delivery.

No additional fees for the baseline package beyond the agreement would be permitted to be paid. However, families should be allowed to buy additional services directly from the provider (either buy up on the policy or pay the undertaker directly for additional services at point of care), either out-of-pocket or through supplementary funeral insurance.

Ongoing monitoring and feedback loops would be essential to ensure that the capped package remains relevant, sufficient, and resistant to cost creep.

5.2 Financing the scheme

5.2.1 Affordability analysis

Given the current fiscal environment and financial outlook in South Africa, we do not believe new taxes or mandatory contributions to fund an NFI scheme are politically or economically feasible. There is also likely no appetite for it, considering the current policy environment for the National Health Insurance (NHI) which also requires additional funding to come into fruition. Therefore, our approach (one option) has been to locate opportunities in the current Government spending to redirect funding to an NFI fund.

Considering the indigent burial benefit, local municipalities are constitutionally required to provide these services. However, the downside is that the benefit is very limited and has strict rules which may not result in a dignified funeral service for the deceased. One can understand the rationale behind such limitations given the costs. However, this service presents an opportunity for expansion as it already forms an existing ‘pot’ of funding that we can pool to build towards the NFI scheme, as this is already money the State is spending on funerals. With a more strategic, pooled approach and economies of scale, the State could increase the scope of available services without dramatically increasing the cost per person. An NFI would then also allow families who can’t afford a funeral to still have the dignity of a tombstone and individual graves.

Additional public sector funeral funding expenditures could come from the Road Accident Fund (RAF), Compensation for Occupational Injuries and Diseases (COIDA) Fund and the Unemployment Insurance Fund (UIF), which could be considered for pooling into the NFI scheme. Further actuarial analysis (outside the scope of this brief) is required to quantify the contributions that would be available from these sources and whether they would be sufficient to fund an NFI or whether supplementary funds would be needed.

For clarity, references to RAF, COIDA and UIF relate to pooling their funeral-related expenditures as potential funding sources only. They are not proposed as the administrators of an NFI. Any consideration of pooling would be contingent on robust governance arrangements and ring-fenced administration and public-sector governance (PFMA, Auditor-General, GRAP, procurement rules) with contracted SLAs to ensure transparency and timely provider payments separate from these entities' current operating structures.

It is important to note, that the above is not the only possible approach. An alternative to an NFI as outlined above could involve broader policy architecture and could include a mixed model across three tiers, such as:

- **Tier 1. Non-contributory social assistance:** A death benefit is paid to dependents of existing grant recipients on conformation of death. This would support the most vulnerable households.
- **Tier 2. Contributory social insurance:** Benefits from existing schemes (UIF, COIDA etc) are drawn together and centrally administered to improve efficiency and equity
- **Tier 3. Contributory private insurance:** Participation by private funeral insurers who meet defined criteria (e.g. offer indemnity funeral cover). Under this alternative, rather than a single scheme, this more fragmented option would involve strengthening each one of these tiers and improving co-ordination across them to serve the entire population.

5.2.2 Fund operation and pooling

Sustainable operation of a NFI fund requires that administration costs are minimised, financial sustainability is maintained, and reliable and timely benefit payments are made. In considering fund pooling and management, some other key pillars in our thinking include a central national risk pool underpinned by social solidarity principles

- all contributions and funding sources (government allocations, redirected public sector funeral funds mentioned in 3.2.1 above) flow into a single, unified fund
- risk is shared across the population, with no differentiation by individual risk factors such as age, health, or socioeconomic status. No means testing will be done as the scheme will be opened to all South Africans. This ensures equitable access to funeral benefits.
- A defined benefit: a standard funeral service benefit will be administered by contracted funeral service providers.

One option would be for the Government to contract with South African Banks for pooling and management of an NFI fund for an affordable negotiated fee. Banks are highly regulated and will provide a safe environment to house these funds. Banks are also already set up for funeral insurance and policy pay out and this infrastructure can be used for an NFI. This approach, rather than the Government attempting to create its own Fund (as it plans to do for the NHI, for example) will be more cost-effective and could be easier to implement administratively as the Government will not need to worry about staffing, infrastructure and operationalising a new Fund. We have seen from the NHI that this is a laborious and costly endeavour. Under this proposed model, banks would pay the capped funeral fee directly to the selected service provider, eliminating the need for the deceased's family to have access to a bank account.

Banks and money managers would handle fund collection and pooling, investment of surplus funds and payment of funeral claims to providers on verification. This approach leverages existing regulatory frameworks which govern banks and financial service providers in South Africa.

Alternatively, to using banks, the government can consider using the Public Investment Corporation (PIC), which is a South African government owned asset manager and who is also responsible for the GEPF. This would leverage existing infrastructure and regulatory oversight. The choice of fund manager could be guided by cost-effectiveness, transparency, and fraud mitigation capacity. The option which is the most cost effective, transparent and least susceptible to fraud and mismanagement should be chosen.

While eligibility determination is handled by the Department of Home Affairs, however a small central administration unit would be required to oversee efficient running of the NFI and actuarial and other reporting. The fund would need to be subject to independent annual audits and regular reporting.

5.3 Financial Sustainability of the scheme

The proposed NFI should aim for financial sustainability rather than profit generation. It could operate as a non-contributory social insurance scheme, funded through reallocating or coordinating existing public funeral-related expenditures, and not a profit-generating scheme. It should be guided by the principles of social solidarity and equity, similar to private medical aid schemes in South Africa as well as how the National Health Insurance scheme would potentially be set up. Further modelling is needed to determine reserve requirements and long-term viability.

As such, the goal that is being worked towards is financial sustainability, rather than profit generation. The fund should sufficiently cover claims, administration, expenses and reserves. The scheme should be affordable and accessible to the entire SA population.

5.4 Claims Processes and Administration

The benefit will be available to citizens with a South African ID number and a valid death certificate issued by the local home affairs. Therefore, claims could be linked to the SA ID number and the NFI Fund should be able to interface with the Department of Home Affairs for proof of death. Because this is an indemnity product, the family need only select the provider for their region and then the provider should claim directly from the Fund. It should be the provider's role to get the death certificate from Home Affairs on behalf of the deceased.

The service should be ‘free at point of service’ for the beneficiary, with the onus falling to providers to claim afterwards. This will ensure that an NFI does not delay funeral rituals or processes due to administration lags. Funeral benefits should be available within 48 hours of death notification, similar to how cash benefits are made available in the private insurance space.

However, it is acknowledged that there is a high risk of fraud in this space. The assumption of fraud-resistant claims processing requires careful substantiation. Risks include the possibility to claim on already deceased ID numbers, present fraudulent death certificates or collusion between providers and claimants. Therefore, fraud mitigation is an important consideration in the administration space. We discuss these in the section below, along with a digital claims platform and audit mechanisms that could contribute to mitigating these risks.

In cases of death due to unnatural causes, such as accidents, homicides, and other forms of violent death, additional verification will be needed before a claim is verified and paid. These deaths would require police investigations which could result in delays in issuing death certificates. In such cases, burials or cremations have to be delayed until all paperwork is completed. Given the country's high crime rate, this is a systemic concern and a strong coordination between the Department of Home Affairs, SAPS, and the NFI Fund administrator will be needed in order to validate claims, mitigate fraud, and ensure dignity in the burial process even in complex or contested circumstances.

The claims process also needs to also be linked to the private insurers in case any additional benefits are bought in the private sector, the claims would need to be paid out too and any regulations governing the process for private insurers would need to be upheld.

5.5 Risk and fraud considerations

To minimise the risks, especially the risk of fraud and poor service delivery, strict accountability mechanisms could be in place for participating funeral providers. The list below sets out some considerations for managing these risks:

- Providers should validate claims in real-time through direct integration with the DHA death registry to prevent fraudulent claims on already deceased ID numbers or falsified certificates.
- funeral parlours who are found to be charging for the basic service package could be deregistered and banned for life from all Government tenders
- An indemnity product has been suggested rather than a cash pay-out, to avoid perverse incentives for fraud.
- In more rural and underserved areas, where there are fewer service providers, there may be a need to establish mentorship or support partnerships between larger, experienced providers and smaller, local parlours to ensure consistent quality and service delivery. This mechanism would also provide the opportunity for job creation.
- To maintain competitive standards and improve consumer experience, individuals should be given a choice of at least two participating funeral parlours. This approach will help drive service quality through market competition.
- It is important to note that private funeral insurance policies will remain available on the open market. Individuals may choose to retain or purchase additional policies to supplement the standard NFI services and customise their funeral arrangements. The NFI

claims process should therefore be designed to work alongside private funeral insurance to ensure regulations are upheld.

- A digital claims platform should be developed to monitor claim volumes, detect anomalies and flag duplicates and suspicious activity across providers
- There should be random post-claim audits and whistleblower protection to help with uncovering collusion, overservicing and fraud.
- Prior to any pilot, complete a governance readiness assessment covering (i) PFMA-aligned, ring-fenced administration; (ii) Auditor-General auditability and GRAP reporting; (iii) SLA-based contracts with regulated payers and accredited providers (including penalties for non-performance); and (iv) transparent, public reporting on turnaround times, exceptions, fraud flags and remediation.

These mechanisms aim to find a balance between administrative efficiency, fraud prevention, and dignified service delivery. Ongoing monitoring, evaluation, and stakeholder feedback will be important to refine and strengthen these measures over time.

5.6 Regulatory considerations

In designing a NFI scheme, regulatory clarity is critical. From both a quality assurance and legal compliance perspective, the scheme's structure, particularly how benefits are offered and by whom, has important regulatory implications.

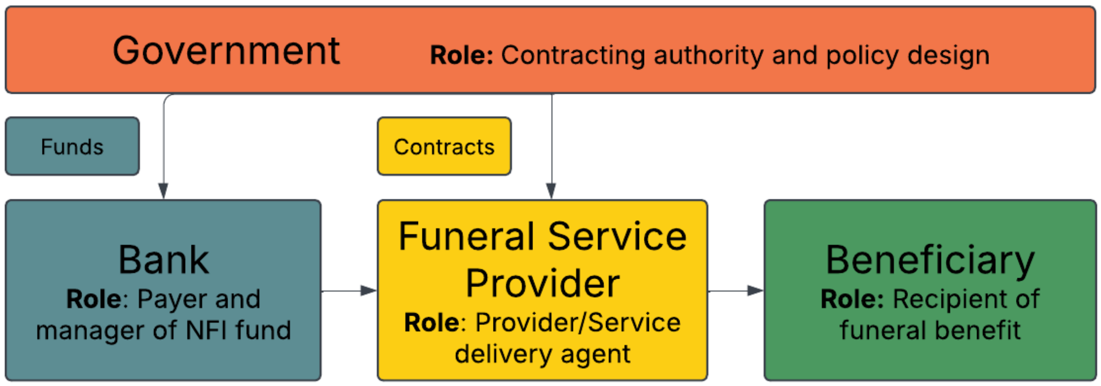
5.6.1 Separation between Payer and Provider

Service delivery literature has shown that separating out the provider of a service from the payer of the service can improve quality and outcomes because there is an accountability relationship that develops between the two entities. This arms-length relationship could ensure that providers uphold a certain standard of services and can be re-trained or replaced if they do not meet the standard. When a payer is also the provider, there is little incentive to ensure quality and there is the potential that the payer may look for ways to reduce service coverage or design to reduce the cost to the payer.

From our research, our recommendation is that the payer function is outsourced from the Government to one or more South African Banks (or PIC, if this alternative is chosen). The Government will be responsible for policy design and creation and for contracting service providers. With a legitimate contract, these contracted funeral service providers will deliver services directly to the end-user. Once services are rendered, the banks—acting as payers—will disburse payments to the providers from the National Funeral Insurance (NFI) Fund. This structure separates the funder and provider functions to enhance accountability and service quality. Importantly, the end-user should only engage with the funeral service provider and should not be burdened with payment logistics or financial administration. Figure 7 below summarises the proposed role separation within the recommended NFI model.

Although this structure aims to promote accountability and efficiency, it is important to note that collaboration between public and private entities may be challenging. These should be proactively managed through clear contractual terms, performance monitoring, and dispute resolution mechanisms.

Figure 7: Proposed role allocation for the design of an NFI



5.6.2 Indemnity benefit vs Insurance benefit

The structure of the NFI benefit (such as a capped indemnity benefit) will inform the regulatory considerations required. Where the benefit is structured as a non-contributory, capped service without risk-rated premiums, individual underwriting, or cash payouts, the appropriate oversight is public-sector governance. This includes PFMA compliance, Auditor-General oversight, GRAP-based financial reporting, transparent procurement processes, and SLA-based contracts with regulated administrators and accredited providers.

Should the NFI instead be structured as a risk-bearing insurance policy, insurance-sector regulation would become applicable. However, this is not the operating assumption in the proposed model. If the NFI follows the same governance approach as other publicly funded benefits such as COID and UIF, it would be governed under the Public Finance Management Act (PFMA).

Accordingly, it should not collect monthly premiums that are risk rated and tied to claims experience.[46] Instead, the capped indemnity benefit should be funded from a pooled public fund and paid directly to contracted providers to deliver the funeral services for the deceased. This structure resembles non-risk-rated group arrangements, such as employee or union-based benefits funded through general budgets or fixed contributions. The actual offering would function as a defined, capped service package, rather than a cash-based insurance benefit.

5.6.3 Regulatory and Licensing Requirements for Providers

If the NFI provides a capped indemnity benefit and funerals are arranged by third-party funeral providers, the scheme would need to perform due diligence to ensure providers meet all relevant legal and regulatory standards. Contracted funeral providers must be a licensed South African business and compliant with business regulation, in addition to sector-specific obligations. At a minimum, providers must adhere to:

- **The South African Constitution,** Act no. 108 of 1996 (section 10), upholding the right to dignity
- **Health Act**, no. 61 of 2003, governing mortuary standards and handling of human remains
- **Municipal licensing bylaws**
- **The Consumer Protection Act (CPA)**, which governs the fairness, transparency, and disclosure of services
- **The Protection of Personal Information Act (POPIA)**, applicable when handling sensitive personal data such as ID numbers and death certificates.

Due diligence and ongoing compliance monitoring will be essential to maintain service quality and uphold public trust in the scheme.

5.6.4 Reserving requirements, accounting standards and financial treatment

The NFI's accounting treatment will depend on its institutional structure and whether it is a public entity or private entity. For private entities, International Financial Reporting Standards (IFRS or IFRS for SMEs) apply. For public entities, which will be the most likely scenario, the Generally Recognised Accounting Practice (GRAP standards) apply.

If the NFI operates as a pay-as-you-go (PAYG), capped indemnity funeral service—where contracted providers are paid directly for services from current-period inflows—then actuarial policyholder reserves are generally not required. In this setup, financial provision focuses on operational budgeting and short-term working capital (e.g., cash buffers for payment timing differences, claims processing SLAs, and contingency for fraud-prevention actions), rather than on long-duration insurance liabilities. Any reserve held would therefore be operational (cash-flow and contingency) in nature, not an actuarial liability reserve.

However, if the NFI offers an insurance type benefit such as a lump-sum cash benefit, the scheme would need to be compliant with South Africa's insurance regulatory framework. These reserves would need to be calculated and reported according to either IFRS 17 (for private entities) or GRAP standards adapted for insurance-type liabilities (for public entities).[47]

These reserves would include:

- **Policyholder liability reserves:** reserves that cover expected claims based on actuarial assumptions such as mortality, and expenses.
- **Incurred But Not Reported (IBNR) reserves:** For claims incurred but have not yet been reported.
- **Contingency reserves:** reserves that provide cushioning against volatility in experience and economic shocks.

- **Capital adequacy requirements:** Reserves prescribed by the Prudential Authority to ensure solvency and sustainability.

5.6.5 The role of private insurers in an NFI

It is important to note that the NFI, as envisaged here, aims to provide a minimum universal baseline of dignified funeral services, while continuing to rely on the private sector, including private insurers, funeral parlours, burial societies, and banks to offer complementary and optional products. The scheme is therefore designed to operate within a mixed public–private ecosystem, leverage existing capacity, preserving industry competition, innovation, and consumer choice. The NFI is therefore conceptualised as a collaborative model that maintains market plurality while addressing equity and affordability gaps that the private sector alone cannot resolve.

It is equally important to understand how an NFI could interact with the existing private insurance market. To best address the needs of the whole population, private insurers should be allowed to provide complementary cover to the NFI. This would allow individuals to buy additional cover if they require more than the minimal capped indemnity offering. Such a model could preserve market competition and innovation, while also ensuring the NFI's core goals of equity and universal access are met.

Private insurers could provide several types of add-on or complementary benefits, including:

- **Top-up cover**: This could take the form of increased cover limits on the capped indemnity benefit or optional lump sum payouts over and above the NFI benefit.
- **Value-added products (VAPs)**: Private insurers could offer additional services that complement the state's benefit, such as cattle benefits, groceries, transport arrangements, tombstone benefits or other practical and cultural support benefits.
- **Double accident benefit**: In the case of accidental death, some private products could offer a payout double the value of the standard benefit an individual already holds.

This public-private hybrid approach allows the NFI to provide a baseline of dignified, accessible funeral cover, while enabling individuals to enhance their protection based on personal, cultural, or financial preferences.

For policyholders who currently hold funeral policies, the rules and regulations should allow the choice of keeping their policy, downgrading their policy (once-off and within a time period), or cancellation of the policy so as to move onto government benefits. Access to private funeral insurance should not be limited and individuals should have the ability to choose what cover they need.

While the above option assumes a degree of alignment between the public and private sector, it is acknowledged that alignment cannot be taken for granted. Stakeholders' interests may differ and spark resistance. Therefore, careful engagement involving transparency, and regulatory clarity will be needed to ensure co-operation.

5.6.6 Compliance and Operational Safeguards

The existing regulatory guardrails within the funeral provider and insurance environment will need to be assessed to understand if they remain appropriate. Where these regulatory requirements remain valid, appropriate safeguards must be implemented to ensure compliance. For example, if private funeral insurance is still allowed to be bought, systems should be established to verify multiple payouts per life insured, in alignment with the Prudential Standard, which limits the total payout to R100,000 per life per insurer (adjusted annually for inflation from 2018).

In addition, compliance with the Long-Term Insurance Act's Policyholder Protection Rules must be ensured. These rules require that funeral claims be assessed, authorised, disputed, or repudiated within two business days of receiving all necessary claim documentation.

The evaluation should also include an exploration of optimal benefit disbursement mechanisms. This could involve structuring provider contracts through a standard tender process, with options to invoice per funeral, monthly, or a combination of the two, depending on operational feasibility.

Finally, strategies should be developed to raise public awareness and enhance equitable access to the National Funeral Insurance (NFI) Scheme benefits across all eligible populations.

6 Conclusion: Recommendations, Policy Implications and Next Steps

Funeral services and the rituals surrounding them are central part of many South African's cultures and religions. Providing a dignified funeral is of such high importance, often seen as a moral obligation, with strong social and cultural expectations attached. Therefore, many low-income earners still find funds to pay for (sometimes multiple) funeral products and funeral insurance policies to ensure they have sufficient funds when their loved one's pass. This dynamic has contributed to a skewed market, where economically vulnerable individuals are both the most targeted for funeral cover and the most burdened.

Local Governments are already obligated to provide burial or cremation services for the indigent or those who are unclaimed. Introducing a basic NFI could ensure more dignity and fairness to this space, particularly for those who cannot afford cover or who rely on informal mechanisms that may fail them at their most vulnerable moment. However, it is important to note that even though the NFI is explored in great depth, it is not proposed as the only solution. A broader policy architecture, comprising non-contributory, contributory social insurance and private insurance tiers, may offer a flexible and inclusive alternative. Some of the key policy recommendations stemming from this research paper are noted below.

6.1 Recommendations for policy design

- **Allow flexibility in coverage:** People should retain their right to keep existing private funeral cover. The NFI should serve as a basic benefit that can be used in combination with others and people should have the option of doing the full funeral service privately or co-funding the NFI package to add more VAPs.

- **Use existing funding sources:** The funding for the NFI should come from existing funding- neither Government nor the individual should raise additional funding for an NFI. Some suggestions of where funding can come from include RAF, COIDA and Local Government indigent burial schemes. Additional actuarial analysis is needed to assess whether these sources are sufficient or whether additional funding would be required.
- **Separate the roles of purchaser, payer and provider:** These roles should be split to ensure accountability, minimise risk of fraud and corruption and incentivise quality.
    - Purchaser should be the Department of Home Affairs, who should lead policy design, registration, and contracting.
    - Payer should be a nominated South African Bank(s) (or Public Investment Corporation if chosen) where funding is pooled and who should act as the financial administrator, reimbursing providers based on agreed service caps.
    - Providers should be legitimate and vetted South African funeral service providers. Beneficiaries should be given a choice of which provider to use (from a list of authorised providers), to incentivise competition based on quality between providers
- **Support and strengthen existing systems:** The aim of the NFI should be positioned as a baseline benefit that coexists with private and community-based products, rather than displacing or restricting the existing funeral and funeral insurance market. It should not displace existing community based or informal funeral mechanisms that currently provide meaningful support. Instead, it should complement and strengthen existing mechanisms, recognising their role in enabling agency, trust and cultural relevance.

6.2 Recommendations on benefit design

- **Define a basic funeral package:** The NFI benefit should provide a dignified, standardised funeral service. This may include bare minimal services, such as body retrieval, storage, preparation, a coffin, transport, and burial or cremation arrangements. However, it should not automatically include non-essential services like catering, or elaborate ceremonies, though these could be available for purchase separately at the family's own cost.
- **Ensure fair access to burial space:** For burials, a grave site should only be used for one individual. Clear national guidelines should support equitable and sustainable burial practices.
- **Respect cultural diversity:** The NFI should allow for different cultural and religious traditions and rites within the capped indemnity benefit. Where possible, flexibility could be built into the policy design to allow for regional and community specific practices.

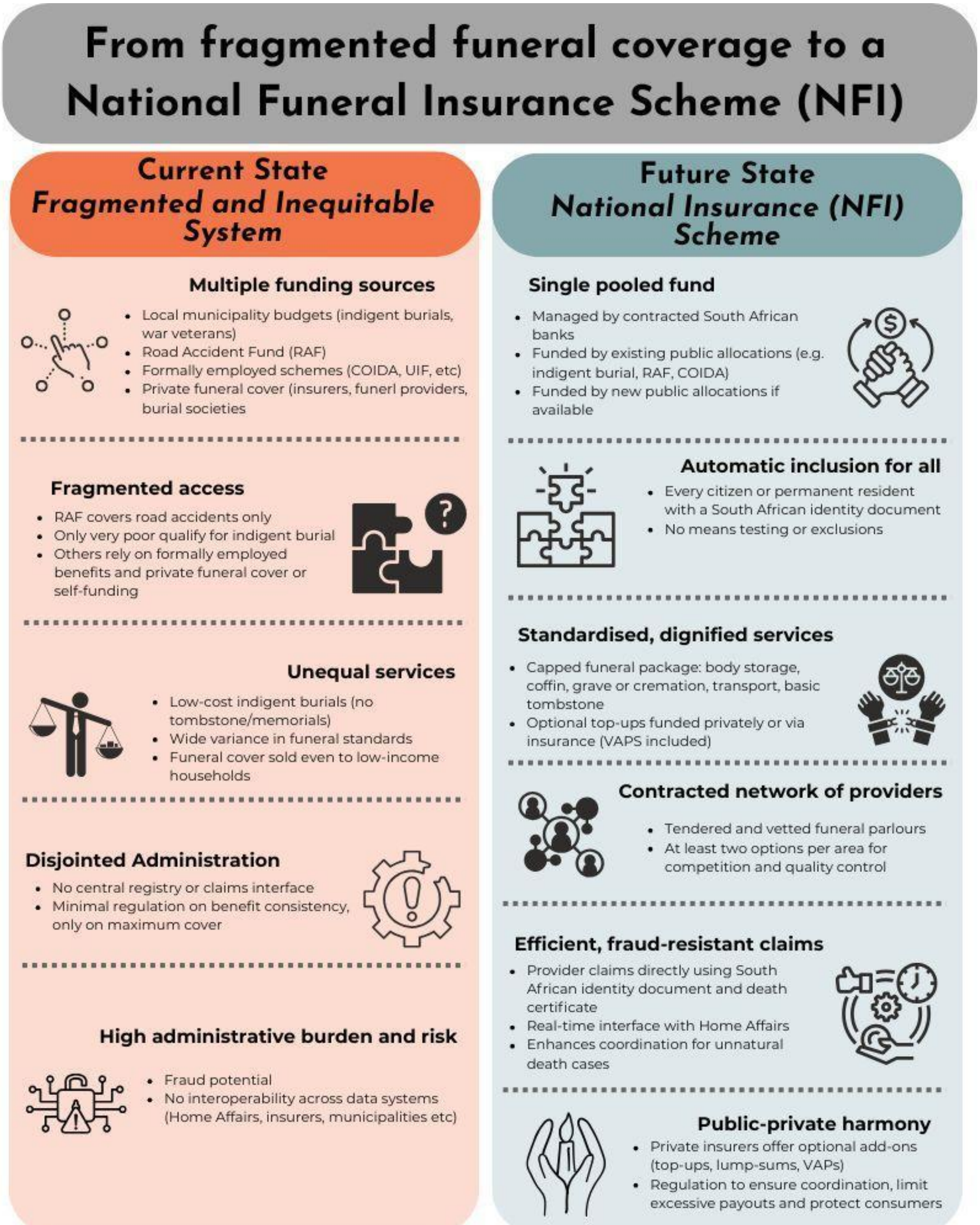
6.3 Next steps

- **Stakeholder consultation:** A multi-stakeholders group including local governments, funeral industry associations and burial societies, funeral insurance providers, and consumer rights groups should work together to refine any proposed NFI framework and recommendations, including strengthening existing bottom up mechanisms rather than replacing them. This process could also explore, among others, the feasibility of a three-tiered model that strengthens and co-ordinates existing public and private mechanisms. Stakeholder engagement should by design be iterative, inclusive and sensitive to all the dynamics of the stakeholders involved. By design, all engagements should surface and address potential resistance, and acknowledge the diverse needs of the stakeholders as well as the fact that not all stakeholders will benefit equally from a centralised model.
- **Pilot development:** A pilot NFI should be designed and tested in selected municipalities, such as where there are high indigent burial needs or low formal insurance coverage.
- **Legal and financial feasibility:** Conduct a regulatory review and financial modelling exercise to validate the legal structure and long-term sustainability of the scheme under various scenarios.
- **Provider accreditation process:** A process to accredit and onboard funeral services providers should be developed. Only those who meet the service and licensing standards should be accepted into the panel of providers.
- **Monitoring and evaluation:** Tracking mechanisms should be established to track usage, fraud, consumer satisfaction, and financial performance during the pilot project, which should be used as feedback for the roll-out of the national NFI.

6.4 Summary of proposed transition to an NFI

The diagram below shows the proposed transition from the current fragmented funeral landscape to a structured NFI scheme.

Figure 8: From Fragmented Funeral Coverage to a National Funeral Insurance Scheme (NFI)



Appendix A

The following table outlines the primary regulatory bodies and acts relevant to funeral insurance in South Africa, along with specific regulations that directly influence product design and market conduct.

Regulatory Body	**Regulatory Act**	**Specifics of the Act**
Financial Services Conduct Authority (FSCA) *(market conduct and consumer protection)*	Insurance Act, 2017	All funeral insurance must be underwritten by a licensed long-term or micro insurer; only licensed entities may sell insurance products. The maximum cover limit of R100,000 per life insured per insurer (increased with inflation from 2018) for funeral insurance policies in South Africa
	Long-term Insurance Act, 1998	Historically the primary law governing long-term insurance business. Still regulates certain aspects of product design, policy terms, licensing, and reporting for funeral insurance not covered by the 2017 Act.
	FAIS, 2002	Regulates ethical sales, advice-giving and distribution. Distribution agents must be fit and proper, give advice that meets clients' needs and product information must be clearly disclosed
	Financial Services Regulation Act (FSRA)	● Section 106: Empowers the FSCA to issue conduct standards for all financial products and services. ● Section 111: Allows FSCA to investigate and take action against misconduct in financial services. ● Section 69 & 70: Mandates licensing of financial institutions and fit-and-proper requirements for key persons.
	Policyholder protection Rules (PPR)	Customers must be treated fairly (Treating customers fairly (TCFs)) Requires clear disclosure of benefits, premium increases, exclusions and waiting periods Cooling-off periods (usually 31 days) must be offered. Claims must be paid within 48 hours of receiving all documents. Guidelines on waiting periods and exclusions: ● Natural Deaths: A waiting period not exceeding six months may be imposed. ● Accidental Deaths: No waiting period is allowed. ● Suicide: An exclusion period not exceeding 12 months from the policy inception date is permitted.

Regulatory Body	Regulatory Act	Specifics of the Act
Prudential Authority (PA) *(Financial stability and soundness of insurers; Under South African Reserve Bank)*	Governance and Operational standards for Insurers (GOIs)	1. GOI 1 – Framework for Governance and Operational Standards for Insurers An overarching framework ensuring prudent management and oversight of insurance business. 2. GOI 2 – Governance of Insurers Outlines oversight and governance requirements (e.g. composition and responsibilities of boards of directors, mandates for audit, risk, and remuneration committees). 3. GOI 3 – Risk Management and Internal Controls for Insurers Prescribes risk management frameworks and internal control systems to effectively identify, assess, monitor, and manage risks. 4. GOI 3.3 – Reinsurance and Other Forms of Risk Transfer by Insurers Prescriptions regarding reinsurance arrangements and other risk transfer mechanisms, ensuring appropriate management and documentation. 5. GOI 4 – Fitness and Propriety of Significant Owners and Key Persons of Insurers Standards for assessing the fitness and propriety of key individuals within insurance companies. 6. GOI 7 – Miscellaneous Regulatory Requirements for Insurers Prescribes various regulatory requirements, e.g. maximum funeral benefit of R100,000 per life insured per insurer. It also outlines exemptions and conditions under which insurers can provide rider benefits. These GOIs collectively ensure that funeral insurance providers operate with integrity, maintain financial soundness, and treat policyholders fairly. Compliance with these standards is crucial for the sustainability and credibility of funeral insurance offerings in South Africa
	Solvency Assessment and Management (SAM) Framework	Determines the capital adequacy insurers must maintain to cover funeral insurance liabilities.
	Microinsurance regulatory	Funeral insurance is defined as microinsurance as benefits are below R100,000 per policyholder.

Regulatory Body	Regulatory Act	Specifics of the Act
	framework	Micro insurers benefit from lower capital requirements, simplified governance and reporting obligations.
National Consumer Commission (NCC) *(Protection of all consumers)*	Consumer Protection Act (CPA), 2008	Ensures that funeral policies are marketed fairly; prohibits unfair contract terms; governs cancellation and refund rights; prevents misleading advertising.
	Regulation of Funeral Undertakers and Burial Societies	Prevents unauthorised entities from selling funeral insurance without proper licensing
Financial Intelligence Centre (FIC) *(Anti-money laundering compliance)*	Financial Intelligence Centre Act (FICA), 2001	Enforces Know-your customer (KYC) checks to prevent fraud; insurers must report suspicious transactions, e.g., multiple policies taken out shortly before a death.
Competition Commission (CC) *(Prevents anti-competitive behaviour)*	Competition Act, 1998	Prevents collusive pricing and monopolistic behaviour, particularly in areas with limited funeral service options.
South African Revenue Services (SARS) *(Regulates tax compliance)*	Income Tax Act, 1962	Funeral benefits paid out are generally tax-free; premiums are not deductible unless offered as part of an employer group benefit.
Department of Trade and Industry	Co-operatives Act, 2005	Burial Societies and Stokvels offering funeral cover must comply unless underwritten by a licenced insurer
Local Government (Municipalities)	Business Licensing Regulations	Funeral homes must have business licenses; non-compliant providers may not legally sell insurance products.
Department of Social Development	Social Assistance Act	Governs public funeral support such as indigent burial programs and ensures they are not duplicated by private insurance claims.
Road Accident	RAF Act	Covers funeral expenses when a death results from a road

Regulatory Body	Regulatory Act	Specifics of the Act
Fund (RAF)		accident. Claims must meet documentation and cause-of-death requirements.
Department of Employment and Labour	COID Act, UIF Act	COID provides a gazetted funeral benefit (R20,797 in 2024) for work-related deaths. UIF pays a once-off dependent benefit on death, not explicitly funeral cover but may overlap.
National Treasury and Auditor-General South Africa (AGSA)	Public Finance Management Act (PFMA)	Prescribes how a statutory body must manage its finances (including reserves) AGSA requires statutory bodies like COID to maintain sound financial management, submit audited financials, comply with PFMA, ensure effective governance and risk controls, and report on performance and any irregular expenditure.
Ombudsman for Long-term Insurance (OLTI)	Long-term Insurance Ombud Scheme Rules	Accepts and reviews complaints and disputes received from policyholders.
FAIS Ombud	Financial Advisory and Intermediary Services Act, 2002 (FAIS)	Investigates complaints related to advice and conduct of funeral insurance providers, including intermediaries. Ensures funeral insurers compliance with the FAIS Code of Conduct.
Department of Health	Health Act, 1977 and associated regulations	Governs standards of health, including regulations related to funeral undertakers and mortuaries.
Companies and Intellectual Property Commission (CIPC)	Companies Act, 2008	Responsible for company registration (funeral service providers and insurers) ensuring compliance with corporate governance standards.
Co-operatives Development Agency	Co-operatives Act, 2005	Regulates co-operatives, (e.g. burial societies and stokvels) ensuring they operate within legal frameworks.
Friendly Societies Registrar	Friendly Societies Act, 1956	Ensures friendly societies meet specific operational and financial standards (some provide funeral benefits)
National Credit Regulator (NCR)	National Credit Act, 2005	Regulates credit providers; relevant if funeral insurance is bundled with credit products, ensuring fair lending practices.
Municipal Authorities	Local Government Regulations	Issue business licenses to funeral homes and service providers, ensuring compliance with local bylaws and health regulations.

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