Skills needs of small (emerging) businesses and co-operative financial institutions (CFIs) in South Africa's insurance sector

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inseta
INSURANCE SECTOR EDUCATION AND TRAINING AUTHORITY

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

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- Prof. Robert Vivian, Professor of Finance and Insurance
- Dr Nicola Jenkin, Senior researcher, Wits REAL
- Richard Pybus, Independent researcher
- Mike Ward, Independent researcher (specialising in just transitions and the finance sector)

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Executive summary

" … reality, even at the everyday level is inundated with absences … "

(Bhaskar, 2010)

It is the story of absence that underpins the findings of this research, and therefore its significance in providing insights to INSETA on how to enhance its support to small (emerging) business (SEBs) and co-operative financial institutions (CFI) operating in South Africa's insurance sector.

The intended purpose of this research is to determine the current skills needs of small (emerging) businesses and co-operatives within South Africa's insurance sector. The research intended to build on INSETA's current understanding of skills needs for the sector, and to respond to the Skills Sector Plan (SSP) and identified scarce skills. From the research's findings a set of recommendations are proposed on how best INSETA could support these two stakeholder groups, as well as future research.

The research was undertaken over a 3-month period, from December 2020 to February 2021, and involved three main phases:

- A literature review to better understand the contextual setting of small (emerging) business and CFIs in the South African insurance sector. Areas of focus included definitions, characterisation, challenges and barriers to operation (notably regulatory), opportunities, and current and future trends.
- An on-line survey and interviews were undertaken with stakeholders representing, working with or operating as a small (emerging) businesses and CFIs. While every effort was made to reach over 3,000 entities, the response rate was low (predominantly down to the time of year, and limited timespan). While this limitation exists, the researchers feel the results – in combination with the literature review – provide a sound and indicative understanding of the skills needs required by small (emerging) businesses and CFIs.
- Insights gathered from the literature review, survey and interviews were analysed to draw out key themes to inform the skills needs and proposed recommendations. Following two sets of engagement with INSETA, the findings were reviewed, and the final report presented based on reviewer feedback.

Key findings and insights

While the insurance sector more broadly was impacted by an economic downturn and contraction due to Covid-19 in 2020, it is seen as a sector that can survive economic volatility through its ability to integrate new technologies and innovation and adapt its business-models. While this may be the case for the sector more broadly, is this the case for small (emerging) businesses and CFIs within the sector? This research highlighted the significant impact these two stakeholder groups experienced with the onset of Covid-19. This is because they are reliant on inter-personal relationships and need to be sensitive to cultural nuances. Therefore, the sudden loss of their ability to service their clients face-to-face had a significant impact. In addition, many struggled to transition to a new technical world, often due to cost or digital literacy constraints. While the rapid demand to transition to a digital way of conducting business was a constraint, this research also highlighted an area of immense digital possibility – that being through InsurTech enterprises, particularly those that may offer insurance to the previously ‘unbanked’ or through micro-insurance.

Aside from the impact of Covid-19 and digitalisation (two challenges to be expected from research carried out during this period), four other key themes emerged from the findings. These being:

- Small business agility and adaptation (especially during Covid-19)
- Impact of regulation on smaller businesses
- Importance and recognition of burial societies/stokvels/co-ops
- Micro-insurance potential in South Africa

For the purposes of this summary, the key insights and findings for small (emerging) businesses and co-operative financial institutions (CFI) (with an emphasis on burial societies) are presented separately below. Within each, overarching insights, identified skills needs and proposed recommendations are provided for consideration. These are purposefully presented as bulleted items for ease of reference. The report provides a deeper exploration of the themes, findings and recommendations.

Small (emerging) businesses

Definition

Businesses that can be characterised as being one or more of the following:

- *Small and often obscure or not obviously known to the broader market or customer base.*
- *Progressing through early or incubation stage to acceleration or intermediate phases of business growth.*
- *Are cash flow reliant (i.e., not supported by venture capitalists).*
- *May have fallen on hard times and are seeking to reinvent or restructure themselves.*
- *1-49 employees.*

Some key insights

- This study acknowledges that small (emerging) businesses will play an ever-increasing role and contribution to South Africa’s formal business sector. By 2030, it is estimated they will contribute 60-80% to South Africa’s GDP increase.
- South Africa has a **thriving and growing InsurTech start-up scene**. As with FinTechs in the banking sector, the insurance sector is witnessing a rise of InsurTech’s providing new and innovative ways to reach emerging markets or ways to offer customer-centric services and products. This growth provides entrepreneurial and job opportunities.
- **Regulatory compliance** is considered a barrier to entry for small (emerging) businesses. In particular, the expense (e.g., IT) and complexity. As such, there is concern that smaller insurers will struggle with this cost and/or either not comply or enter the sector.

- Entrepreneurial activity provides an opportunity for women within the insurance sector to contribute, thereby enhancing **gender transformation** and inclusivity within the sector.
- This study unearthed and brought to the fore the potential significance **micro-insurance** will have on the South African insurance landscape. While there is growing global discourse around just transition (see the e.g., the World Bank) and the finance and insurance sectors, there is little evidence of micro-insurance provision in South Africa – which has been witnessed in other parts of Africa, such as Kenya. As such, micro-insurance provides an area for significant growth, and offers a key opportunity not only for the sector, but for small (emerging) insurance businesses.

Skills needs

- A shift to **digitalisation** has necessitated the need to attract and retain suitably qualified and experienced sales staff and brokers. The digital shift will require digital marketing, access to business tools and applications, upskilling and enhanced knowledge.
- From a **gender perspective**, it is notable that for the insurance sector more broadly, about 62% of the workforce is male. This is recognised by smaller businesses in their difficulty in finding and attracting women as consultants / brokers / sales personnel. Entrepreneurial activities, such as InsurTech, offer an opportunity to attract women into the sector.
- There is a need to develop **entrepreneurial capacity** in the short to medium term to e.g., improve their financial literacy; enhance their resilience and agility during times of uncertainty; and adapt to a changing customer demographic or emerging market e.g., black youth wanting insurance products.
- The availability of the right **just transition / micro-insurance / risk management** skills and knowledge paves the way for a productive structural transformation towards a greener economy and decent job creation.

Proposed recommendations

- To **develop an occupational atlas** that would help to identify the specific core occupations in small (emerging) business that are critical for responding to current and future drivers and opportunities in the sector e.g., InsurTech, transitioning to digitalisation, offering micro-insurance and responding to environmental risk.
- Given the 'absence' of **micro-insurance** within South African insurance offerings and products, yet it being a growing opportunity for the sector, it is strongly proposed that INSETA undertake a piece of research to better understand this opportunity and the potential job creation associated with this. This will aid INSETA in providing enhanced support for this significant market, particularly with regards to providing a service to those at most risk environmentally, or previously 'unbanked' e.g., small holder farmers.
- Given the substantial opportunities micro-insurance offers (often offered by emerging businesses), a proposed activity for INSETA is to consider the **development of key performance indicators and associated training of micro-insurance practitioners** with the tools, knowledge and confidence to understand and implement these. A similar type of initiative has been set up by the ILO's Impact Insurance Facility (IIF). This could be a framework useful framework to explore for developing similar KPIs and associated training for a South African audience.
- To undertake further research to better understand and explore the specific **technological skills and knowledge requirements** and demands e.g., business interruption policy, digital marketing plans and readiness for small (emerging) businesses. This could include a more in-depth exploration of the InsurTech sector in

terms of employment opportunities and associated occupation, skills and knowledge needs.

- INSETA to run a **series of themed workshops** for small (emerging) businesses to support them, particularly during this time of digital transition, and need to be resilient in a time of uncertainty e.g., digital marketing skills, business planning, mentoring etc.

Co-operative financial institutions (notably, burial societies)

Definition

A co-operative financial institution (CFI) is the umbrella term for member-based deposit taking financial co-operatives. They are owned and controlled by their members who have a common bond. They can be referred to as a credit union, Savings and Credit Co-operative (SACCO), Financial Services Co-operative (FSC) and Financial Co-operative (FC). These terms are often used interchangeably in the CFI sector. Co-operative insurance on the other hand refers to insurance that is offered by a group, organisation or association, such as employee associations or trade unions.

Some key insights

- CFIs, notably **burial societies**, emerged as an important sector in this study. Burial societies are estimated in the tens of thousands, serving a minimum 11.7 million direct members. Yet, they are not adequately recognised or often misunderstood by the mainstream insurance sector.
- South Africa's funeral services / burial societies sector is characterised by its informality. Due to this informality, it is suggested there is a **low level of awareness of regulation**, as well as low business and financial skills and knowledge.
- As with small (emerging) businesses, digitalisation will have impacted this stakeholder group, particularly during Covid-19. One of the main reasons being that often the client-base is rural, may be digitally illiterate, and a profound understanding and personal cultural relationship is required to operate.

Skills needs

- The **digital shift** will require digital marketing skills and knowledge, access to business tools and applications, and how to retain customers who may be digitally illiterate, or not have digital means e.g., smartphones.
- Given the informality of the sector, and poor **understanding of regulations**, this is a key area for knowledge upgrading.
- To assist CFIs with knowledge and skills to **better manage their finances** (to reduce financial misappropriation), and to better their relationships with e.g., private banks and insurers. This includes having a better grasp of financial investment of collective member contributions.
- To **improve the understanding of policy makers, insurance firms and education providers** more broadly on the importance of CFIs, stokvels and burial societies in South Africa. This would include their historical and cultural value, economic importance and structure, and transformation potential.

Proposed recommendations

- Given the 'absence' of burial societies within insurance discourse, yet their size and uniqueness to the South African insurance landscape, it is strongly proposed that INSETA undertake a piece of research to better understand e.g., the scale, market dynamics, operational models, characteristics of products provided, and clients served, and skills and knowledge demands of burial societies. This will aid INSETA in providing enhanced support to this growing and significant stakeholder group within the sector.
- To **develop an occupational atlas** that would help to identify the specific core occupations in CFIs/burial societies that are critical for responding to current and future drivers and opportunities in the sector e.g., transitioning to digitalisation, recognition of culturally nuanced provision of service, product drafting, and investment. An Atlas for CFIs/burial societies would support INSETAs development of appropriate qualifications and/or support, as well as help to build on previous engagement with this stakeholder group.
- To undertake further research to better understand and explore the specific **technological skills and knowledge requirements** e.g., digital marketing plans and readiness for CFIs, and digital service provision to the digitally illiterate or culturally specific.
- INSETA to run a **series of themed workshops** for insurance CFIs/burial societies to support them, particularly during this time of digital transition, and need to be resilient in a time of uncertainty e.g., digital marketing skills, business leadership and financial management, and regulations. These could be run in conjunction with the relevant associations e.g., the National Stokvel Association of South Africa (NASASA), Burial Society of South Africa (BSSA), and the South African Federation of Burial Societies (SAFBS).

This research has therefore provided sound, yet indicative, insights into the skills needs required by small (emerging) businesses and CFIs in the South African insurance sector. Many of the findings concur with those already identified by INSETA for the sector more broadly, such as digitalisation. However, what this research offers is a specific and nuanced lens into the current challenges and future opportunities for small (emerging) businesses and CFIs.

Many of the opportunities, notably the establishment of InsurTechs, offering of micro-insurance services and products, and an enhanced relationship and support for burial societies would meet the mandated objectives of INSETA. For example, supporting entrepreneurs, women and those operating in more rural areas.

The opportunities for support and proposed recommendations to INSETA, if considered and adopted would ensure INSETA not only responds to and supports the immediate challenges faced by smaller players and CFIs but would also respond to future dynamics and needs. Having such a futures perspective would provide INSETA with a proactive, thought-leadership approach to engaging with these two stakeholder groups.

Contents

Main abbreviations

4IR	Fourth industrial revolution
CIF	Co-operative financial institutions
DHET	Department of Higher Education and Training
FAIS	Financial Advisory and Intermediary Services
INSETA	Insurance Sector Education and Training Authority
ICT	Information and communication technology
IT	Information technology
NDP	National Development Plan
NGO	Non-governmental organisation
NGP	New Growth Path
NQF	National Qualifications Framework
NSDS	National Skills Development Strategy
PFMA	Public Finance Management Act
PIVOTAL	Professional, vocational, technical and academic learning
QCTO	Quality Council for Trades and Occupations
SARS	South African Revenue Service
SME	Small and micro enterprise
SMME	Small, medium and micro enterprise
SSP	Sector Skills Plan
TVET	Technical and vocational education and training
WSP	Workplace Skills Plan

Introduction

INSETA's *Sector Skills Plan (SSP) 2020-2025* and *Strategic Plan 2020-2025* outlines key strategic and priority skills, and supporting small businesses, as a priority actions and goals. In addition, 5-year targets have been set to provide training support to small businesses and co-operatives (INSETA, 2020b). Therefore, to inform INSETA's planning, implementation, reporting and monitoring against this priority action, INSETA has conducted various pieces of research over the years, and continues to do so (see e.g., INSETA, 2018). This aligns with INSETA's desire to better understand the relevant skills required by SMEs and co-operatives to provide relevant skills development, support and interventions through learning programmes (INSETA, 2020b; 2020c). Such as, research on skills availability and transformation in the insurance sector (2014/2015; 2018/2019), and skills supply, demand and mismatches (2019) (INSETA, 2015; 2020). In addition, some initial research was undertaken to identify and establish the emergent skills needs of cooperatives and emerging small enterprises in the sector. As follow on from this study, INSETA wished to further explore and determine the skills needs of small emerging businesses (SEBs) and cooperatives (henceforth referred to as Cooperative Financial Institutions [CFIs]) within the South African insurance sector.

It is within this context that this research has been undertaken, with the purpose of:

- Ensuring INSETA garners a better understanding of current and future skills needed by small emerging businesses (SEBs) and cooperative financial institutions (CFIs) in the South African insurance sector.
- The findings respond and link to INSETA's previous findings, the SSP and scarce skills.
- Provide credible recommendations to INSETA on how to best support these two stakeholder groups in relation to required current and future skills needs.

This report presents an analysis of the context and profile of the sector within which skills needs are understood in South Africa's insurance sector more broadly, with a focus on SEBs and CFIs. This is presented in the form of a contextual analysis, which provided a platform for informing and undertaking a more in-depth analysis of the drivers, challenges and opportunities affecting the sector to inform the skills needed for SEBs and CFIs. Drawing on a survey and interviews with representatives in the sector, the second half of the report provides insights on the sector's, notably SEBs and CFIs, current and future demands and challenges, and scarce and critical skills. These insights inform the final section of the report, which draws on these demands and challenges to inform a commentary on skills needed for SEBs and CFIs in the insurance sector.

Definitions

An understanding of the definitions of the two stakeholder groups is important to determine the scope of the audience researched. While various definitions exist, the following was used by the research team to define the scope of the two groups under investigation.

Small emerging [insurance] businesses

These businesses can be characterised as being one or more of the following:

- small and often obscure or not obviously known to the broader market or customer base
- progressing through early or incubation stage to acceleration or intermediate phases of business growth
- are cash flow reliant (i.e., not supported by venture capitalists)
- may have fallen on hard times and are seeking to reinvent or restructure themselves
- 1-49 employees
(Botha et al., 2015; Department of Small Business Development (DSBD), 2019; Turo, 2020)

Co-operative Financial Institution (CFI)

A Co-operative Financial Institution (CFI) is the umbrella term for member-based deposit taking financial co-operatives. They are owned and controlled by their members who have a common bond. They can be referred to as a credit union, Savings and Credit Cooperative (SACCO), Financial Services Cooperative (FSC) and Financial Cooperative (FC). These terms are often used interchangeably in the CFI sector (Sauli, 2020). Cooperative insurance on the other hand refers to insurance that is offered by a group, organisation or association, such as employee associations or trade unions (Anon, 2017).

Setting the context

'The current position of South African insurance markets arose for historical reasons. It is thus important to examine the historical path which led to the current state, including the changes which have taken place since the advent of Nelson Mandela's African National Congress (ANC) government.' (Vivian, 2007)

Insurance began in South Africa with an advertisement by two agents to accept cover on behalf of an overseas company. The first insurance operation within South Africa started with the establishment of two branch offices in 1826, those of the United Empire and Continental Life Assurance Association, and the Alliance British and Foreign Fire and Life Insurance Company. A first local entity to be formed was, the South Africa Life Assurance Company, which was established in 1831, and this was followed by the formation of Mutual Life Assurance Society of the Cape of Good Hope – which is still in existence today known as the Old Mutual – in 1845. Mutual Life emulated the business structure of the Scottish Equitable Mutual Life Assurance Society. Zuid-Afrikaansche Brand en Levensversekering Maatschappij was formed in 1835. The other famous insurance name Lloyd's appointed its first agent in the Cape in 1850. A thriving and highly international market soon developed, and by the end of the 19th century the Cape Colony had more than 50 foreign insurers providing coverage throughout its territory (Vivian, 1995).

As of 2020, South Africa has the fourth largest insurance industry (and largest insurance penetration) amongst global emerging markets (Lyudvig, 2020; MIER, 2020). From an African perspective, the South African market accounts for an estimated 70% of total premiums written on the African continent Bagus et al., 2020). Within South Africa, the sector is an important pillar of the country's finance system, holding an estimated 23% of the financial sector's assets (IMF, 2015). It is supported by a sound regulatory environment (discussed further in this report), diversified multi-channel distribution, and a high level of competition (Lyudvig, 2020).

In 2019/2020 the sector was impacted by South Africa's broader economic downturn and contraction, exacerbated by widespread lockdown restrictions in response to COVID-19 (Lyudvig, 2020; StatsSA, 2020; Stoddard, 2021). In addition, the sector has been impacted by high unemployment rates (Lyudvig, 2020) (see discussion under employment overview further on). While these dynamics are recognised, the predicted double-digit contraction did not occur. Nevertheless, the economy contracted by 7%, but the economy grew by 4.3% in the last quarter of 2020 (Stoddard, 2021).

Interestingly this economic volatility is seen as an opportunity in the long run for the sector, as it is a considered a sector suitable for integrating technology, adjusting its business models, and being more innovative (Deloitte, 2020a). These are all elements recognised by the respondents in this research, with associated opportunities and issues discussed further in this report's findings.

Market profile

The South African insurance sector can be categorised into 4 major activities (INSETA, 2020):

- *Life Insurance*: Covers life changing events, such as death, disability. The types of cover offered include life, accidental injury, disability, dread disease, funeral and credit life cover. This market essentially covers risks of injury or death of persons.
- *Non-life Insurance (Short term Insurance)*: This encompasses all types of insurance policies other than life insurance. It includes vehicle, property, household, medical, personal liability, travel and business. This market essentially covers accidental loss or damage to property including consequential losses.
- *Retirement funding*: This covers the risk of living too long. This risk of falling ill, sickness, is funded in a complex manner. It could be funded via the two insurance markets, but a separate market was statutorily created for the medical schemes market. Currently three markets are involved to an extent. The medical schemes market, the life market and the non-life market.
- *Investment:* A complex market insurance companies have always been involved in. The bulk of the activities of life markets are no longer covering life events (death and or injury) but investments. Conceptually it is difficult to place investments in a single category. Life companies specialise in investments. Life companies manage the investments of retirement funding. There are collective investments - a collective investment scheme involves members of the public investing in a portfolio. This category was formerly known as unit trusts. In addition, there are also asset management companies.

While this list of activities is suggested it would be incorrect to refer to the above five markets collectively as insurance markets. Usually when reference is made to insurance markets reference is being made to the life and non-life markets and possibly to medical schemes markets. These markets may possibly be referred to as financial markets but when that is done that would include stock and bond markets. It should therefore be clear the issue is complex.

In addition to the common activities of practice within the sector, the sector is also supported by a variety of diverse professional and regulatory bodies, industry associations and trade unions. Table 1 below highlights some of these entities.

Table 1: Main professional and regulatory insurance bodies and industry associations

Entity	Description and skills implications
Association for Savings and Investment South Africa (ASISA)	The ASISA represents the majority of the country's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers and life insurance companies. ASISA provides insights into the skills development needs of its membership.
Black Brokers Forum (BBF)	The BBF is a representative body for black financial advisers. It provides insights into the skills development needs of its membership.

Black Insurance Advisors Council (BIAC)	BIAC's main objectives are to provide the insurance industry with skilled, informed, fit and proper financial services providers. The secondary objective is to work in collaboration with other insurance industry organisations and statutory institutions to address issues affecting the insurance industry. BIAC provides insights into the skills development needs of its membership.
Board of Healthcare Funders	The BHF serves medical scheme members and represents the healthcare funding industry. It provides insights into the skills development needs in the healthcare industry.
Burial Society of South Africa (BSSA)	BUSOSA assists the burial society industry to create longevity and to provide education and training for entry into the industry. BUSOSA provides insights into the skills development needs of its membership.
Council of Retirement Funds for South Africa (BATSETA)	BATSETA is a non-profit organisation, managed by a Board of Directors, that looks after the interests of Principal Officers, trustees and fund fiduciaries in the retirement industry. They are a South Africa Qualifications Authority (SAQA) Registered Professional Body for retirement fund principal officers and trustees. We are also an Assessment Quality Partner (AQP) or examining body for the principal officers and trustees' occupational qualifications (BATSETA, 2021). BATSETA advises INSETA on the development of new qualifications relating to long-term insurance.
Financial Intermediaries Association (FIA)	FIA represents South Africa's independent brokers, including large and medium-sized brokerages and individual financial intermediaries. FIA provides insights into the skills development needs of its members.
Financial Planning Institute (FIA)	The FPI is a South African Qualifications Authority's (SAQA) recognised professional association for financial planners in South Africa. It is the only institution in South Africa to offer the CFP® certification, as well as an approved examination body for the FAIS Regulatory Examinations (RE1 and RE5) (see above). The FPI advises INSETA on the development of new qualifications relating to financial planning.

Financial Sector Conduct Authority (FSCA)	The FSCA is the market conduct regulator for the South African financial services sector. The regulatory reforms of the FSCA have skills development implications for employees, employers, training providers and the INSETA. Training interventions are needed to bring these groups up to date with regulations. An innovation of the regulator which impacts on skills training was the introduction of regulatory examinations. These were introduced under the auspices of the FAIS legislation. Currently two examinations exist: the RE1 and RE5. Others are mooted.
Institute of Loss Adjusters (ILA)	The ILA controls the professional standards and conduct of Loss Adjusters through a code of conduct and a disciplinary procedure. Loss adjusters are involved at the claims stage. The nature of claims calls for knowledge of aspects such as engineering in addition to insurance. ILA advises INSETA on the development of new qualifications relating to claims assessment.
Insurance Institute of South Africa (IISA)	IISA is the professional membership institute for the South African insurance industry with an emphasis on the non-life industry. The history of the IISA can be traced back to the 1890s (Vivian 2001; 2016). Its vision is to help create "world-class skills for a world-class industry" by promoting skills development and professional conduct among its membership. IISA assists INSETA with graduate placements and internships.
Prudential Authority (PA)	The Prudential Authority (PA), located within the South African Reserve Bank (SARB), regulates the financial soundness of financial institutions. The regulatory reforms of the PA have skills development implications for employees, employers, training providers and the INSETA. Training interventions are needed to bring these groups up to date with regulations
South African Federation of Burial Societies (SAFBS)	SAFOBS oversees the coordination, training and education of burial societies and their staff. It provides insights into the skills development needs of its membership.
South African Insurance Association (SAIA)	SAIA is the representative body of the short-term insurance industry. The history of the SAIA can be traced back to the late 1890s (Vivian, 1995). It represents the industry to all relevant stakeholders to ensure a sustainable and dynamic

	industry. SAIA's members comprise all categories of short-term insurers, including Lloyd's and reinsurers. SAIA assists INSETA with graduate placements and internships.
South African Underwriting Managers Association (SAUMA)	SAUMA represents underwriting managers within their relevant industry. Underwriting Managers are a relatively recent activity, and as time progressed the number of Underwriting Managers increased and diversified to the point where the formation of an association was deemed useful. It provides insights into the skills development needs of its membership.

Unless otherwise indicated, the main source: INSETA (2020).

Employment dynamics

Globally, the financial markets are growing in importance from an employment point of view. In developed countries manufacturing declined to be replaced with financial markets. While indicated above, that this significant market remains stagnant, and having been significantly impacted by Covid-19, it is still an important employer in the country. It is estimated that the South African insurance sector employs an estimated 192,442 (INSETA, 2020) people.

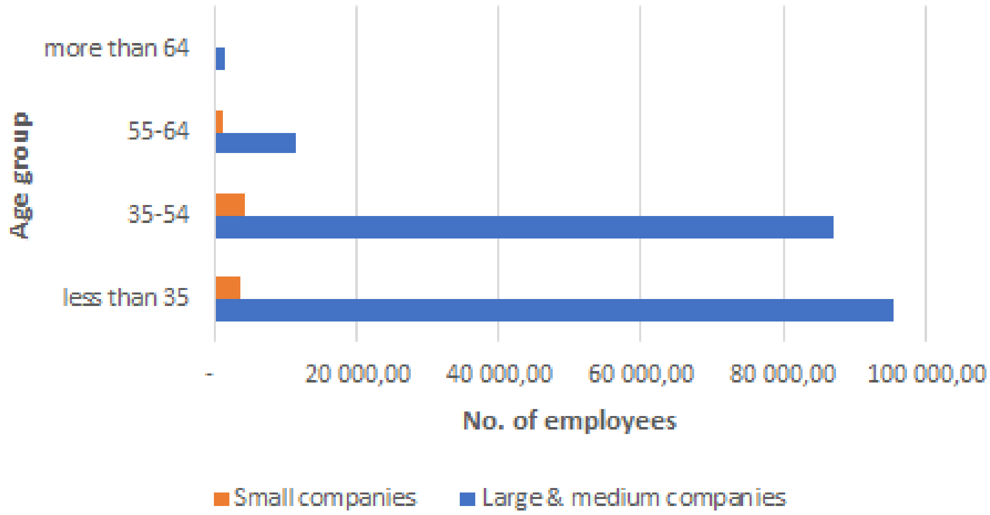
In the main, the employment data presented here is from various INSETA documents. Whiles StatsSA does provide employment data, the insurance sector figures are presented as combined with other financial services sectors e.g., banking, and therefore not deemed granular enough.

Most (82%) of the insurance workforce are employed in larger firms (more than 150 employers), with an estimated 9% employed in firms with less than 49 employers. It is the latter that is the focus of this study (INSETA, 2020).

The majority are employed in short-term insurance (24%), followed by insurance and pension funding (22%) and healthcare benefits administration (22%). Interestingly, and as a priority stakeholder group for this research - auxiliary service activities employ an estimated 4,281 people (6% of total employees in the sector) (INSETA, 2020). These services are often provided by brokers, who would fall within the SME segment of the sector. This within the context of the significance of the Financial Intermediation, Insurance, Real Estate and Business sector employing the third highest number of employees in the country, of which the insurance sector employs an estimated 24% of this overarching sector (Department of Higher Education & Training (DHET), 2019).

The racial breakdown of employers in the insurance sector is Black African (51%), White (24.5%), Coloured (14.6%), and Indian (9.8%) (INSETA, 2020). At 62% most employees are male. This is an interesting statistic, particularly from the perspective of SEBs and CFIs. In the case of entrepreneurial activity, this is seen as an opportunity to transform the sector's general profile by attracting women through entrepreneurial ventures. This is discussed further in this report.

The age profile of the sector varies depending on the size of the company. As illustrated in Figure 1 below. This shows that in smaller insurance companies, most employees fall in the 35–54-year age group, while for large and medium companies, the majority fall in the less than 35-year age group.



Source: INSETA (2020d).

Figure 1: Employee age group representation, by company size

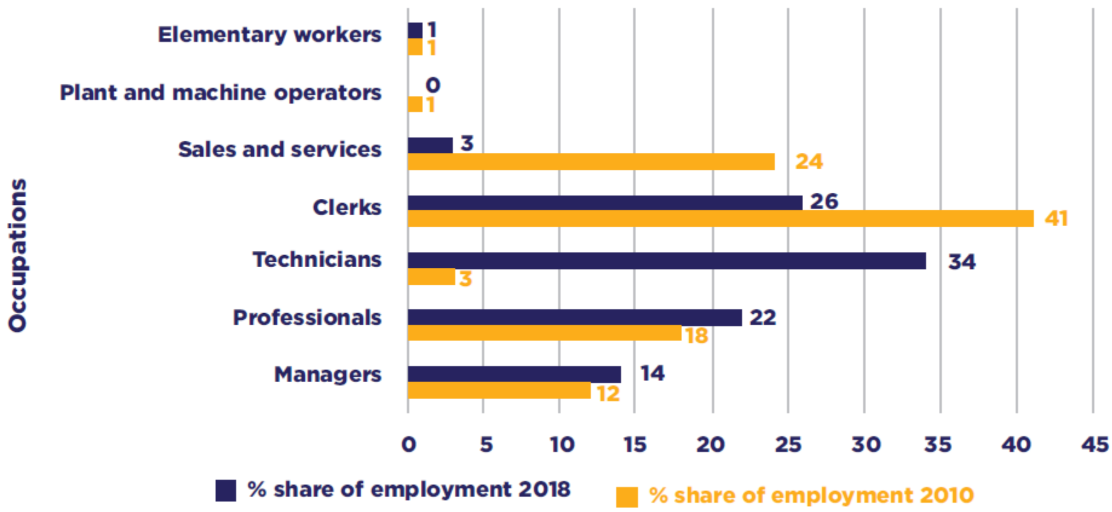
The impact of Covid-19

One of the most significant impacts on the sector, and therefore its ability to employ new and retain current employees, is that of Covid-19. The pandemic, and series of devastating lockdowns, has impacted the sector both operationally and economically. From an employment perspective, this has created continuity issues (Shaw, 2020), with employees feeling vulnerable as to whether they will remain employed. In a survey undertaken for INSETA in 2020, almost 40% of insurance company responses indicated that they expect employee retrenchments into 2021, due to the impact of the pandemic (INSETA, 2020d). The level of retrenchments suggests that almost 30% of respondents indicated 1% - 25% (a quarter) of their workforce may need to be retrenched. These are significant statistics and set a worrying context for skills development and the importance of how to retain employees in the sector. Opportunities exist through digitalisation, adaptability and resilience and enhanced service and product offerings in the burial sector, and micro-insurance. Digitalisation of the economy is seen as a core component of job creation in the Government's Covid-19 recovery plan, as well as by some Unions, such as the Congress of South African Trade Unions (Cosatu) (SA News, 2020). This is covered in more detail in respective Sections further on in this report.

Priority skills and occupations

Given the focus of this research is on better understanding the skills needs of SEBs and CFIs in the insurance sector, it is worth presenting the current understanding of skills and priority occupations known for the sector.

With reference to skills, it is suggested that most employees (53%) in the sector have an NQF Level 4 qualification (INSETA, 2019). This level of skill is probably due to those operating in the insurance sector, and providing a service to customers, must by law pass two sets of regulatory examinations (RE1 and RE 5). These qualifications are discussed in relation to the significance of regulation to the insurance sector further on in this report. Figure 2 below presents a breakdown of percentage employment share by occupation level.



Source: INSETA (2020).

Figure 2: Percentage share of employment (2010-2018)

The suggested decline in clerks and sales occupations is due to these positions being replaced by technology e.g., artificial intelligence. This is mirrored by an increase in technical occupations, generally represented by IT professionals. The impact of digitalisation on SEBs and CFIs is discussed further in this report (INSETA, 2020).

The impact of digitalisation on skills demands is highlighted in INSETA research to identify the skills needed by the insurance sector more broadly. As per results presented at stakeholder consultations for INSETA's Sector Skills Plan 2019-2020, the following overarching skills required by the sector were identified (see Figure 3 below).

Source: INSETA (2019).

Figure 3: Insurance sector priority skills

Many of these skills gaps were also identified in INSETA's (2018) skills and occupations assessment of 11 large insurance employers. The results presented skills gaps alongside broad occupations grouping levels of skill and knowledge s e.g., managers and professionals (high level); technicians, artisans and clerical (mid-level); and low-level. The results provide a more nuanced level of understanding of skills level, which in turn are of relevance for CFIs, and the management thereof (an identified and recognised skills issue [Mushonga, 2018]). At a management level, the skills gaps identified were in the main: leadership (development and execution), management (planning, coordination) and strategy. This links to a proposed recommendation to improve this level of skill to mitigate poor management of CFIs, as well as improved strategy and planning to mitigate uncertainty e.g., economic uncertainty, responding to pandemic impacts. These skills therefore relate to resilience and adaptive capacity, for both SEBs and CFIs - which are covered further in this report. Within the 'lower-skill' level occupations, skills issues identified relate to basic skills to undertake more clerical and administrative roles, such as writing, reading and mathematical literacy (INSETA, 2018). A commentary is made in the Findings section of this report on how these overarching skills identified for the sector mirror and/or differ from those reflected by the SEB and CFI survey respondents.

From an occupations perspective, various pieces of research for INSETA (2018, 2019, 2020d) suggest that the following are of priority or pivotal or hard-to-fill for the sector more broadly:

- Actuary
- Business analyst
- Claims assessor
- Data analyst
- Developer programmer / ICT developer
- Financial investment advisor
- Financial planner
- Fraud examiner
- ICT security specialist
- Insurance agent / broker / consultant
- Insurance claims clerk / administrator
- Insurance loss adjuster
- Insurance underwriter
- Organisational risk manager
- Sales manager
- Software architect

NOTE: This list is not in order of priority

For this research, it is interesting to note that 'Insurance agent / broker / consultant' is recognised as a pivotal occupation. This occupation is the most common in insurance SMEs and is discussed further in the Research Findings section. Reasons suggested for why this occupation is a priority or hard-to-fill include: the low salary, reluctance to work in remote areas, lack of relevant qualifications and/or experience INSETA, 2018). Regarding the latter, in particular the reference to lack of qualifications, the research also suggests that there is competition amongst brokerages to find, recruit and retain individuals with the necessary regulatory qualifications. This is a significant constraint, especially given that to operate in this sector, and to engage with clients, having these regulatory qualifications are essential.

Another insight to highlight from the list above is the reference to numerous occupations linked to digitalisation. This is in recognition of the swift transitioning towards a more digital future for the sector. A significant trend, which has been exacerbated by Covid-19 and reduction in face-to-face consultation and need to provide services and sell products through online platforms. This element is discussed further in the Challenges and Trends, and Research Findings sections of this report. The Skills Needs section for SEBs and CFIs reflect this trend for these two stakeholder groups.

These skills and occupational challenges are set within the context of the country's high levels of unemployment, and therefore throughput of potential employees for the sector. With a current unemployment rate of 31% (exacerbated by the Covid-19 pandemic), South Africa faces significantly greater employment challenges than the other countries in the BRICS group of emerging national economies (Brazil at 11%, Russia at 4.6%, India at 7.2% and China at 3.6%) (StatsSA, 2020a; Trading Economics, 2020). While it is proposed that the unemployment crisis can only be addressed through structural reforms in the economy, supported by investment and systemic changes to the education system, it is still a vital area of consideration and mitigation for INSETA, as the development of human capital is important for individual progression and national development (Mtantato, 2018).

Research approach

To determine the current and future skills demands for SEBs and CFIs in South Africa's insurance sector, a survey and interviews were conducted as the main source of primary information. Prior to undertaking the survey and interviews the research team undertook a desktop literature review to better understand the current and future context within which SEBs and CFIs operate and could be facing. This contextual setting provided a profile of the industry and how these two stakeholder groups sit within this. In turn this helped to assess the major trends that are likely to be affecting SEBs and CFIs, and therefore the likely current and future skills requirements, and to develop the research tools: survey and interview questions and guidance.

The purpose of the survey and interviews was to:

- Better understand the current drivers, challenges and demands faced by SEBs and CFIs, in the main, in the insurance sector,
- Better understand their functions and role within the insurance sector, and
- Inform the unique skills needs of these two stakeholder groups.

An initial database of 5,600 companies was extracted from a larger INSETA company database. The initial set were identified as having 1-49 employees - an indicator of being a small to medium enterprise (SME) – the best possible indicator of a small emerging business. A further refinement of the database (e.g., cleaning out contact duplications or where details were not available) resulted in a list of approximately 1,000 individuals. Additional contact details for INSETA's VIPs, co-operatives and relevant associations were also provided or identified. Once the survey questions were finalised and uploaded onto Google Forms, the survey was emailed to the database, where it remained open for the month of January 2021. It should be noted that during this process almost 400 bounce backs were received. To enhance uptake, regular reminders were sent to the database to which elicited additional responses.

In total, 74 responses were received. It is recognised and acknowledge that this is a low response rate. It is suggested that this low return rate was due to the survey being administered during the peak holiday season in South Africa (an acknowledged risk identified at the onset of the project), as well as due to the impact of Covid-19 on work responsiveness. It should be noted, that while this number is low, the research team were satisfied with the depth of responses and variability received. In addition, the sending out of the survey generated interest in the sector. As such, the research team decided to undertake 5 in depth interviews with those who wished to explore this topic further. While initially unplanned, these interviews provided a rich source of information, and enabled a triangulation of data.

Interpretation of the data

It should be noted that of the 74 survey responses, it was possible to identify only 2 CFIs. Most of the respondents were smaller businesses e.g., brokers, with approximately a third of respondents representing larger businesses yet worked with or through smaller players (and therefore commented on SME needs).

Given the broad definition of an emerging business (see above), it was not possible from the data to ascertain if the small businesses who responded were emerging e.g., an InsurTech. While it may have been possible to present the data by business size, this was deemed inappropriate and cautionary, as such a split would not have been meaningful due to the small sample side. It is therefore suggested that future research aim to increase the sample size for both stakeholder groups.

Therefore, it should be cautioned that the survey results **are intended as a good indication of small and medium insurance enterprises (SMEs), of which SEBs and CFIs would be included. Therefore, this data should not be interpreted as a true reflection** of the sector, or these two stakeholder groups.

Given that it was not possible to adequately recognise SEBs and CFIs in the survey responses, the interpretations of the survey data were used in conjunction with the following to present the indicative skills needs of these two stakeholder groups:

- The absences in the data e.g., the absence of e.g., burial societies, micro-insurance providers and InsurTech start-ups is revealing and therefore seen as a finding. (As discussed later in this report), and
- A correlation of the survey insights with the insights drawn from the literature review around the characteristics of SEBs and CFIs, trends in the industry etc.

Interviews, as with the survey responses, were as per protocol, conducted within confidence. As such, all quotations from respondents are presented anonymously.

Tables 2 - 4 below provide a breakdown of respondents by service offered, annual turnover, number of employees and location.

Table 2: Survey respondents, by service offered

Service offered	Number of responses
1. Short-term insurance	46
2. Life insurance	36
3. Aux Services Offered (e.g., Broker, Intermediary)	27
4. Insurance & Pension funding	26
5. Unit trusts	25
6. Funeral insurance	24
7. Pension funding	21
8. Risk management / Estate Management	17
9. Health Care Benefits	15
10. Reinsurance	5

11. Other	10

NOTE: Some respondents will offer multiple services

Given that one of the financial criteria to define an emerging enterprise (business) is an annual turnover of <R1m to approximately R100m revenue per annum (Botha et al., 2015), and for micro to small enterprises operating in the South African finance and business services, <R7.5m to <35m revenue per annum (DSBD, 2019). Given one of our target research groups are small emerging businesses, the research team felt an annual turnover of R10 million and below would be appropriate. Therefore, the target audience of reaching out to SEBs was achieved, in that most respondents reported an annual turnover of less than R10 million. See Table 3 below.

Table 3: Survey respondents, by annual turnover

Annual turnover	Number of responses
Less than R1 million	22
Between R1 – R5 million	20
Between R5 – 10 million	12
More than R10 million	20

Building on the research's ambition to seek insights from small businesses (determined as having 1-49 employees [DSBD, 2019]), it can be reflected that over 90% of respondents fall within this definition (see Table 4). Also, of importance is that while businesses with a large employer base may not constitute a small enterprise, in the case of insurance firms, many of the large insurance firms work with and through e.g., small brokers.

Table 4: Survey respondent organisations, by employee number

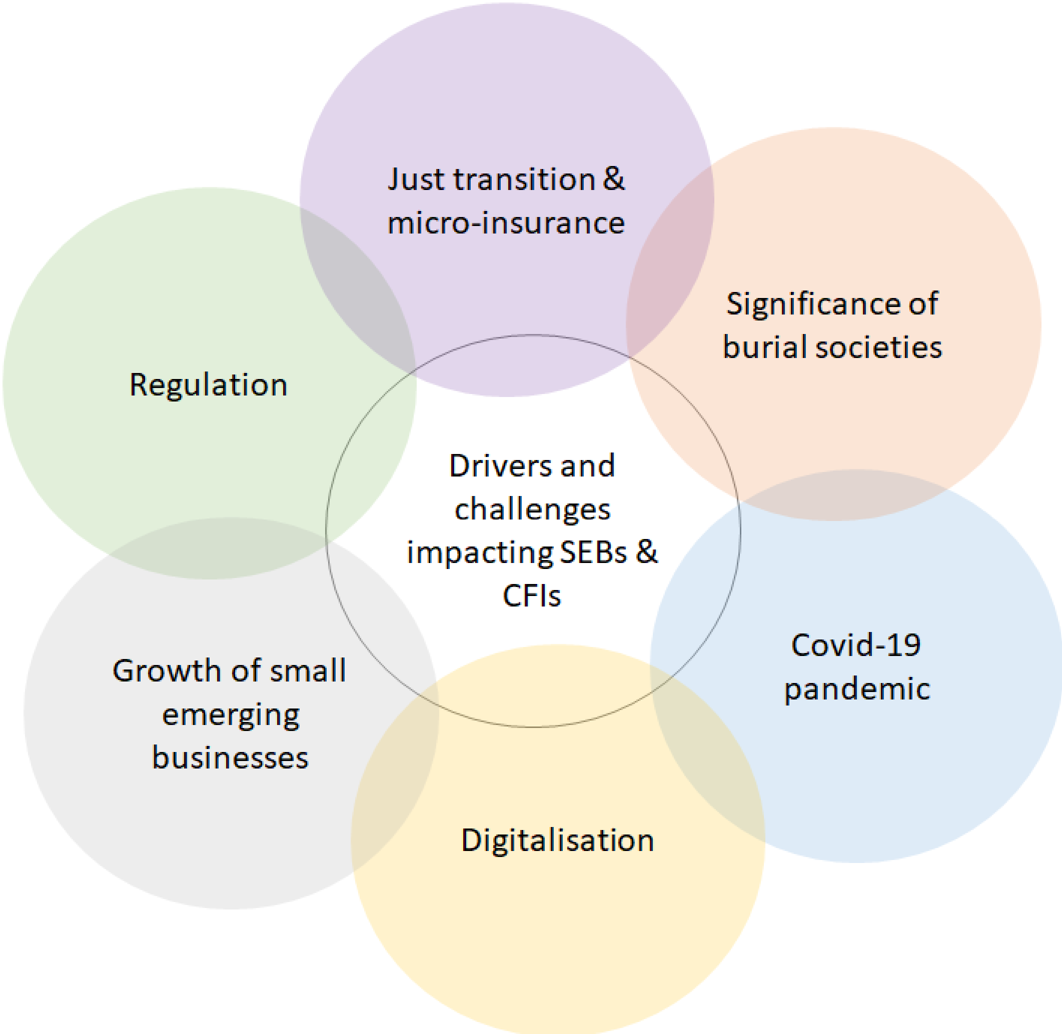
Number of employees	Number of responses
1-5 employees	30
6-10 employees	11
11-25 employees	13
26-49 employees	13
50+ employees	7

Of interest, regarding the discussion in this report around CFIs (and burial societies), it is noted that the vast majority (90%) of respondents operate from or have their headquarters in urban areas, with the remaining operating in rural areas, or both. It should be noted that this is an interesting response when exploring SEB and CFI customer bases. However, it could also suggest that those who are based in urban areas were more able to access the online survey, due to digital capability. It may, however, also suggest that this indicates that most SEBs and CFIs operate from urban areas.

Once the data had been gathered, it was analysed to determine emergent themes, and how these correlates with the literature. In turn this assessment provided a grounding from which the commentary and recommendations on skills needed for SEBs and CFIs could be presented.

Drivers, challenges and opportunities facing the sector

To inform the current and future skills needs of SEBs and CFIs in the South African insurance sector, it is also beneficial to understand the current and future sectoral challenges, drivers and trends impacting (or are likely to impact) the sector. As already touched on, regulation and the continued Covid-19 pandemic are significant areas of consideration and a challenge for the insurance sector, with nuanced challenges for SEBs and CFIs. In addition to these, other trends and characteristics of the sector are worthy of highlighting as contextual influences on and for the sector. As such, the following elements are explored further as critical dynamics for better understanding the specific skills needs of SEBs and CFIs:



All these dimensions highlighted are inextricably linked and provide a nexus of interaction. These linkages are reflected in the discussions below.

Impact of Covid-19 and sector resilience

Given the timing of this study, it would be remiss of it to neglect the impact of Covid-19 on the insurance sector. Numerous media column inches and sectoral commentary have been dedicated to the significant challenges (and opportunities) brought on by the pandemic. As the extent of the Coronavirus pandemic became clear in early 2020, national governments-imposed lockdowns aimed at slowing the spread of the virus. Countries imposed international and national travel bans, business and education moved online as far as practicable, non-essential businesses were shuttered, curfews were imposed, and employees encouraged to work remotely.

The South African insurance industry has had to adapt like the rest of the international marketplace to the impact of the global pandemic caused by Covid 19. In a survey on the impact of Covid-19 on the insurance sector for INSETA in 2020, 65% of respondents indicated that the economic impact on their businesses from Covid-19 was high, with 44% of respondents indicating that due to the economic constraints brought on by the impact of the pandemic, retrenchments were likely (INSETA, 2020d). These findings mirror those of global surveys and commentaries exploring the sector's concerns with respect to Covid-19 (see Deloitte, 2020; Ngalonkulu, 2020; PWC, 2020).

Resilience to the current pandemic, and future sectoral shocks, highlight key areas of focus for the sector, notably: crisis management and response and resilient leadership, workforce impact and capability, operations and supply chain management, finance and liquidity, tax and trade, and strategy and brand. From an employment and skills perspective this raises the issue of adaptive capacity (resilience), and the nuanced impact on SEBs and CFIs, which are explored further in this report (see Research Findings and Skills Needs Commentary).

One of the most significant responses to Covid-19 has been the speed at which digitalisation has been adopted, out of necessity for survival. Both in terms of remote working and learning, and for trading and client engagement.

The acceleration of digitalisation

"The digital revolution is an opportunity to build an entrepreneurial state, where the government's own appetite for risk and innovation inspires large-scale entrepreneurship and unlocks economic potential," President Cyril Ramaphosa (Shapshak, 2019)

Technological change, changing customer expectations and regulatory change has seen the insurance industry as one of the most disrupted sectors in the global economy over the last 5 years. As artificial intelligence (AI) and digital platforms offer customers the ability to compare products and value, South African insurers will be challenged to deliver a more focused, customer-centric experience. Insurers will need to focus on understanding the risks that concern customers and develop products that address those risks, no longer relying on pre-digital products that may not address the evolving needs of a modern and more informed customer. Customers want to derive value from the comfort they get based on the coverage they buy and not from the advice they receive.

This means insurers will need to strategically position themselves online, utilising digital platforms, apps and social media, so they can establish and develop relationships with the customer of the future (and a new emerging customer base - the youth - who are digitally proficient). As an example, Asia has sped ahead of the rest of the world on the digital customer experience, determined by their early adoption of mobile transactions and enhanced by a lack of legacy systems in Asia. This is supported by a regulatory environment that looks to foster the growth of the insurance industry (Discovery Bank, 2021).

Industry-wide distribution models have transformed to offer streamlined integration, embracing business process automation (BPA) to unify communications and improve each touch point of the customer journey. As consumers cycle through lockdowns, they become ever more habituated to their smartphone and home systems. AI and chatbots edge towards human-like intelligence, disrupting current distribution models to offer consumers greater opportunity to buy from carriers directly.

In the South African context insurers are doing deals with telecoms and online retailers to help them distribute their products, as they have a much more penetrative reach to all groups of potential customers. This way insurance companies are skipping legacy distribution mechanisms and move straight to agile product distribution through mobile phones.

While all these digital advances appear to be steering insurance, and financial practice more broadly, practice away from personal interaction, research and commentary suggests (BankSETA, 2019; Discovery Bank, 2021) suggests that consumers still require a **human-centred and lifestyle approach**. This has elicited various mitigation measures to ensure the psychological needs of customers are respected and met, with the introduction of e.g., innovative behavioural psychology strategies, or the linking of e.g., linking mental and healthy lifestyles with health insurance offerings, or the use of sensor-based communication technologies which connect insurers directly with their customers.

In addition, and of relevance to the insurance sector, online customers want to ensure that their personal data is secure, with **data security** measures such as biometric signatures, brand transparency about data use, and secure storage and protection becoming.

Digitalisation and Covid-19

The pandemic has impacted most aspects of everyday life and has facilitated the emergence of new digital solutions, including the insurance sector. This has resulted in two categories of response: digital tool innovation, and remote working.

As lockdowns were initiated people began working from home. Insurance companies have aimed to maintain operations as far as possible by using combinations of cloud-based resources and video conferencing apps – such as US-based Zoom. Businesses found that although the new approach was created by necessity, it has brought with its various benefits, such as a reduction in rental overheads and has not led to a lowering of productivity. Employees have also found that the new arrangements have created savings on time and costs associated with commuting. IT solutions have been central to this, as the world finds itself going into another round of lockdowns, working from home has become the new normal for many.

The development of technological and digital solutions within finance, including the insurance sector have exponentially grown and/or been used by customers over lockdown. As indicated previously, this may e.g., be in the form of tools to select suitable products using comparison sites. With the inability for customers to meet advisors and brokers face-to-face the need for both brokers to become efficient in the use of such tools, is increasing. This is discussed further in the research findings section of the report. Health-related and or/tracking platforms have also grown in use during the pandemic, whether the tracking of Covid-19 cases, in the South African context utilising the CoviID app developed by the University of Cape Town (UCT, 2020) or to respond to the populations growing need to improve their health to try and mitigate the contracting of Covid-19 (Hall, n.d.).

While these digitalisation developments and innovations are not new, Covid-19 has exacerbated their growth, and offered up new avenues of reach. Especially with the recognition that digitalisation is seen as a job creator in the Government's Covid-19 economic recovery plan (SA News, 2020). This has and will provide an opportunity for small emerging businesses (SEBs) in the insurance sector to expand and make their mark.

NOTE: Digitalisation and the impact on jobs and skills needs are covered further in relation to SEBs and CFIs under the sections on Research Findings and Skills Needs Commentary.

Growth of small (emerging) businesses

Small emerging businesses (SEBs) are a central stakeholder group within this study. They fall within the broader categorisation of small and medium enterprises (SMEs) and it is from this emphasis that they are explored further and contextualised.

Globally SMEs account for 99% of all businesses and between 50% and 60% of value add (Bowmaker-Falconer & Herrington, 2018). In 2019, it estimated SMEs turnover was R2.3 trillion (22%) (StatsSA, 2020c), therefore a significant contributor to the South African economy. Within the business services sector, SMEs make up an estimated 42% of businesses (an increase from 29% in 2013) (StatsSA, 2020c). This growth is an indicative trend, with SMEs expected to grow, and therefore play an increasingly important role in the South Africa formal business sector (StatsSA, 2020c). By 2030, it is estimated they will contribute 60-80% to GDP increase (Vuba, 2019).

The insurance sector falls within the business services sector, with SMEs estimated to comprise 20% of the insurance sector workforce (INSETA, 2020a). They are typically intermediaries, often identified as brokers, who are the go-betweens between the insured and the insurer.

Within the category of SMEs sit small emerging businesses (SEBs), a focal point for this study. SEBs are closely aligned to the topics of entrepreneurship and emerging markets. For the purposes of this study, SEBs are defined as businesses characterised as being one or more of the following:

- Small and often obscure or not obviously known to the broader market or customer base
- Progressing through early or incubation stage to acceleration or intermediate phases of business growth
- Are cash flow reliant (i.e., not supported by venture capitalists)
- May have fallen on hard times and are seeking to reinvent or restructure themselves
- 1-49 employees

(Botha et al., 2015; Department of Small Business Development (DSBD), 2019; Turo, 2020)

These emerging businesses (aka entrepreneurial businesses or start-ups) are considered key drivers of job creation, especially for youth and women, and contributing to the identity and social cohesion of local communities (Bowmaker-Falconer & Herrington, 2018; OECD, 2019). While this potential is recognised, emerging businesses in South Africa are impeded by significant challenges, such as over regulation and bureaucratic burdens; access to funding; and having the capability and capacity to digitalise. High cellular data costs are considered a particular challenge for tech start-ups in South Africa (BankSETA, 2019; Bowmaker-Falconer & Herrington, 2018). These respective challenges have been acknowledged by the government (SA Government, 2019), to recognise and support SMEs and SEBs. In principle these efforts focus on financial support, lowering financial costs for entrepreneurs and reduced bureaucracy.

Women, inclusivity and entrepreneurship

Entrepreneurial activity provides an opportunity for women within the insurance sector to contribute, thereby enhancing gender transformation and inclusivity within the sector. This set within the context of women remaining the minority in South Africa's insurance sector, especially in the boardroom (Githahu, 2021). It is at the entrepreneurial level that "women need to intentionally get out there and ensure that they are a force to be reckoned with and are not at the mercy of men," Dr Sybil Seoka, Board Chairperson, Professional Provident Society Insurance (Githahu, 2021). By contributing, women (as well as youth) can have a significant impact both for communities and the economy. Given this potential President Cyril Ramaphosa's State of the Nation Address in February 2020 announced national strategies for improving entrepreneurship for women and youth (SA Government, 2020).

InsurTech: A growing opportunity

Touching on the topic of inclusivity and emerging business opportunities, InsurTech becomes a topic of interest for the insurance sector. As retail purchases and transactions increasingly move away from cash towards digital channels during the Covid-19 period, the insurance sector around the world has continued to explore the potential of mobile retail solutions and insurance technology - otherwise known as InsurTech. InsurTech is a term, similar to FinTech, used to describe a company using technology to disrupt the insurance industry.

While high internet data costs and limited infrastructure impede technical innovation in the sector, South Africa illustrates a thriving and growing InsurTech start-up scene (Littlejohns, 2019). This is particularly fitting with reference to South Africa's historical context and transformation imperatives, infrastructure providers now have the potential to reach traditionally excluded populations, unlocking the economic potential of a formerly invisible economy, or accessing the millennial market, or venturing into seemingly unrelated revenue streams in order to create new distribution channels, remain competitive and serve consumers lifestyle needs more holistically (Discovery Bank, 2021; Littlejohns, 2019). A few InsurTech examples (see below), established in South Africa, illustrate the possibilities and potential for the insurance sector to provide a nexus between digitalisation, inclusivity and market resilience.

- **Ctrl** - An app which allows policy-seekers the ability to request home, vehicle, household content and electrical goods insurance based on their criteria from several of South Africa's biggest firms. Ctrl acts as a broker in the insurance process.
- **Naked -** An app which allows users to purchase motor insurance at lower rates than those offered by established members of the industry, with any left-over premium going to charitable causes of the user's choice. It uses an AI chatbot and computer vision technology to keep operational costs at a minimum, and therefore premiums

lower than traditional insurance avenues.

- **Pineapple -** A digital platform that allows users to snap a picture of anything they wish to cover that is not a person, house or vehicle, with the exception of drones. In addition, Pineapple's business model involves returning any unspent premium to policyholders after it has taken its share to cover costs.
- **Lumkani -** Established in 2016, within insurance underwritten by Hollard, Lumkani offers lower income households insurance policies to help communities to rebuild after fire.

  Source: Littlejohns (2019).

The example of Lumkani is of particular interest, especially from an inclusivity, just transition and futures perspective, and speaks to the growing trend for micro-insurance, which is discussed further below.

Building on the notion of entrepreneurship and potential in the insurance sector, two interesting areas of development within the insurance sector are likely to emerge and impact on the insurance sector, these being:

- Co-operative financial institutions (CFI's) - notably the relevance of burial societies, and
- Micro-insurance and a just transition.

These two trends are discussed further below.

The relevance of co-operative financial institutions (CFIs)

South Africans will save so much money through stokvels this year that they could buy Pick n Pay in cash and still have R10 billion left over (Mavundza, 2018).

During the literature review undertaken for this study, it became apparent that co-operative financial institutions (CFIs) are a significant form of the South African insurance sector, and not adequately recognised or understood within it (see the Research findings section). The CFI is something new and not to be confused with a Co-operative registered in terms of the Co-operative legislation. The most obvious example of a CFI in the banking industry is the stokvel. Stokvels are a type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly, and when in need the community or an individual is provided support from this kitty (NASASA, 2020). Current research suggests there are over 820,000 stokvels in South Africa, transacting over R44 billion per annum (Makhura, 2015; Mavundza, 2018). Money is paid out monthly, to individuals, who spend it on consumables – typically food, groceries and funeral insurance.

South Africa's burial societies

This form of enterprise is well known in the banking industry, and it is found in the South African insurance market supporting primarily rural communities with burial insurance markets. It is this latter market that is of interest to this study, as within the insurance context, stokvels operate in the funeral insurance sector, and commonly called burial societies.

The emergence of burial societies is historical, economic and cultural. Burial societies were born as a response to the rising costs of providing a dignified funeral experienced by migrant workers when the country underwent a mining and industrial revolution in the second half of the 19th century (Makhura, 2015). As such, they are deeply enshrined in the culture and customs of Black African society in South Africa (Heneke, 2019), with their numbers estimated in the tens of thousands, and serving at a minimum, 11.7 million direct members (Makhura, 2015).

They provide an essential, yet informal, but reliable and legal form of insurance to help members and their families with the costs of funerals. Burial societies also provide practical support for the family during the preparation. This is known as 'izandla ([helping] hands)' (NASASA, 2020).

As with a typical stokvel, members contribute a set amount of money at regular intervals, for a set benefit. Burial societies typically provide policies that cover the main group member as well as family and extended family. Most groups are 'self-underwritten' while an increasing number of groups are opting to partner with reputable insurance companies to minimise their risk (NASASA, 2020). They therefore provide an opportunity through which legal insurers can gain access to this market, one which they would not normally reach (Heneke, 2019).

Given their importance, and ability to recognise and tap into a culturally significant market, they have grown phenomenally across the country (Makhura, 2015). And sadly, given the toll of Covid-19 on deaths in the country, they are set to expand for the foreseeable future. This growth will be expedited as the market gains recognition within more traditional practices within the insurance sector. As Tau (2020) suggests in his thesis on the *Availability and Distribution of Risk Capital: How Stokvels can Help Fill the Financing Gap for SMMEs in South Africa*, "Stokvels [aka burial societies] as a collective are significant in terms of their size and value and volume. Strategies that aim to tap into this buying power are in their infancy or have not been followed through hence providing a wealth of opportunities for industry" (African Response, 2012).

Given that CFIs (aka burial societies) are not fully understood in the sector, and engagement with INSETA appears to not have been as formally maintained since the Indaba in 2010, there is much opportunity for INSETA to develop a contemporary and more in depth understanding of burial societies and how they can be better supported. It is a start that this research firstly recognises their relevance and significance and begins to explore their skills needs (see the Research Findings and Skills Needs Commentary for further insights on this topic).

Micro-insurance: Sustainability and just transitions

As with CFIs, and burial societies, the literature review for this study unearthed and brought to the fore the potential significance micro-insurance will have on the South African insurance landscape. This elevation of importance, and therefore of consideration for INSETA, is borne through the nexus of digitalisation and InsurTech potential (purpose driven entrepreneurship), CFIs and inclusivity of the 'unbanked', and the sector's response to climate change and/or risk.

Climate change, water scarcity, pollution, resource depletion, biodiversity loss, inequality, disease, hunger, corruption and a range of other environmental, social and governance challenges undermine sustainability at the global, national and local level. The challenges created by unsustainable practices increasingly demand that substantial changes are made to the way that economic, social and environmental systems are managed. Transitioning to more sustainable economies and livelihoods will bring extensive policy, legal, technology and market changes that create risks and opportunities for businesses and society. As these changes are made it is important to ensure that marginalised and vulnerable groups are involved in decision making processes that affect them and that the benefits created through transitions processes are fairly distributed. The transitions require that new skills be developed to support new, more sustainable businesses, livelihoods, economies and societies within thriving ecosystems.

The financial services sector plays a vital role in, and is directly affected by, the transformations towards greater sustainability. This sector includes banking, insurance, asset management and fund (e.g., pension fund) services. The role of the financial services sector in contributing to greater sustainability is reflected in the aspirational term, 'sustainable finance'. In a recent

(2020) discussion document published by the South African National Treasury sustainable finance is defined as:

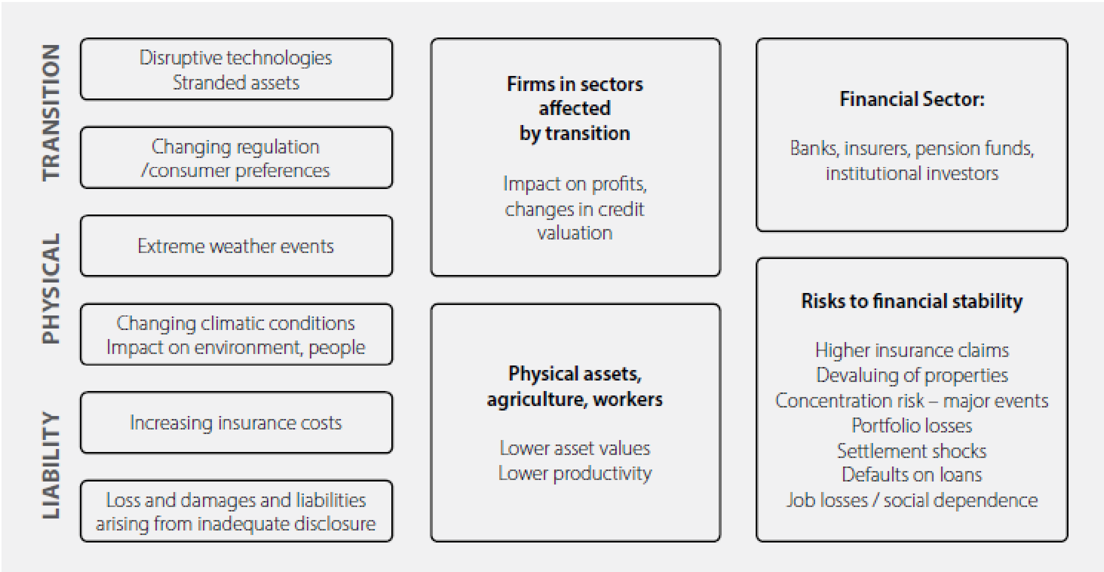
> "…encompass[ing] financial models, services, products, markets and ethical practices to deliver resilience and long-term value in each of the economic, environmental and social aspects and thereby contributing to the delivery of the sustainable development goals and climate resilience."

The document goes on to suggest that this is achieved when the financial sector:

> "evaluates portfolio as well as transaction-level environmental and social risk exposure and opportunities, using science-based methodologies and best practice norms; links these two products, activities and capital allocations; maximises opportunities to mitigate risk and achieve benefits in each of the social and environmental and economic aspects; and contributes to the delivery of the sustainable development goals."

This definition is aligned to a broader international movement toward the integration of environment, social and governance (ESG) considerations / criteria into business and investment decisions for the long-term benefit of investors (shareholders) and society at large (stakeholders). There are currently a few global initiatives focused on developing greater alignment between the many ESG and financial reporting frameworks currently in use.

In the context of climate change, which in many instances exacerbates a range of other environmental and social risk and associated economic impacts, there has been a substantial focus on 'climate related risks and opportunities'. In 2015 the global Financial Stability Board established the Task Force on Climate Related Financial Disclosure (TCFD) to support informed investment, lending, and insurance underwriting decisions and to improve the understanding and analysis of climate-related risks and opportunities. The final report (2017) contains a set of widely supported recommendations for climate related financial disclosures that are applicable to all companies across sectors and jurisdictions. These recommendations are increasingly being incorporated into regulatory requirements (e.g in the European Union). The TCFD provides a framework for assessing a range of risks including both physical risks and transition risks and highlights the importance of using scenario analysis to provide forward looking disclosures alongside reporting on past performance. The National Treasury technical paper mentioned above draws on the TCFD framework to summarise the financial risks from climate change and the potential impacts on the financial services sector in Figure 4.



Source: Financial Stability Board (2017).

Figure 4: Financial risks from climate change and the potential impacts on the financial services sector

The recommendations for how to approach managing the above risks are structured around four themes linked to core elements of how companies operate namely: governance; strategy; risk management; and metrics and targets.

While the ESG frameworks give substantial attention to social impacts the TCFD report and guidelines has been critiqued for lacking a human dimension. This is particularly significant in a country such as South Africa with extremely high levels of inequality, poverty, unemployment and other social challenges. This in turn requires that emerging responses to environmental and social challenges should, at the very least, ensure that marginalised and vulnerable groups are not further disadvantaged in the transition processes. This requirement has informed the development of the principles and practices associated with 'just transitions'. Just transitions require both procedural justice that supports social inclusion (Who is involved in shaping the transitions) and distributional justice (Who gets which benefits and harms in the transitions).

Sustainable finance practices are thus being driven by several factors. These include:

- Environmental pressures/ risks/ opportunities
- Decreased investment risk and/or underwriting risk
- Regulatory/ disclosure demands
- External stakeholder requirements (e.g., clients, shareholders, government, society at large)
- Brand image and reputation
- New business opportunities

The insurance sector, in its role as risk assessor, risk manager, risk carrier and investor play a significant role in the management of sustainability related risks and opportunities. The Principles for Sustainable Insurance (UN Environment 2012) notes that "sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance and contribute to environmental, social and economic sustainability." Four issues are particularly relevant: i) natural hazards where only 2% of losses in low- and middle-income countries are covered (compared to 30% globally); ii) climate change is set to exacerbate 'natural hazards' iii) transitions to sustainability (including decarbonisation) will leave some assets stranded or at least significantly devalued iv) access to and affordability of insurance will have significant equity dimensions related to resilience against environmental hazards and shocks. These issues both individually and collectively require new approaches within the insurance industry and new skills amongst workers in the insurance industry tasked with developing and implementing new approaches.

Micro-insurance as a response

As a response to the insurance sector needing to increasingly recognise marginalised markets and communities; and the impact of climate change, micro-insurance is being recognised as a service worthy of consideration. While recognised as an opportunity, few companies in South Africa offer micro-insurance (except for funeral insurance - see burial societies above). This despite the reform to regulation, and redrafting of the Insurance Act of 2018, which encouraged wider access to insurance products for people with low incomes. The aim of the Act is to ensure that products are simple, unbundled, and that companies granted a license have broad distribution plans. The regulation allows insurance providers to offer both life and non-life insurance products via cell phones which ultimately make it possible for companies to sign unbanked customers (Fourie, 2020).

Ideally, the South African insurance regulator, promoted by the country's Treasury department, would like to replicate the success of other African countries, and has recently lowered some requirements to start a new business in the micro-insurance market (Fourie, 2020). Insurers in other African countries typically sell micro-insurance as an add-on to other financial products distributed via cell phone. Most of these products focus on primary risk such as livestock and crop, health, funeral and life insurance.

Kenya is a good example where micro-insurance is provided to insure crops and small businesses, and to increase health insurance penetration. Economic development begins with the confidence that climate events such as storms and extreme seasons do not destroy a family's livelihood. This has been facilitated by cell phone banking, Kenya's M-Pesa has been at the forefront of technology evolution with a user base of more than 37 million, opening multiple markets for those without a bank account (Mohapatra, 2010; Oxford Business Group, 2017; Tuluba, 2019).

Regulation: A licence to operate

Underpinning all the challenges facing the sector, as well as opportunities - notably emerging businesses, CFIs (incl. burial societies) and micro-insurance - lies regulation. It plays a significant role in the way the sector operates, with the market being well regulated and supervised.

Historically, the regulation in the sector developed very slowly. The first national Insurance Act was passed in 1923 which was replaced by the 1943 Insurance Act. The first significant regulatory overhaul came with the establishment of the Financial Services Board (FSB) in 1990, to supervise financial institutions. Regulation however continued in terms of specific pieces of legislation including the Long-Term Insurance Act, 52 of 1998, and the Short-Term Insurance Act, 53 of 1998. These two Acts emerged from the 1943 Insurance Act which was repealed on the passing of the two Acts. These two were in turn repealed by the Insurance Act of 2017.

The most extensive regulatory changes were made with the introduction of the Twin Peaks system. This emerged from the collapse of Barings Bank in the UK resulting in a single peak regulator, with the FSA being formed. However, it was replaced following the 2008 world banking crisis by the Twin Peak system. The 2008 crisis resulted in a rethink of the single peak regulator and replacing it with two regulators - which has become known as the 'Twin Peaks' regulatory system. South Africa decided to follow the UK example and introduced the Twin Peaks regulatory model and established two regulators for financial markets. One in charge of prudential supervision (within the South African Reserve Bank (SARB)) and the other covering market conduct. This shift to the Twin Peaks system also represents a decisive move away from a "fragmented regulatory approach, minimising regulatory arbitrage or forum shopping," (National Treasury, 2014).

Currently, the FSCA is the market conduct regulator, while a statutory body, the Prudential Authority, under the central bank acts as the prudential supervisor. The goal was for regulators to be more independent, their roles better defined and improved communications between the relevant authorities.

Insurers were broadly supportive of the Twin Peaks proposal, the stability it has brought to the sector, as well as the improved oversight on fraud and customer protection. The industry recognised that the legislation would help to protect customers, keep insurance competitive and fight financial crime (Schmulow, 2018). However, questions have arisen over whether the programme is too far-ranging for a developing market, even one as sophisticated as South Africa. There has been concern about certain aspects of the legislation, particularly with reference to it being a barrier to entry for emerging SEB's and SMME's (see this report's Research Findings).

The expense to meet compliance with legislation and the view that the system is seen as potentially too complex. Companies are required to make significant investments in IT systems, and there is concern that smaller insurers and entities will struggle with this cost.

From the perspective of skills and knowledge in relation to regulation, anyone who is a key individual or wishes to engage with customers and provide advice must pass FAIS regulatory exams, known as RE1 and RE5. This includes having a proper knowledge and understanding regarding legislation covering the FAIS Act, FICA and Code of Conduct (BRCS, 2021). For further discussion on this see the Research Findings section, and the impact of this requirement on SEBs and CFIs.

Research findings

"I have a firm belief that as much technology as we implement in this industry … you never can fully extricate the human from that equation." (Guadagno, 2017)

This section focuses and reflects on the themes that emerged from the contextual analysis, survey and interviews with and on the South African insurance sector in relation to current and future skills needed for SEB's and CFI's. The findings are presented under key themes that emerged in relation to current and emerging skills in SEB's and CFIs in the South African insurance sector. These are discussed in more detailed below (including proposed considerations and/or recommendations), and cover:

- Digitalisation
- Small business agility and adaptation during Covid-19
- Impact of regulation on smaller businesses
- Importance and recognition of burial societies/stokvels/co-ops
- Micro-insurance potential in South Africa

Digitalisation

INSETA survey respondents were clear on the impact of digitalisation on sector jobs and skills, as is evident in Figure 5. Respondents see the emergence of digitalisation as the most significant event in terms of skills demand and shifts in employment over the next 5-10 years, with IT (21% of responses), digital sales /marketing (17%) and leadership (16%) being the most sought after, followed by automation and data analytics.

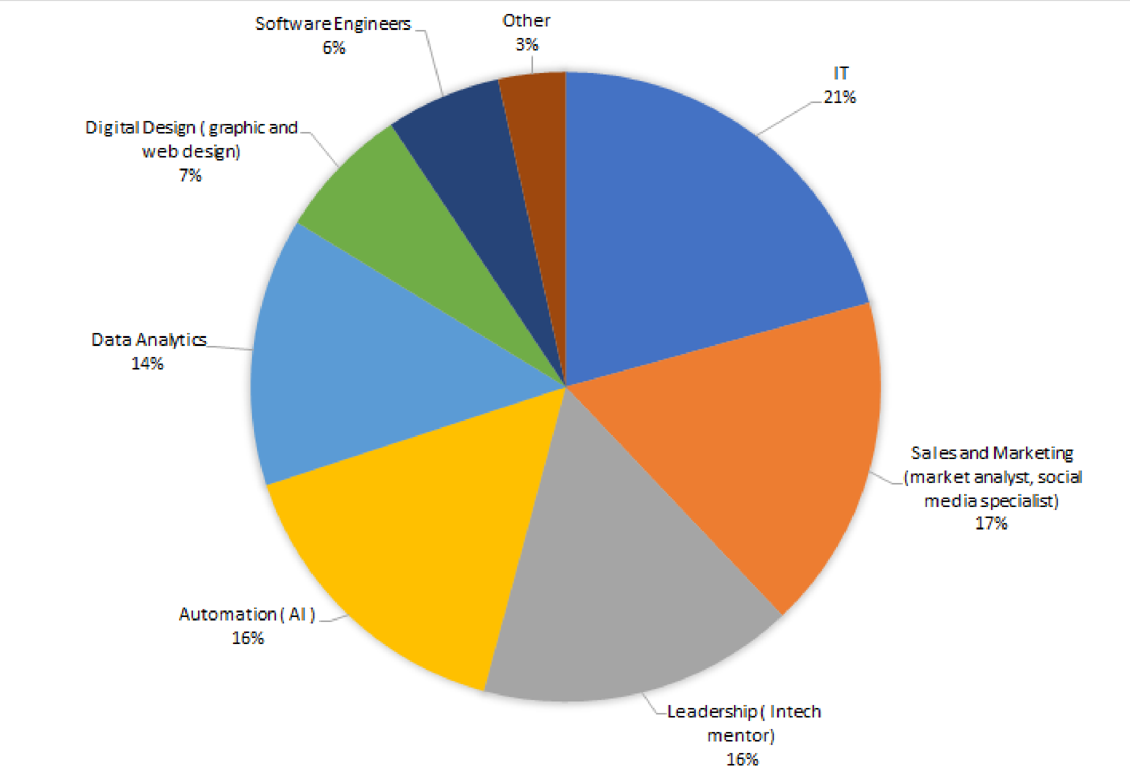


Figure 5: Skills and jobs in demand over next 5-10 years

As Broker 1 noted, 'digitalisation is the way forward. If we're to stay relevant, we must have presence in the digital space'.

Broker 2 commented that, 'digitalisation – the 4IR is here, and we cannot run away from it. Some of our strategies are to digitise our operation, and we envisage to play in the rest of the world and be leaders.'

What is of interest in the research is that there is a distinct contrast in feedback from respondents between the short-term focus on digitally adapting to Covid-19 and the long-term impact and potential of digitalisation. This is covered further in the section on scarce and critical skills and occupations.

What is also apparent is that the respondents to the survey, cognisant as they are of their digital present and future, have been blindsided by Covid-19 and it is this and regulatory challenges that preoccupies them in their feedback comments throughout the survey.

The research findings are reflected in the literature review, a Siemens report in 2017 on digital maturity in Africa suggests that South Africa emerges as the country with the greatest potential to realise digital maturity, followed by Kenya, Nigeria and Ethiopia (*African Digitalization: Maturity report 2017*) Parallel to the digital transformation experienced and implemented by the insurance sector, is the rate of consumer digital transition. South Africa's consumer access to technology and penetration levels have been significant and are changing the way businesses respond to their needs and expectations (Bagly et al., cited BANKSETA, 2012)

Deloitte's *Insurance 2020* outlook summarises the challenge for the industry, 'How well insurers resolve the "synthesis challenge"—integrating innovation in technology, talent, and business models into change-resistant legacy environments—may be the biggest success factor for the industry in the decade ahead,' (pg.2).

CFIs as a sub-section of the industry operate primarily in the funeral insurance sector working with burial societies, they are customer facing and are in the process of transitioning to the digital landscape. Their operation is covered in the section on CFI's above, and further on in themes below. Recommendations on SEB's and digitalisation are covered in the following sections.

Small business agility and adaptation during Covid-19

The research feedback was unequivocal from survey respondents and interviewees that Covid-19 has dramatically altered the landscape of the South African insurance industry. They perceive it to be the second greatest challenge that they currently face. The industry has had to move rapidly to employees working remotely during the nation's revolving lockdowns and embrace digital channels and platforms to interact with customers and clients.

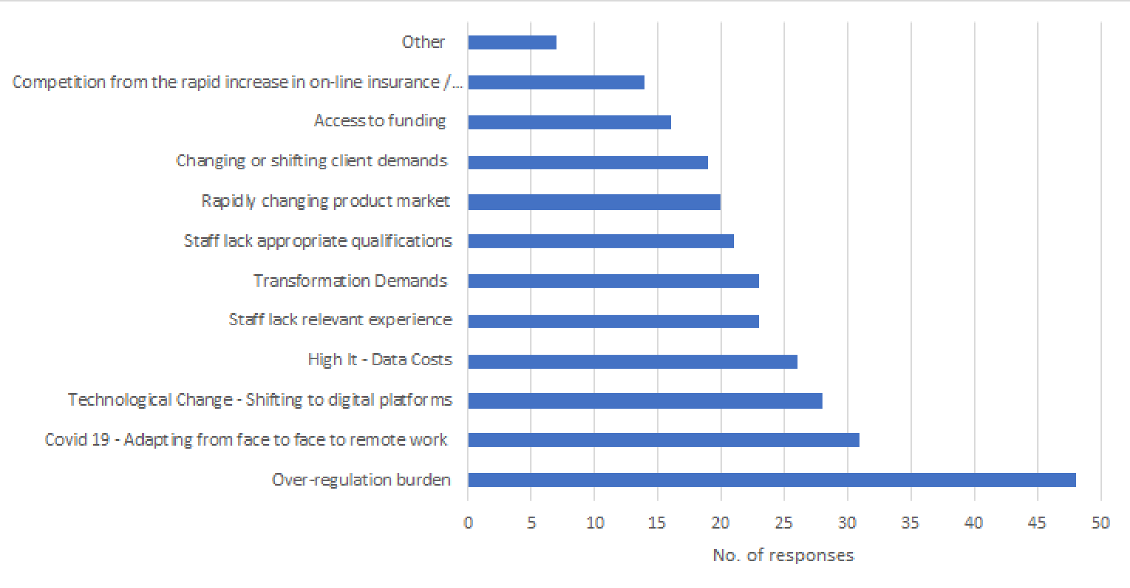


Figure 6: What are the main challenges that your business or co-operative currently faces?

As Broker 3 commented, 'Covid caused drastic, immediate changes to technology and costs to implement'. Broker 4 highlighted that, 'most of our business comes from face to face selling of our product and with Covid-19 a lot of our face-to-face selling could not be done, and our income reduced.'

Because of this, the main challenges for SEB's have been the necessity to put in place robust technology at short notice, to ensure their businesses can stay open, literally and metaphorically. Digital platforms, cyber security, managing data and implementation costs have all been at the forefront of SEB's ability to adapt to the pandemic and stay agile in the face of a once in a lifetime economic shock.

What is interesting is that the organisations that have embraced digitalisation have managed to adapt to the pandemic with greater ease and agility, as Interviewee 1 observed, 'we have been using digital platforms for over a year now, so it wasn't an adjustment for us ... our success has been based on our ability to innovate and adapt. We are a learning organisation with a focus on developing our leaders.'

This is reiterated in the literature, with KPMG stating in their 2020 industry survey that 'those insurers that have the necessary digital capabilities and are exploring other technological enhancements and transformations, are able to operate with minimal disruption; seamlessly staying connected with customers and employees. However, difficulties are being experienced by those that have not embraced continuous innovative development. The insurance industry is highly competitive – to stay relevant, insurers must embrace digitalisation to ensure they can continue to serve their customers' needs in an efficient and simplified manner and grow the customer base to achieve economies of scale in an environment of increasing costs,' (KPMG, 2020, pg.4).

To overcome the challenges presented by sustained periods of lockdown and remote work during Covid-19, SEB's utilised existing channels of communication, namely telephonic, landline and mobile, so they could continue to interact with customers. They moved to digital platforms, utilising digital apps like WhatsApp and video conferencing platforms like Zoom and Microsoft Teams, to ensure staff could interact and operate efficiently.

The research findings substantiate the literature review, that Covid-19 has affected a substantial economic contraction across the South African finance sector, including insurance. 'Finance and personal services, the two industries that have shown a great deal of resilience over the last decade, did not escape the maelstrom. The finance industry, which includes banking, insurance services, real estate and business services, fell by 28,9%,' (Stats SA, 2020c).

The feedback from respondents on agility and adaptability during Covid-19 reiterates observations from the section on digitalisation. Namely that SEB's have had their digitalisation process accelerated exponentially, with the primary goal of survival and stabilizing their operations during this period.

Suggestions and requests from respondents to support them:

- Provision of advice to enable access to agency funding to navigate this period.
- Provision of programs that address planning and strategy to address Covid-19 related challenges
- Wellness advice and support for remote workers
- Support in planning and strategy for navigating digitalization in the short and medium term.

In conclusion, SEB's are the most challenged sector of the insurance industry due to small staff numbers (1-5 staff members) and liquidity challenges, as they mobilise to remote digital work. It is recommended for INSETA to invest in further research to understand the exact needs of

SEB’s in navigating and responding to the challenge of Covid-19.

Impact of regulation on smaller businesses

As illustrated in Figure 7, over regulation is perceived by survey respondents to be the single greatest challenge to the sector. Figure 7 below, indicates, most respondents see regulation and compliance being both too complex and expensive.

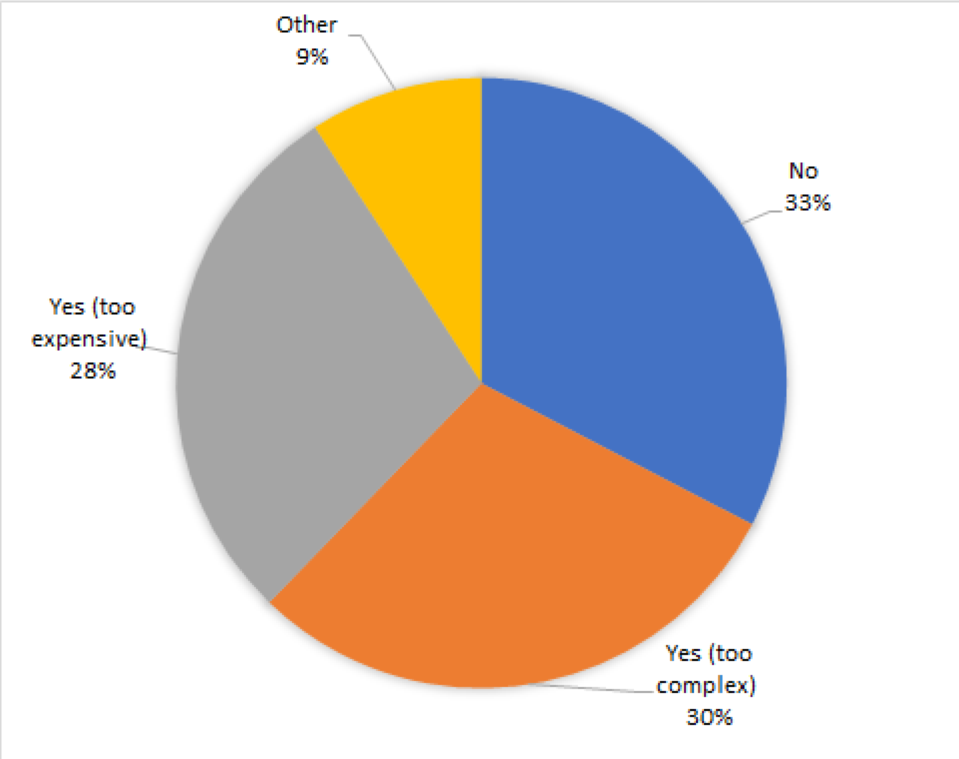


Figure 7: With respect to your business or co-operative, has the adherence to the Financial Sector Regulation (FSR) (including FAIS) been a barrier or challenge when entering the industry?

The following quote by Broker 5 is indicative of the consensus of survey respondents:

> ‘SMME's do not have huge financial resources to plough into these areas to compete. Over regulation and irrelevant, nonsensical legislation is designed to strangle SMME'S with the added burden of unrealistic compliance. The increasing cost of compliance and FSCA fees is placing a burden on SMME'S.’

Cost and time are the primary recurring themes in the survey, as Broker 6 stated, 'the regulations are very time consuming. This is time we could spend to service our clients better'. Consultant 1 concurred, ‘I spend more time and money on managing compliance than in doing business.'

As seen in Figure 8 below, respondents highlight skills that would allow them to serve clients and customers with greater understanding of products, appropriateness and value.

Figure 8: Regulation and compliance, which of the following skills improvements would you find most beneficial?

Although the consensus of respondent feedback was on the inhibitory nature of regulation, there are companies who have managed to stay ahead of the compliance challenge and continue to function profitably and effectively. It should also be acknowledged that regulation is important for this sector, and without it a 'wild west' situation could arise in which corruption, misappropriation of funds and poor client service could characterise the sector.

As Interviewee 1 explained, their strategy in managing the challenge of regulation and compliance has been to 'increase training on compliance and regulation to ensure we are doing it right' so staff are able to act with greater efficiency and effectiveness. Although they acknowledged that as a larger organisation, they have the finances and human resources to do this and that SEB's would find it more challenging to deliver this. This company's proactive attitude was to embrace the compliance and regulation challenge, saying that compliance was essential to protect the public from 'fly-by-nighters' who would take advantage of laxity of regulation.

The key points from the literature review reflected in the research:

- Legislation is critical to protect customers
- Prevent financial crime
- Legislation keeps the insurance industry competitive

This needs to be balanced with the concerns that respondents seek support and consultation on:

- Legislation is too far-ranging for a developing market
- Legislation is a barrier to entry for emerging SEB's and SMME's.
- The expense to meet compliance with legislation

- The system is seen as too complex.
- Companies are required to make significant investments in IT systems, and there is concern that smaller insurers will struggle with this cost.

Based on these findings, it is recommended that INSETA consider further research with and on SEB's and CFIs to understand the nature of the challenges of the sector in navigating regulation and compliance. A request was made by Interviewee 2, who has worked in the sector across a breadth of organisations, for INSETA to engage with the industry to workshop and brainstorm solutions to the challenges that the SEB's face.

Importance and recognition of co-operative financial institutions (CFIs), notably burial societies

The funeral services industry in South Africa is working with co-operatives in the form of burial societies (operating as Stokvels) to provide funeral products to rural and urban Black African communities.

There is no mention of burial societies or Stokvels by survey respondents in the research, which suggests that funeral insurance in the survey reflects the formal sector. Figure 9 shows that most survey respondents have offices situated in urban areas, which may reflect the lack of understanding of how funeral services work with rural communities and suggests this sub-sector working on the informal borders of the insurance industry.

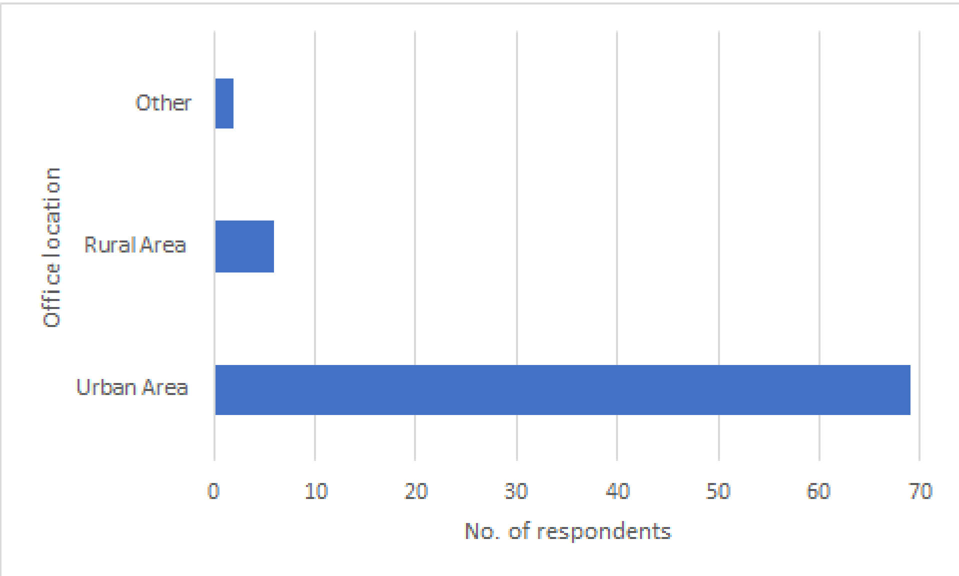


Figure 9: Where is your main office located?

Interviewee 3, a CEO of a brokerage, had no concept of this market or the role of burial societies even though the business operated in the same town as one of the region's largest providers of funeral insurance to burial societies. The funeral services are customer centric, working face to face with the burial societies, utilising community meetings to develop relationships with community leaders and chiefs.

Burial societies are discussed in more detail in the section above. Interestingly they seek to serve the dual goals of addressing South Africa's history of inequality and exclusion, as well as the opportunity to 'create more work and wealth opportunities for most of the people.' Key focus areas for them are:

- Popular ownership of capital and equal opportunity of education and employment for all of society
- Confront the potential poverty caused by replacement and displacement of labour
- Community as a means for human development

A leading funeral services company in the Eastern Cape claims to work with 60,000 burial societies and have 80,000 client schemes on their books, this is not verified, yet it indicates the size and scope of the market. They are registered as financial services providers and write their own policies for the market.

Survey respondents request products that are culturally specific, as not all brokerages will be funeral services providers, they cite the need to offer funeral insurance products that are culturally relevant, diverse and meet the community's needs. As Broker 8 commented,

> 'Research shows that all the insurance products from funeral policies to long term insurance, they are all first looking at the needs and lifestyle of white people, then all other races should follow in buying and comply, though many of these products are not really applicable. Insurance products that are sold to Africans come from overseas, but the lifestyle and income are completely different. I am not saying we should not learn but let us be relevant with the needs of the majority'.

Broker 9 noted, 'It is vital to develop more and varied micro-insurance products for the mass market, for burial societies to be able to offer multifaceted services to their customers.'

From the results, it is recommended INSETA commission further research into this sub-section of the industry to fully understand the role of burial societies (operating as stokvels) and the business relationship with funeral services providers.

Micro-insurance potential in South Africa

Micro-insurance is an area of immense opportunity in the South African context, the absence of awareness and lack of feedback from respondents and interviewees in the research (see Figure 10 below) correlates with the literature review and tells us that this sector of the industry is a potential gap waiting to be filled. As noted in the literature review, mobile phone adoption is central to the transition to the digital economy and as has been seen in other areas of Africa and Asia, 'the most successful fintech start-ups are those that are almost entirely reliant on cell phones.' African success stories like the example of Kenya's M-Pesa demonstrate that it is possible to meet the digital market through their mobile phone, with their 37 million users, all of whom are potential clients to serve and customers to sell products to (Fourie, 2020).

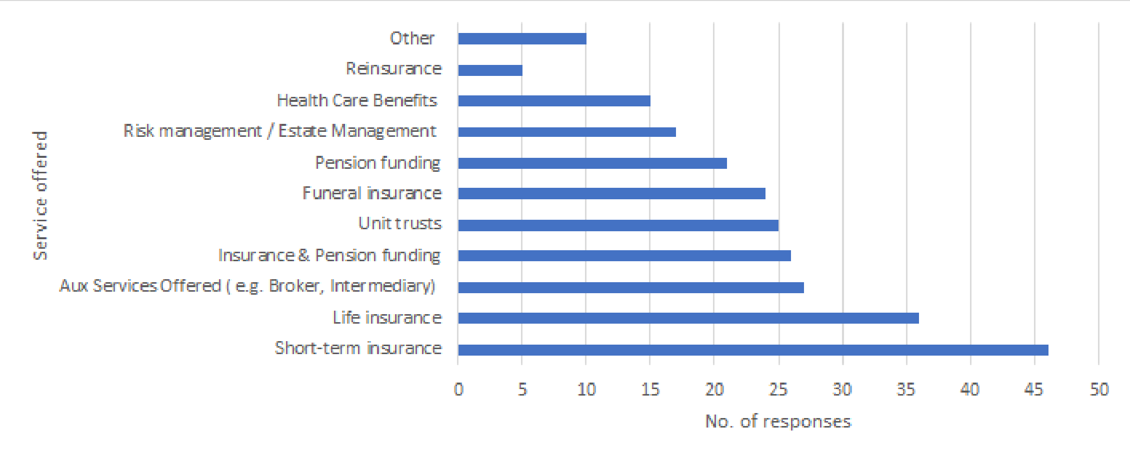


Figure 10: Survey respondents, by service offered

The ability to reach clients and collect premiums using technology will be central to the success of any micro-insurance start up in South Africa. Businesses will be less bricks and mortar and digitally based, the development of this sub-section of the industry is telling us that it will not be built on a legacy model of agents and clients.

Central to micro-insurance success will be understanding what the market wants and providing that, as Leila Moonda from the South African Insurance Association noted, "To be honest, we still haven't got the product design right – we just don't know what the clients want," (Micro Insurance Network, 2017).

Understanding what low-income communities need a case of will be building relationships and testing products. As with the funeral service company in the Eastern Cape, going out to meet the community leaders has allowed them to understand their customers and serve their needs with a diverse range of product offerings that are culturally specific. Partnering with existing groups who are already embedded in local communities is a way of doing this. The example of working with burial societies where 12 million adults are signed up with more than 100,000 societies across the country. Partnering with these groups can solve distribution challenges for providers and provide security to their members (Micro Insurance Network, 2017).

Service as part of the micro-insurance offering can build trust and deepen relationships

Although the marketplace is digital, the literature suggests that personal interaction with low-income clients is critical, not only at the point-of-sale but when a customer has signed up. In close-knit communities that microinsurance services, word-of-mouth is powerful, perhaps more so than advertising. Personal face-to-face service can translate into satisfied customers driving awareness and up-take through positive feedback. By way of an example from the funeral sector, if an agent ensures quick and smooth pay-out for the bereaved family, attends the funeral and pays their respects, thereby creating trust and genuine interest in the customers' well-being (Micro Insurance Network, 2017).

Low-income communities that micro-insurance service is often challenged not only by poor standards of education, but financial illiteracy. Complex products are off putting for many adults that have never had insurance before, therefore, to increase uptake and assist customers with informed decision making, providers can teach insurance concepts to new consumers.

‘Hollard Insurance in South Africa is doing just that. As soon as a client has signed up for a product, he or she, together with 20 others, is taught how to manage risks more effectively. This way Hollard can be sure that the product is understood well, and its agents are held to their word during the sales process. Hollard has emphasised that consumer retention has increased since this approach was adopted,’ (Micro Insurance Network, 2017).

Drawing on these insights, it is recommended that as micro-insurance is a vast, untapped marketplace in the South African insurance landscape, it can make a positive and significant social and economic impact in serving low-income communities, many of whom are unbanked and poorly educated. It has an important role in transitioning the country to a more just and equitable future. Considering this, it is recommended INSETA commission further research into micro-insurance and its role in the sector.

Conclusion

As reflected in both the research and literature review, the global insurance industry has faced an unparalleled economic shock with the impact of Covid-19, the South African market is no exception. SEB’s have had to digitally transition overnight to stay viable, it has exponentially accelerated the advent of the 4IR, to the point where they are now immersed in applying digital technology to effectively operate.

The South African insurance industry is heavily regulated, which on the one hand protects customers, but in an African emerging market context may inhibit entrepreneurism, particularly with reference to women, youth and communities who have been historically disadvantaged. Regulation may be seen to protect the ‘legacy market’ and stymie the opportunity to develop an entrepreneurial emerging market that serves South Africa’s diverse, low income urban and rural communities.

Some reflections on skills needs

This section draws on the research findings and provides a reflection on the types of skills required by small (emerging) business (SEBs) and co-operative financial institutions (CFIs). These insights build on previous INSETA (2020a; 2020b; 2020c) research, and therefore nuanced areas of support for consideration by INSETA for these two stakeholder groups. The reflections are presented in relation to the core themes that emerged from the literature review (context setting) and research findings, notably:

- Digitalisation
- Small business agility and adaptation during Covid-19
- Impact of regulation on smaller businesses
- Importance and recognition of CFIs (aka burial societies)
- Micro-insurance potential in South Africa

It should be noted that many of these elements overlap, and by responding to a skill need, for example to enhance digitalisation capability, this will in turn enhance small business agility and small emerging business and InsurTech.

What did the respondents say about skills needs and occupational demands?

The research feedback from respondents tells us that there is awareness that digitalisation will alter the landscape of the insurance industry in South Africa in the immediate and medium term, as it already has through Covid-19. In Figure 11 below, respondents and interviewees highlight the primary challenge for the sector was less the impact of digitalisation but more the necessity to attract and retain suitably qualified and experienced sales staff and brokers. Given the focus of this research, and therefore target on small business, this is not a surprise. As Broker 7 noted:

> 'Difficulty in obtaining staff with relevant qualifications - our staff generally come to our organisation with just a NQF level 4 qualification. Most of our staff have a basic qualification in bookkeeping, for example, but rarely have the required number of years of experience'.

As Broker 2 cited, 'staff lack qualifications and relevant experience – I am struggling to find women and HDI to train and groom into fully fledged all-rounder consultants.' These educational issues and the competition in the marketplace are discussed below.

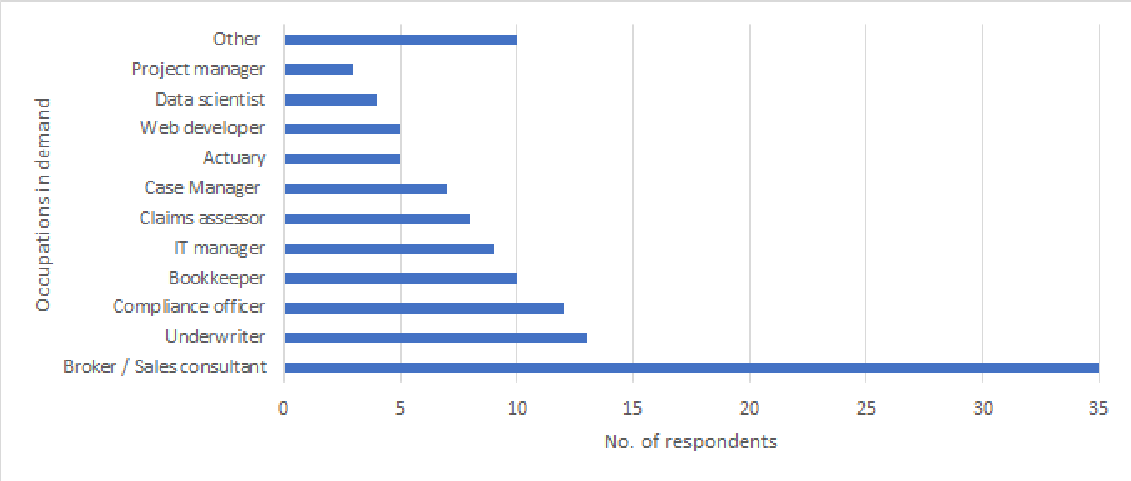
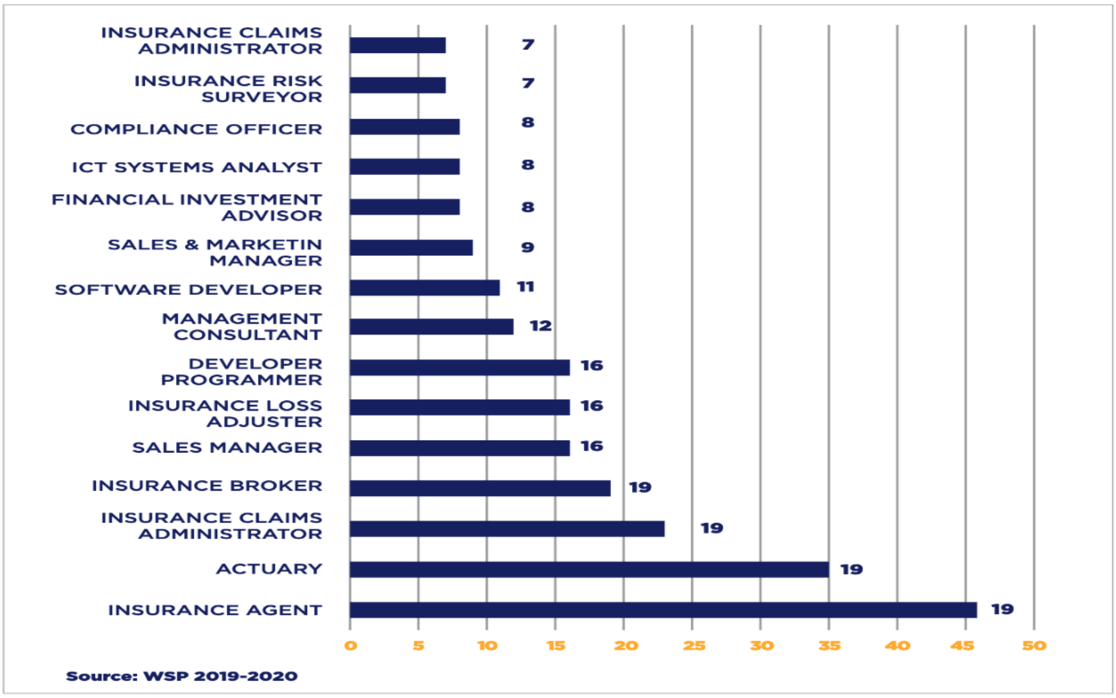


Figure 11: Scarce and critical occupations

INSETA's own sector skill plan (and critical / pivotal skills) (see Figure 12) correlates with these research findings.



Source: INSETA (2020)

Figure 12. INSETA’s identified hard to fill vacancy occupations

This research’s findings suggest the reasons for these vacancies remaining hard-to-fill are:

1. Applicants lack the required educational qualifications required for the post.
2. Applicants lack appropriate work experience required for the post.
3. The remuneration and employment conditions are not appropriate for the post.

This in comparison to the INSETA (2020) SSP indicating the hard-to-fill vacancies are most commonly due to:

1. Applicants lack relevant qualifications.
2. Applicants lack relevant experience.
3. Equity considerations (race, gender and/or disability).

Therefore, there are similarities between those faced by SEBs and CIFs (this research), and INSETA's research capturing the insurance sector more broadly. These findings are indicative of occupations in high demand and occupational shortages. It is evident from these reasons that applicants lack the required educational qualifications and appropriate work experience required for the post. This is consistent with the high unemployment rate in South Africa, which makes it difficult to secure employment or find placement and internship opportunities. Culminating in the classic 'chicken and egg' scenario for job seekers - they cannot get employment because they lack experience, and they cannot get experience because they lack employment.

Digitalisation: Job losses vs emergent new jobs and competencies

As the insurance sector adapts to the disruption and complexity of the 4IR, digitalisation, job creation and security in the insurance sector is part of a broad debate on job opportunities and skills upgrading occurs. A task-orientated approach to assessing the impact of digitalisation on job creation is appropriate as a report produced by Arntz et al. (2016a; 2016b) for the World Bank and OECD respectively suggest the number of job losses portrayed due to digitalisation are often an overestimate.

Jobs and tasks that are the most repetitive or menial will typically be at highest risk of automation, it is also seen that jobs and tasks that require human interaction such as creativity, empathy and face-to- face interaction will be less likely to become redundant (Arntz et al., 2016; Booysen, 2018). This also includes leadership and management. For example, automation will require human supervision and problem solving (BankSETA, 2018; Dash, 2018). It is also argued that with the removal of menial and repetitive tasks, employees can turn their attention to higher-value tasks which have the potential to improve working conditions (Behr, 2016; Dash, 2018; Martino & Schaffner, n.d.; Olanrewaju, 2014). As new technologies and products are introduced, different tasks will be required and future opportunities identified, generating in turn new jobs and also requiring the up skilling of current jobs that are focused on areas of automation and information technology (Arntz et al., 2016a; Arntz et al., 2016b; Hamilton, 2018; Jaafar, 2018). This shift to digitalisation and therefore a change in occupational profile is clearly illustrated in the insurance sector – see Figure 2 on how occupation profiles have shifted in the sector between 2010-2018.

The rise of InsurTech, as in other areas of FinTech, will generate new job opportunities as the industry emerges and adapts, particularly around entrepreneurial skills such as problem solving, critical thinking, understanding risk and opportunity identification (COEFS, 2017).

The literature review suggests that potential occupations that may become redundant or have reduced demand will be those involved in more administrative, menial and manual tasks. (Clausen, 2018). Jobs that necessitate face to face human interaction, leadership, management and with high levels of emotional intelligence will continue to be in demand (Arntz et al 2016; Booysen, 2018).

While the above talks more broadly to the insurance sector, feedback from the survey and interviewees stressed the importance of brokers and sales staff being able to interact with customers and clients on a human level, offering specialist advice and being able to process the nuance of human rather than digital communication. As Bellucci & Otenyo (2019) observe in their article on *Digitisation and the Disappearing Job Theory*,

> 'Current evidence suggests that the maturation of a digitised economy remains a work in progress. Technically, the data does not support the job displacement or disappearing theory in Africa.' They go on to say, 'The argument we are making here is that digitisation does not lead to massive job losses and could be a springboard for the creation of new jobs.'

This is an interesting juxtaposition that is apparent where the industry has a critical shortfall of insurance agents to offer human centric service to customers, in contrast to the increasing development of the digital insurance landscape. The insurance sector finds itself in a unique position of operating in a regulated 'legacy' marketplace, with the potential and opportunity to adapt to a hybrid digital/human centric, emerging market entrepreneurial landscape.

From the perspective of SEBs and CFIs, who plan to survive in this market, there is a need develop new skills, such as the POPI requirements relating to Treating Customers Fairly, and dealing with financially naïve, often illiterate and less educated individuals (INSETA, 2015). The types of digital skills required include:

- Digital marketing,
- Mentorship to enable a transition from predominantly face-to-face to online e.g., setting up an on-line profile
- Access to business tools and applications

Numerous courses abound e.g Facebook's online empowerment for small women-owned African business (Rajgopaul, 2020). It is recommended that such courses are assessed to develop a framework for INSETA to deliver and assess digital-centric courses and programmes for small-businesses and CFIs. This in turn will support INSETA's (2020d) skills programme development ambitions on 'how to market via electronic medium - how to stay relevant.' Regarding the latter, see the discussion about business agility.

For an in depth assessment of the drivers, challenges, occupations, skills and knowledge requirements likely to impact the South African financial sector, see a report developed for BankSETA (which has much relevance to INSETA) on *Developing competencies for a just transition of the South African banking sector: Digitalisation*.

Remote learning / e-learning

Remote learning will be a core area of focus for INSETA as students and potential employees may be studying from home. Many offices and educational facilities were closed after the pandemic first struck, requiring teaching to be delivered online. Businesses, education authorities and teachers had to quickly implement IT-based strategies. A common solution was to pre-record content, which students could learn in their own time, and combine that with video-conferencing software.

Various challenges related to e-learning have only partially been surmounted in many emerging economies. These include insufficient digital preparedness amongst institutions, teachers and students, as well as connectivity issues.

The provision of devices, including laptops and tablets and the establishment of Wi-Fi hotspots and data, particularly in South Africa's rural areas will be essential for the success of remote learning programs.

Enterprise agility and business skills

In terms of the sector proactively moving beyond the 'survival' stage of the Covid-19 pandemic there are two key opportunities for the industry; firstly, for INSETA to provide support to move SEBs and CFIs into the next stage of a designed Covid-19 business recovery plan. Secondly, to develop SEB and CFI entrepreneurial capacity in the short to medium term. Considering the impact of Covid-19 it would be advantageous to build on this study's findings to further engage with SEBs (brokers, InsurTech) and CFIs (particularly burial societies and providers of microinsurance) to seek to understand their immediate needs, including their skills and knowledge gaps, to transition out of Covid-19 and adapt to current and future trends. This in turn supports INSETA's mandate to support entrepreneurial activities among SMEs for the establishment of new enterprises and co-operatives (INSETA, 2020b). As such, INSETA could develop an online knowledge hub or portal to support SEB's and CFI's not only in the next stage of their recovery from Covid-19 but to optimally develop this sub-sector of the industry.

A recommendation for INSETA would be to design the 'ideal' SEB and CFI sector of the industry as an optimal model, looking at world leading design and best practice and seek to contextualise this in the unique South African context. The goal being to be a world leader in agile and adaptive SEB market entrepreneurship. This specialised online knowledge hub or portal could provide the following, with a view to being the proactive leader in this sector.

- Strategic Covid-19 business recovery plan
- Specific sector skills and knowledge plans e.g., regulation and compliance
- Wellness and support program
- Career development
- Digitalisation plan (short to medium term)
- Business coaching for SEBs
- Advice for agency funding
- SEB and CFI strategic business plans

The above provides a useful overarching perspective of the knowledge and skills requirements for a SEB and CFI to perform well and survive, which in turn enables an individual or business to become more agile and respond to shock, such as the Covid-19 pandemic. In this regard, agility also includes managing and being responsive to other types of change, such as changing or expanding customer profile demographics e.g., being relevant to and serving low-income and emerging markets e.g., black youth (a fast-growing segment of South African society). This will require intermediaries, such as brokers to ready themselves to make changes to serve this sector. The ILO's Impact Insurance Facility (IIF) (2021) recommends the following areas insurers, and for the purposes of this research - intermediaries, should upskill to serve this expanding community:

- Finding cost-effective ways to understand the needs of a new market segment
- How to reach clients through different distribution points?
- How to manage expenses to accommodate the lower margins per policy?
- How to build systems to deal with more, yet smaller transactions?

This approach will enable intermediaries to better cope with the adaptation of serving both lower-income and emerging markets, as they will develop a more informed and systematic process of engagement and service.

Another critical business skill is financial literacy, which is an important skill for any business, particularly for emerging businesses and CFIs as they begin their business journey and plan for growth and survival. This even more so to be in a position of resilience during times of economic downturn and shock, such as that brought on by a pandemic. Therefore, skills and knowledge, such as information on why financial statements are required, how to develop these; as well as how to plan and project finances as part of their business plan as part of their start-up or expansion efforts (World Bank, 2015).

Taking the above elements into consideration, a proposal for INSETA would be to build on and enhance mentorship programmes specifically for SEBs, and CFI leadership. To encourage women to enter and remain in the sector. As noted by Liza Mare-Harmse, Head of Risk Finance, Corporate and Niche at Old Mutual Insure, she added, "In some instances, as women, we need to take the challenge and team up with mentors who could guide us to grow into the roles. I am a strong believer in people reaching levels on merit and therefore believe that it is each woman's responsibility to develop the skills themselves," (Githahu, 2021). It would therefore be useful to better understand what type of mentorship would be useful for the nuanced needs of SEBs and CFIs (including a gender perspective) e.g., is it mainly business and survival skills, or is it leadership and soft skills to improve client relationships and services?

Regulation

The findings from this research are clear - regulation is an inhibitor to entry and practice. It is complex and costly for SEBs and CFIs. Touching on CFI's and regulation, a study undertaken by the Centre for Financial Regulation and Inclusion (CENFRI) on the nature and implications of informality in the South African funeral services and micro-insurance markets note that within this sector there is a low level of awareness of regulation, as well a low business skills and knowledge (Smith et al., 2012). These two gaps are recognised in this research for INSETA, and therefore reiterates the needs highlighted in this section for improved regulation training, and other business and CFI skills needs discussed in this section. Interestingly, the CENFRI report (Smith et al., 2012) suggests that by improving regulation knowledge and business skills, the CFI and micro-insurance markets are less likely to operate informally.

It is therefore recommended that the following knowledge required and skills to prepare for exams, and to implement and adhere to regulation for SEBs and CFIs should include:

- Understanding the regulatory framework
- Definitions for a contract of insurance / reinsurance
- Regulation of insurance and reinsurance contracts
- Regulation of the transfer of risk
- Operating restrictions: Authorisation / licensing requirements; reinsurance monitoring and disclosure requirements, content requirements for policies and implied terms, insurance and reinsurance claims, insolvency of insurance and reinsurance providers, taxation, dispute resolution and proposal to reform
- How to better explain products so they are less complicated for customers, and therefore are offered the most appropriate products for their needs

It is acknowledged that INSETA (2020b) have funded SKYE Competency Register and Training Report Software, which is focused on SMEs to enable them to keep up with the ever-changing FAIS compliance regulations. It is noted however, that this is offered to a limited number of registered FSP's in the Insurance Sector. Would it be possible to open this up to enable access to more SMEs (including SEBs) and CFIs - as there would be much need? Users will also have the option to access the full SKYE Client Relationship and Document Management, Compliance, HR and Practice Management modules at affordable and discounted rates (INSETA, 2020b).

Co-operative financial institutions (CFIs), notably burial societies

Given that it has been suggested that these players within the insurance sector are often neglected and/or misunderstood in the sector (Makhura, 2015), it is suggested that providing an environment, such as a forum, for CFIs to share knowledge and overcome challenges would be a viable, practical and meaningful contribution for skills development. Such a forum could build on or be similar to the Burial Society Indaba held by INSETA in 2010 (INSETA, 2010).

Skills and knowledge requirements relating to CFIs could be considered as two-fold:

1. To improve the understanding of policy makers, insurance firms and education providers more broadly on the importance of CFIs, stokvels and burial societies in South Africa. This would include their historical and cultural value, economic importance and structure, and transformation potential.

2. To assist CFIs with knowledge and skills to better manage their finances (including, to reduce financial misappropriation) and management of their societies and relationships with e.g., private banks and insurers. Financial literacy was raised as a major concern by burial society representatives attending INSETA's Indaba in 2010 (INSETA, 2010).

   Other skills requirements include a better and more informed understanding of insurance regulation (including how to register as a new service provider, and compliance). This in turn will also link to skills and knowledge required for drafting suitable products and customer service provision (especially for women, given that an estimated 61% of burial society members are women [Makhura, 2015]). This includes how to develop and provide information and insurance to a predominantly low-income and/or low literacy customer-base, such as simple easy to understand policies. The latter was identified by the ILO in a study on informal micro-insurance schemes in South

Africa as critical for the provision of funeral and related services to low-income households (Roth, 2000).

In addition, skills and knowledge on how to strategically develop, implement and monitor their business plans to expand, adapt and survive is also key. See the sections on digitalisation, enterprise agility, and regulation which provides further details that are both applicable to both CFIs and SEBs.

Another key opportunity for skills (and links to the previous discussion on good business practice) is for INSETA to enhance its current support to enable CFI (burial society) members to understand how to become investors rather than consumers, leveraging the opportunity of invested collective wealth (Mulaudzi, 2021). Through education, the sharing of investment success stories of stokvels generates members interest in transforming their own stokvel. Learning other ways of investing and how to leverage the strength of their collective numbers, demonstrates better ways of running a stokvel.

In addition to the above, National Treasury's Co-operative Banks Development Agency (CBDA) provides useful guidance for the setting up of CFI's, which presents criteria and planning considerations for establishment. Within this document it is suggested that training is identified for CFI directors and staff in 'governance, business planning, operations issues, financial management and internal auditing' (CBDA, 2020, p.7) of which all are highlighted above as skills requirements for insurance CFIs. Therefore, a proposed indicator of support provision by INSETA and in partnerships with the CBDA and National Treasury.

By considering the above, INSETA would be responding to a series of planned outcomes set out in the *Strategic Plan 2020-2025* (2020b) to enable INSETA to support the sector in the medium-to long-term, of which rural development support is identified as one. Within the context of many CFIs, notably burial societies operating out of and or having a significant component of their customer base in rural[1] areas, this research would support the implementation of such an initiative. The risk identified in the Strategic Plan is that there may be a lack of insurance companies to host learners in rural areas. This research would suggest that focusing such an intervention would be relevant if targeting burial societies. Which is also a strategic goal of INSETA's: Goal 4: Number of co-operatives members (burial societies) receiving and completing full or part qualifications through skills programmes (INSETA, 2020c).

To leverage the proposed knowledge and skills interventions outlined above, it is proposed that to develop and deliver relevant and widely accessed skills programmes and courses that these are done in collaboration with the National Stokvel Association of South Africa (NASASA), the Burial Society of South Africa (BSSA), and the South African Federation of Burial Societies (SAFBS).

[1] It is recognised that the terms 'rural' and 'urban' are problematic definitions, as there are many grey areas e.g., suburbia in a rural area, or peri urban. A commentator on this report suggested that INSETA should reconsider, for all future research, a more appropriate type of distinction i.e., not one based on location, but more focused on the market served by an enterprise.

Just transition and the insurance sector, considerations for micro-insurance

Principle 2 of the Principles for Sustainable Investment includes a commitment to "Support the inclusion of ESG issues in professional education and ethical standards in the insurance industry." It is therefore surprising that all subsequent documentation reviewed in relation to the PSI initiative makes no mention of education and skills development. This suggests a significant area into which education and skills development professionals and institutions could make an important contribution to the implementation of the principles of sustainable finance more broadly and the Principles of Sustainable Insurance specifically. This contribution would be important for, as the ILO (2019) have noted:

> "The availability of the right skills paves the way for a productive structural transformation towards a greener economy and decent job creation. Therefore, effective anticipation and development of skills are a key foundation for a just and inclusive transition." (ILO 2019))

International studies on the transitions to sustainable finance suggests that most of the skills development will focus on blending existing skills (particularly finance skills) with sustainability related skills including environmental risk, systems thinking, complex data management, and emerging ESG competencies. Previous studies on the green economy and sustainable finance in South Africa (e.g., Rosenberg et al 2017 and Ward & Naude 2018), drawing on international literature and local initiatives, has identified the need to develop technical, relational and transformational skills. The latter study also identifies seven main areas for skills development that provide a starting point for considering skills development priorities in the sustainable finance sector including the insurance sector.

Technical skills refer to the ability to use given techniques such as risk modelling as well as emerging techniques such as those proposed by the TCFD including scenario modelling. Relational skills refer to the ability to work with diverse groups of stakeholders to enable meaningful participation in defining and addressing sustainability considerations including the integration of ESG processes into risk and opportunity assessments and mitigation measures. Transformational skills highlight the ability to bring technical and relational skill together to enhance individual and group agency for deep systemic change. This includes the ability to use modelling and stakeholder engagement to stimulate and inform the co-creation of new practices. Within these three broad categories of skills are several more specific skills requirements, as outlined in Table 5 below:

Table 5: Specific transformational skills requirements

Skills	Description and recommendations
Basic technical skills related to sustainable finance/ sustainable insurance	This would include basic understanding of key emerging frameworks including the TCFD recommendations; the Principles for Sustainable Investment/ Banking/ Insurance; emerging frameworks for ESG reporting including the latest work being done to integrate existing ESG

	frameworks. This basic level skills development should be available to all staff. Recommendation: What basic courses exist and who is offering them?
Advanced technical skills integrate environmental, social and economic considerations into models and scenarios for assessing current and future risks and opportunities in the finance/ insurance sectors	This would include the ability to develop disclosures that meet TCFD requirements. This level of skills development would be relevant to risk assessors and insurance managers tasked with incorporating ESG considerations into enterprise risk frameworks and insurance premiums. Recommendation: What advanced technical courses exist and who is offering them? What gaps exist?
Advanced relational competencies that enable systems thinking and the collaboration of multiple units within an organisation and/ or multiple external stakeholders to collaborate addressing complex sustainability related issues	In addition to identifying stakeholders based on the analysis of complex systems, skills related to the mapping of links between issues and stakeholders as well as strategies for effective engagement will be required. These skills require more than an understanding of principles of stakeholder engagement contained in for example the Global Reporting Initiative (GRI), the Integrated Repointing framework (<IR>), ISO26000 and King IV Report on Governance. Relational skills development needs to build the capacity to develop and implement stakeholder engagement strategies focused on sustainable finance/ insurance. This level of skills development would be relevant to a sustainability manager (or sustainability unit staff) seeking to facilitate a finance/ insurance organisation's adoption of TCFD recommendations or ESG considerations across the organisation. It would also be relevant to reporting/ marketing/ stakeholder engagement functions tasked with responding to analysts, investors and other stakeholders.
Advanced relational competencies that enable systems thinking and the collaboration of multiple units within an organisation and/ or multiple external stakeholders to collaborate addressing complex sustainability related issues	Transformational competencies related to sustainable finance/ insurance will be needed at multiple scales: 1. Within organisations strategy managers as well as directors will require substantial technical and relational skills combined with the ability to set innovative strategy and oversee the collaborative implementation of this strategy. The National Treasury technical paper on sustainable finance highlights this level of skill by recommending that NT "work with [the]Institute of Directors, trustees, professional and industry associations and

	academic institutes to build governing body capacity and 'fit-for-purpose' skills necessary for the identification and management of long-term risks and sustainability challenges." 2. The finance/ insurance sector work with key external stakeholders to build sustainability broadly thus reducing risk and creating opportunities for sustainable finance/ insurance sectors. Again, the National Treasury highlights this aspect of skills development in the recommendation to "Build capacity across the sector and in the implementing arms of government – particularly local government – to ensure E&S risks are addressed within local infrastructure and development planning, capital raising and insurance planning." An innovative example of this kind of skills development is the Partnership for Risk Resilience. This partnership between the Department of Cooperative Governance, the insurance industry and municipalities seek to strengthen capacity for risk management of environmental issues (e.g., fire and floods); social issues (e.g., social unrest); and governance issues (e.g. regulation of building codes). 3. Build the capacity of regulators and the finance/ insurance industry to support the reorientation of the industries to building sustainable and resilient economies in South Africa. The National Treasury recommends that "Regulators and industry co-develop or adopt technical guidance, standards and norms for use across all financial sectors in identifying, monitoring and reporting and mitigating their environmental and social (E&S) risks, including climate-related risks, at portfolio and transaction level. These should include E&S risk management frameworks, the use of science-based methodologies, and the incorporation of the recommendations of the TCFD."

While the above draws out the skills development requirements more broadly for the insurance sector, these are applicable for SEBs and CFIs, especially when considering the micro-insurance opportunities in South Africa. Therefore, it is suggested that INSETA undertake additional research to better understand:

- The insurance needs of customers, and the major risks faced by them e.g., small scale farmers and drought, and the associated financial consequences faced by them during periods of upheaval and shock (Micro-insurance Facility [MIF], 2010).
- The insurance legal framework and regulation, models for micro-insurance including delivery channels, administration and risk management. Financial accounting and reporting, information management (MIF, 2010).
- How to communicate and provide relevant information for customers in relation to the benefits of insurance and the types of products. Identifying and recognising their familiarity with insurance (MIF, 2010).

Therefore, given that many SMEs (including SEBs) and CFIs (e.g., burial societies) will offer micro-insurance, it will be important to develop skills and training programmes that are accessible, relevant, current and affordable (Ramm et al., 2013). The ILO's Microinsurance Innovation Facility recommends in their report on enabling quality micro-insurance training (Ramm, et al., 2013), that a training programme for micro-insurance practitioners should be developed the structure of the programme using an established and commonly understood business model. INSETA to review its current model in line with international and national good practice business models and frameworks - particularly to consider the likely expansion of micro-insurance in this country for small-scale entities such as small-holder farmers and manufacturers. The ILO report provides an especially useful guide for the establishment of micro-insurance training programmes for local providers - including identification of trainers, structuring curriculum, module development, delivery strategy etc. The document can be accessed here.

Conclusion

Figure 13 below draws out the key skills needs identified through this research for SEBs and CFIs. In most instances **there is much overlap in these needs between the two stakeholder groups**. As indicated above, many of these corroborate with INSETA's understanding and ambitions, yet provide a nuanced view from the perspective of SEBs and CFIs.

Figure 13: Identified small emerging business (SEB) and cooperative financial institution (CFI) needs

Digitalisation

- Digital marketing,
- Mentorship to enable a transition from predominantly face-to-face to online e.g. setting up an on-line profile
- Access to business tools and applications

Enterprise agility & resilience

- Strategic Covid-19 business recovery plan
- Specific sector skills and knowledge plans e.g. regulation and compliance
- Wellness and support program
- Career development
- Digitalisation plan (short to medium term)
- Business coaching for SEBs
- Advice for agency funding
- SEB and CFI strategic business plans

Regulation: Understanding & implementation

- Understanding the regulatory framework
- Definitions for a contract of insurance / reinsurance
- Regulation of insurance and reinsurance contracts
- Regulation of the transfer of risk
- Operating restrictions
- How to better explain products so they are less complicated for customers, and therefore are offered the most appropriate products for their needs

Regulation: Improved client service

- Finding cost-effective ways to understand the needs of a new market segment
- How to reach clients through different distribution points?
- How to manage expenses to accommodate the lower margins per policy?
- How to build systems to deal with more, yet smaller transactions?

Co-operative Financial Institutions (CFIs) e.g. burial societies

- Improve understanding of policy makers, insurance firms and education providers more broadly on the importance of CFIs
- To assist CFIs with:
  - Knowledge and skills to better manage their finances (to reduce financial misappropriation)
  - Management of society funds
  - How do develop products / improved understanding of regulation
  - General business good practice

Micro-insurance & just transition

- Recognising the potential / link to sustainability risk
- Financial skills incl. risk modelling
- Principles of sustainable investment
- Understanding customer risks and linking to products
- Digital / digital literacy

Conclusion and recommendations

The main purpose of this research was to better understand the current and future skills needed by small emerging businesses (SEBs) and cooperative financial institutions (CFIs) in the South African insurance sector. Based on the contextual analysis insights and indicative survey and interview responses, this research provides a nuanced perspective on their particular skills needed.

These skills, in the main, are reflective of those already understood by INSETA for the insurance sector. However, what this piece of research does is provided a nuanced perspective of SEBs and CFIs in the insurance sector. It reflects on the current economic context and challenges with which they face, and the impact Covid-19 has had on them as functioning entities.

SEBs, and SME entities such as brokers, have been significantly affected by Covid-19, with reference to the speed at which they have to shift to a more digital way of doing things. This is therefore reflected in the type of skills required and recommendations proposed.

Two areas of interest, and significance, that emerged from the research were:

1. The opportunity of micro-insurance, and how South Africa is a laggard in this space. It is recognised that the sector has identified micro-insurance as an opportunity, but with the impending impacts of climate change, and a growing need for an inclusive insurance sector micro-insurance is a key response and service.
2. The importance of burial societies in the sector – from the perspective of their scale – was revealed as a critical audience for INSETA to engage with, or to pick up on engagement following the indaba of 2010. Burial societies are unique, they serve a predominantly rural customer-base and create their own products.

From a skills perspective, four key categories of skills were identified: 1) business / entrepreneurial, 2) digital / technical, 3) regulatory, and 4) 'soft skills'. As noted previously, these would not be a surprise to INSETA, how these are reflected through the lens of SEB and CFI needs, and the current Covid-19 climate. The skills required respond to the need to start a business properly and to be able to sustain it during times of uncertainty. Digital skills reflect the current times of the need for an on-line presence, as well as at-home working. Ensuring stakeholders are not only technically equipped, but also have the knowledge, skills and capability to operate in a digital and fast-moving world, which requires adaptability. Regulatory skills predominantly reflect a huge need to better understand the regulations and therefore how to provide better customer service (a key requirement of the regulations. This links to the 'soft skills' needs, which while may appear a contradiction to a move a more digital way of working is still critical in the insurance sector, where trust, relationship building, understanding and critical thinking are vital for a functioning business and good customer service. From the perspective of CFIs this include improved leadership, as well as a vital need to be aware of cultural sensitivities.

Below are some proposed recommendations for INSETAs consideration [it should be noted, that as this is a draft, we welcome input into refining these].

Recommendations

Drawing on the research findings (contextual and primary data), and in consultation with INSETA, the following recommendations for future activities and research are proposed for small (emerging) businesses and CFIs (burial societies) respectively:

General recommendations

- To **repeat this survey** at the end of 2021 or 2022 to assess how the current context and needs develop over time. The survey could be extended to the broader market.

- To development a **knowledge hub or portal** on INSETA's website to provide support and access to information (e.g., guides, business plan templates, events, courses etc) to enable the sector to improve their agility and adaptability to survive through times of uncertainty (whether digital or e.g., a pandemic).

Small (emerging) businesses

- To **develop an occupational atlas** that would help to identify the specific core occupations in small (emerging) business that are critical for responding to current and future drivers and opportunities in the sector e.g., InsurTech, transitioning to digitalisation, offering micro-insurance and responding to environmental risk.

  The Atlas will present, for each identified occupation, a deep dive into each, presenting occupation purpose, tasks, technical and transferable skills, knowledge and qualification requirements, future trends, and occupation workstreams (the core occupations the identified occupation works with to undertake their tasks and/or to do their job).

  An Atlas for small (emerging) businesses would support the INSETAs development of appropriate qualifications and/or support for this stakeholder group.

- Given the 'absence' of micro-insurance within South African insurance offerings and products, yet it being a growing opportunity for the sector, it is strongly proposed that INSETA undertake a piece of research to better understand this opportunity and potential job creation associated with this. This will aid INSETA in providing enhanced support this significant market, particularly with regards to providing a service to those at most risk environmentally, or previously 'unbanked'.

- Given the significant opportunities micro-insurance offers (often offered by emerging businesses) in South Africa, a proposed activity for INSETA to consider is the **development of key performance indicators and associated training of micro-insurance practitioners** with the tools, knowledge and confidence to understand and implement these. A similar type of initiative has been set up by the ILO's Impact Insurance Facility (IIF), which could be considered as a framework for developing similar KPIs and associated training for a South African audience. See an overview of the programme here.

- To undertake further research to better understand and explore the specific **technological skills and knowledge requirements** and demands e.g., business interruption policy, digital marketing plans and readiness for small (emerging) businesses. This could include a more in-depth exploration of the InsurTech sector and micro-insurance opportunities in South Africa in terms of employment opportunities and associated occupation, skills and knowledge needs.

- INSETA to run a **series of themed workshops** for small (emerging) businesses to support them, particularly during this time of digital transition, and need to be resilient in a time of uncertainty e.g., digital marketing skills, business planning, mentoring etc.

Co-operative financial institutions (notably, burial societies)

- Given the 'absence' of burial societies within insurance discourse, yet their size and uniqueness to the South African insurance landscape, it is strongly proposed that INSETA undertake a piece of research to better understand e.g., the scale, market dynamics, operational models, characteristics of products provided, and clients served, and skills and knowledge demands of burial societies. This will aid INSETA in providing enhanced support this growing and significant stakeholder groups within the sector.

- To **develop an occupational atlas** that would help to identify the specific core occupations in CFIs/burial societies that are critical for responding to current and future drivers and opportunities in the sector e.g., transitioning to digitalisation, recognition of culturally nuanced provision of service, product drafting, and investment.

  The Atlas will present, for each identified occupation, a deep dive into each, presenting occupation purpose, tasks, technical and transferable skills, knowledge and qualification requirements, future trends, and occupation workstreams (the core occupations the identified occupation works with to undertake their tasks and/or to do their job).

  An Atlas for CFIs/burial societies would support the INSETAs development of appropriate qualifications and/or support and help to build on previous engagement with this stakeholder group.

- To undertake further research to better understand and explore the specific **technological skills and knowledge requirements** e.g., digital marketing plans and readiness for CFIs, and digital service provision to the digitally illiterate or culturally specific. This could include a more in-depth exploration of micro-insurance opportunities for burial societies in South Africa in terms of employment opportunities and associated occupation, skills and knowledge needs.

- INSETA to run a **series of themed workshops** for insurance CFIs/burial societies to support them, particularly during this time of digital transition, and need to be resilient in a time of uncertainty e.g., digital marketing skills, business leadership and financial management, and regulations.

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Appendix 1: Survey and interview guiding questions

Dear Stakeholder,

The purpose of this survey is to capture relevant, up-to-date information on current and future skills needed by emerging small enterprises and co-operatives in the South African insurance sector.

The survey is being carried out by the Centre for Researching Education & Labour (REAL), in partnership with the School of Economic and Business Sciences, at the University of the Witwatersrand, on behalf of the Insurance Sector Education & Training Authority (INSETA).

We would appreciate your time to complete this survey, so we can gather your insights to inform how INSETA can best support the sector.

Thank you for participating in our survey. Your feedback is important.

DEMOGRAPHIC INFORMATION

1. Please indicate which of the following services you offer:
    - Unit trusts
    - Insurance & pension funding
    - Short-term insurance
    - Reinsurance
    - Risk management
    - Life insurance
    - Health care benefits administration
    - Funeral insurance
    - Auxiliary services (e.g., broker, intermediary)
    - Other
2. Where is your main office located?
    - An urban area
    - A rural area
    - Other
3. What is your annual turnover?
    - Less than R1 million
    - Between R1 – R5 million
    - Between R5 – 10 million
    - More than R10 million
4. How many people are employed in your business or co-operative?
    - 1-5 employees
    - 6-10 employees
    - 11-25 employees
    - 26-49 employees

- Other

5. For how many years have you been in operation?
    - Less than 2 years
    - Between 3-5 years
    - Between 5-10 years
    - 10 years or more

MAIN SURVEY QUESTIONS: SKILLS DRIVERS AND NEEDS

CHALLENGES

6. What are the main challenges that your business or co-operative currently faces?
    - A rapidly changing product market
    - Changing or shifting client demands
    - Technological change – needing to shift to on-line digital platforms, apps and social media.
    - Covid-19 (e.g., adapting from face-to-face to remote working; reduced income)
    - Competition from the rapid increase in on-line insurance / comparison sites
    - High IT and data costs
    - Over-regulation burden
    - Access to funding e.g., loans and grants
    - Transformation demands e.g., BBBEE, employment of women
    - Staff lack appropriate qualifications.
    - Staff lack relevant experience.
    - Other

Please elaborate on why the challenges you selected above are an issue for your business or co-operative.

SKILLS SUPPORT

7. What skills support would be beneficial to ensure your long-term growth and sustainability as a business or co-operative?
    - Business management (e.g., planning, problem solving, legal, decision-making, business model development and implementation, strategy)
    - Financial management (e.g., capital management, cash flow, product pricing, calculating costs, interpreting financial statements, investing)
    - Digitalisation (e.g., planning and implementing digital strategies, cloud-based storage, security, accessing resources, using technology to access markets, online sales)
    - Technical knowledge and expertise
    - Marketing skills (e.g., communicating with customers, communicating products and services, market research, positioning in the marketplace, selling skills)
    - Human resource management (e.g., how to deal with staff, workplace policies, recruitment, defining jobs specifications, performance management, salaries)

- Personal and leadership skills (e.g., people skills, communication skills, conflict management, building relationships; developing a vision, cultivating excellent performance)
- Other

Please elaborate on why the skills support you selected above are required for your business or co-operative.

REGULATION COMPLIANCE

8. With regards to the Financial Sector Regulation (FSR) (including the Financial Advisory and Intermediary Services [FAIS] Act) compliance, which of the following skills improvements would you find most beneficial?
    - How to treat customers more fairly
    - How to better offer products that are of value
    - How to better explain products so they are less complicated for customers
    - How to better explain how insurance products work
    - How to ensure customers are offered the most appropriate products for their needs
    - Other
9. With respect to your business or co-operative, has the adherence to the Financial Sector Regulation (FSR) (including FAIS) been a barrier or challenge when entering the industry?
    - Yes (too complex)
    - Yes (too expensive)
    - No
    - Other

DIFFICULT TO FILL POSITIONS

10. If more than 1 person is employed in your business or co-operative, which of the following positions are the most difficult to fill.
    - Actuary
    - Claims assessor
    - IT manager
    - Broker / sales consultant
    - Compliance officer
    - Data scientist
    - Project manager
    - Underwriter
    - Case manager/contact executive
    - Web developer
    - Bookkeeper
    - Other

Please elaborate on why the positions you selected above (if any) have been difficult to fill.

FUTURE SKILLS NEEDS

11. Which of the following products or services do you think small emerging insurance businesses or co-operatives will need to respond to in the next 5-10 years?

- Understanding and offering micro-insurance e.g., to small-scale clients including small scale farmers
- Understanding and offering products that recognise environmental and ethical risk e.g., drought, climate change, shift from fossil fuels, human rights, gender equity
- Offering products and services that are traceable to reduce customer fear of fraud or data breaches
- Understanding and empowering e.g., stokvels to better invest their funds
- Offering customer rewards for e.g., improved health and well-being
- Partnering with non-insurance entities to increase market potential and synergy e.g., retailers
- Customers wanting a more personalised service or pricing package based on their lifestyle
- Offering all-inclusive and cost-effective funeral services
- Other

12. Which of the following skills and jobs do you think will be in most demand in the next 5-10 years for small emerging insurance businesses or co-operatives?
    - Data analytics
    - Digital design (e.g., graphic and web designers)
    - Ability to automate via computers (e.g., artificial intelligence [AI])
    - Engineers and mechanics (e.g., product, software, digital process, algorithm)
    - Information technology (e.g., cloud manager, security, network developer, app developer)
    - Leadership (e.g., Intech mentors)
    - Sales & marketing (e.g., market analyst, social media specialist)
    - Other
13. Which of the following ‘soft skills’ do you think will be in most demand in the next 5-10 years for small emerging insurance businesses or co-operatives?
    - Drive, ambition and stamina
    - Ability to manage adversity during tough times
    - Capacity to embrace change
    - Strategic thinking
    - Problem solving
    - Creativity and innovation
    - Communication and negotiation
    - Customer service
    - Other
14. Do you have any final comments or thoughts on the skills needs required by small emerging insurance businesses or co-operatives?

CONTACT DETAILS

For us to track responses, please could you complete the following [these details will remain confidential, and not be shared or used for marketing]

Company / co-operative name:

Email address:

Thank you for your time. It is much appreciated.