

**The London School of Economics and Political Science**

*'This is how we bury our dead': An institutional analysis of microinsurance and financial inclusion in South Africa*

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A thesis submitted to the Department of International Development  
of the London School of Economics for the degree of Doctor of  
Philosophy, London, September 2017

## **Declaration**

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## **Abstract**

South African insurance companies have made substantial in-roads into the low-income segments of the insurance market. The strength of microinsurance—insurance products designed specifically for low-income individuals—has been fueled almost exclusively by the sale of funeral insurance products, an unsurprising trend considering the immense cultural value that many South Africans place on funerals. Insurance companies have managed to achieve scale by tapping into community-based infrastructures, which serve as low-cost distribution channels for these products. The incursion of “insurance culture” into this space has thus resulted in a market ecosystem in which formal and informal institutions are in fluid states of tension and cooperation. Building on institutional theory and adopting ethnography as its primary methodological approach, this thesis examines the institutional dynamics underpinning South African microinsurance markets. Based on fieldwork I conducted from June 2015-April 2016 (based primarily in Cape Town and the neighboring township of Khayelitsha), my thesis will highlight the ways in which formal and informal institutions interact to produce regulatory outcomes that enable and/or constrain individual actors. While these institutional structures shape individual decision-making with regard to risk management, I also consider the ways in which individuals exercise agency to navigate shifting institutional landscapes and effect change in underlying structures. Thus, this thesis contributes to the debates on microinsurance, as well as on financial inclusion more broadly, reframing them within this complex interplay between institutions and actors.

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## Acknowledgements

Early on, I was foolish enough to think that “serious” scholarship was a solitary expedition—a sort of Melvillian quest played out behind computer screens and dusty books. The enormity of the challenges entailed in completing this dissertation quickly disabused me of the notion that such a task could be taken on alone. I am thankful to all those who have, knowingly or unknowingly, sustained me intellectually, spiritually, financially, emotionally, and otherwise, over these past four years. The weight of this project was one shared by many.

I am especially grateful to my supervisor and academic mentor, Kate Meagher, who had both the patience to let me find my project and the wisdom to advise me to stay the course when I wanted to abandon it. Her careful and diligent critiques have sharpened the arguments of this thesis considerably, and her care for the students under her charge was reflected daily in her unwavering attentiveness to my work and progress. A heart thanks is also owed to my examiners, Dinah Rajak and Sohini Kar, whose insights will most certainly strengthen the work that will come out of this thesis in the times to come. Any shortcomings found in these pages are mine and mine alone.

I was also fortunate to have had the support of my school and department, especially of my peerless cohort: Maria López-Urbe, Alessandra Radicati, Nelson Ruiz-Guarin, and Florian Weigand. I always thought it remarkable to have shared this experience with them, but from such different parts of the world. We are indeed a testament to our program. Also a special thanks to Anokhi Parikh who assured me, time and again, that I would complete the program as she did, if only I kept pressing forward. I have told her once before that I would not have made it without her; I only wish she would believe me.

This research project would not have been possible without a generous and timely grant awarded to me by the Institute for Money, Technology, and Financial

Inclusion (IMTFI; Grant #OPP1031657). I was invited to present part of my work at their annual conference in April 2016 and I am immensely grateful for the constructive feedback I received, particularly from Mrinalini Tankha who provided insightful comments on a paper that eventually turned into a chapter for this thesis. I am also indebted to the University Meets Microfinance (UMM) and the LSE-UCT Partnership Mobility Bursary for their financial support as well.

The fieldwork, conducted from June 2015-April 2016, was an empirically productive and fruitful experience thanks entirely to the hospitality of my South African friends and colleagues. I am especially thankful to Doubell Chamberlain and his team at the Centre for Financial Regulation and Inclusion (Cenfri), which served as the institutional host for my research project, as well as to Fiona Ross and the Department of Social Anthropology at the University of Cape Town (UCT) for generously allowing me access to vital academic resources, contacts, and seminars during my time in South Africa. I owe a tremendous debt of gratitude to Sandisiwe Ncube and Simphime Nxusani who were much more than research assistants; they were indispensable guides who helped me navigate the unfamiliar cultures and languages of the communities in Khayelitsha. Heartfelt thanks as well to the many friends I made whilst in South Africa. While space does not permit me to name them all here, I am thankful that they made South Africa a home away from home.

Finally, I would not have found the inner reserve to see this project through if not for the steady and uplifting support of my friends and family. Warm and heartfelt expressions of gratitude to Hanna and Andrew Chen for extending their hospitality (and even sacred family vacation time) whenever I needed an escape “home” to my beloved New York City. Same for Edward Castelo who somehow managed to put a friendly face to the “City of Brotherly Love.”

And above all, to my family: My parents, Deborah and Larry Paek, my grandmother, Kim In-Tae, and my sister Ivy Paek. Your love and support are immeasurable. I dedicate this thesis to you.

## Abbreviations

ASCA	Accumulating savings and credit association
ASISA	Association for Savings and Investment South Africa
BEE	Black Economic Empowerment
CENFRI	Centre for Financial Regulation and Inclusion
CGAP	Consultative Group to Assist the Poor
DFID	Department for International Development
FAB	Forum for Assistance Business
FAIS	Financial Advisory and Intermediary Services
FFA	Finance for All
FNB	First National Bank
FSB	Financial Services Board
FSC	Financial Sector Charter
GIZ	German Corporation for International Cooperation
ILO	International Labour Organisation
INESTA	Insurance Sector Education and Training Authority
LSM	Living Standards Measure
M4P	Making Markets Work Better for the Poor
NASASA	National Stokvel Association of South Africa
NCASA	National Co-operative Association of South Africa
NEDLAC	National Economic Development and Labour Council
NIE	New Institutional Economics
OECD	Organisation for Economic Co-operation and
Development	
PCoF	Parliamentary Committee on Finance
ROSCA	Rotating savings and credit association
SAARF	South African Audience Research Foundation
SAIA	South African Insurance Association
SARB	South African Reserve Bank
SASSA	South African Social Security Agency
SDC	Swiss Agency for Development and Cooperation
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
ZCC	Zion Christian Church

## A Note on Currency

During June 2015-April 2016, the period of research, the South African rand fluctuated: On average it was equal to £0.05 GBP and US\$0.07.

That is, R10=0.5 pence or US\$0.70; R100=£5 or US\$7.00

## 1—Introduction

Before dawn broke on the morning of 5 February 2016, Goodwill Nxusani and his wife were already awake in their small, corrugated iron shack in Khayelitsha, a large township on the outskirts of Cape Town. They had a long journey ahead of them. Along with their three children and a handful of relatives, they quickly loaded into two mini-bus taxis full of pots, pans, and other cooking equipment. A hearse carrying the body of Goodwill's father-in-law soon joined this convoy of taxis, and together, set off shortly after 4:00 AM.

Their destination was Queenstown in the Eastern Cape, approximately 1,000 km away by car. With road accident fatalities on the rise in the last 3 years (a 19% increase from 2013-2016 according to the Road Traffic Management Corporation<sup>1</sup>), this journey was not without risk. Thankfully, after a rigorous, nearly 12-hour journey, they arrived safely at their destination. But there was little time for rest, particularly for the women. The next day, there was to be a feast for the approximately 300-400 people who were attending the funeral ceremony, and the food needed to be prepared. While Goodwill held court with his relatives, his wife got straight to work with the other women in the family. They would work throughout the night.

On Saturday, 6 February, the family gathered in the late morning hours to pay their final respects with a traditional Xhosa funeral befitting a patriarch. Hymns were sung; livestock in the form of cows and sheep were slaughtered to mark the occasion; the guests were served food. The post-funeral feast was a restrained yet warm affair, a sort of staid family reunion. The pots, pans, and cookware were cleaned and the mini-buses were loaded back up. After they said their farewells, Goodwill and his family began the long return journey back to Khayelitsha.

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<sup>1</sup> <http://www.rtmco.co.za/>

Depending on who one asks, this occasion might seem like an unusual setting for a study on microinsurance. But for those who have had any experience with South Africa's massive funeral services market, it would make intuitive sense for a Xhosa funeral to be the starting point for such an empirical investigation. In fact, it was this strange conjuncture between the off-grid intimacy of an indigenous life-cycle event like a funeral on the one hand and the calculating efficiency of insurance companies on the other that first provoked my curiosity. How were these disparate realms connected? What were the underlying mechanisms that brought them together?

This world of funeral rituals and actuarial logics brings together a diverse range of actors that make for the unlikeliest of bedfellows. Building on the momentum generated by the "microfinance revolution" (Robinson, 2001) in the past few decades, microinsurance has generated interest from development scholars and practitioners, multinational insurance corporations, community-based entrepreneurs, mutual-aid solidarity groups, and policymakers—all with their own agendas, and thus, their own ideas about how microinsurance might fit within these respective agendas.

Innovative frameworks have emerged to try to reconcile these competing interests—Bottom-of-the-Pyramid (BoP) business models, financial inclusion agendas, market-led development frameworks, to name a few—but gaps and disjunctures remain. Unsurprisingly, as empirical research has demonstrated over the years, the objectives of the market do not always align neatly with those of development, poverty reduction, indigenous self-help institutions, and in the case of microfinance, individual empowerment (see Rahman, 1999; Rankin, 2001; Elyachar, 2005; Harvey, 2007; Karnani, 2007; Roy, 2010; Edwards, 2011; and Roodman, 2012).

This inherent tension is the starting point for my analysis. Adopting ethnography as my primary methodological approach, I examine the institutional dynamics that underpin South Africa's emergent microinsurance market. In so doing, I distinguish

between formal institutions as embodied by insurance companies and state regulatory regimes, and informal institutions as embodied by community-based businesses like funeral parlors and mutual-aid schemes, popularly known as burial societies. The interactions between these formal and informal institutions produce regulatory outcomes that enable and/or constrain both providers and microinsurance clients. As I will argue throughout this thesis, these dynamics don't strip actors of their agency (by pre-determining their behavior), but rather produce new and shifting institutional landscapes, which actors must then learn to navigate. I will thus consider the question of agency in relation to my analysis of formal and informal institutional dynamics. Ultimately, what this thesis seeks to understand is what this interplay between institutions and actors means for the risk and welfare outcomes associated with microinsurance.

### **Setting the Scene: The South African Microinsurance Landscape**

Over the past decade, microinsurance—formal insurance products designed specifically for low-income people—has taken off in South Africa. According to the Microinsurance Network<sup>2</sup>, South Africa alone accounts for more than half of the 62 million lives covered by microinsurance policies on the African continent. In 2014, it is estimated that microinsurance premiums written in South Africa amounted to nearly \$609 million USD. Moreover, indicators suggest that the market is in the midst of a rapid expansionary phase; the MicroInsurance Centre estimates that from 2008-2014, the microinsurance coverage ratio increased from just 17% to nearly 64%, a gain of approximately 26 million additional lives covered every year.<sup>3</sup> Unsurprisingly, these trends have drawn much attention from the insurance industry, which has been quick to embrace microinsurance as a potential vehicle into untapped growth markets.

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<sup>2</sup> Source: <http://worldmapofmicroinsurance.org/>

<sup>3</sup> Source: <http://www.microinsurancecentre.org/>



The rapid growth of this market is fueled almost exclusively by the sale of funeral insurance policies, perhaps unsurprising given the immense cultural value assigned to funerals. Despite their low incomes, poor South Africans have strong cultural and social motivations to hold dignified (and expensive funerals) for their deceased relatives (Bähre, 2007b). Historically, they have had to turn to informal sources of finance to meet their financial needs, including those related to the high costs of these funerals. Examples of these are the aforementioned burial societies, which are community-based pooling schemes designed to help defray funeral costs, as well as informal funeral parlor businesses.

The key innovation that has enabled South African insurance companies to achieve mass scale of their microinsurance operations was partnering with these indigenous burial societies and funeral parlors, rather than incurring the heavy costs of setting up their own retail and distribution networks. These deeply embedded community-based structures simultaneously serve as distribution channels and as client aggregators that help form naturally occurring risk-pools, which are then underwritten on a group basis (see Fischer and Qureshi, 2006). Building on these initial in-roads, insurance companies have also been able to establish retail storefronts in low-income areas like townships. In these brick-and-mortar operations, insurance companies often employ agents from within the community who have the fluency to speak to the languages and cultures of the targeted clientele. The incursion of “insurance culture” (Cohen and Sebstad, 2006: p.42) into this low-income, predominantly informal sphere has thus resulted in an ecosystem in which formal and informal institutions are in fluid states of tension and cooperation, a relationship that is of core interest to this thesis.

The rapid growth of the microinsurance market has coincided with a number of factors that have fueled a rising mortality rate in South Africa, particularly in the mid-1990s-mid-2000s (Statistics South Africa, 2017). A key driver for this was the HIV/AIDS epidemic, which peaked in 2006 (see Figure 1). After what many

Year	Number of Births	Number of deaths	Number of AIDS related deaths	Percentage of AIDS deaths
2002	1 065 149	587 001	232 581	39.6
2003	1 089 307	623 061	268 496	43.1
2004	1 112 009	654 512	299 504	45.8
2005	1 133 578	675 642	320 473	47.4
2006	1 157 720	681 434	325 241	47.7
2007	1 186 149	675 287	315 059	46.7
2008	1 213 007	649 556	284 312	43.8
2009	1 221 737	636 926	266 591	41.9
2010	1 216 150	628 915	256 625	40.8
2011	1 207 511	600 085	225 901	37.6
2012	1 210 987	562 184	185 558	33.0
2013	1 212 947	541 413	161 986	29.9
2014	1 213 213	537 579	155 063	28.8
2015	1 212 055	537 313	151 748	28.2
2016	1 198 861	539 714	150 759	27.9

**Figure 1- Births and Deaths for the period 2002-2016.**  
Taken from Statistics South Africa, Statistical Release P0302

criticized as the government's lackadaisical response to the epidemic, a national rollout of antiretroviral drugs in 2005 seems to have been effective in lowering the number of AIDS related deaths per annum. Regardless, South Africa's HIV/AIDS infection and mortality rates remain among the highest in the world.

South Africa is also plagued by notoriously high levels of crime. In 2015/2016, nearly 34 murders were recorded per 100,000 people, or an average of 51.2 murders per day.<sup>4</sup> Mortality rates attributed to road accidents have also been persistently high over the past two decades. From 2000-2016, road fatalities have gone up from 19.60 to 25.17 deaths per 100,000 people.<sup>5</sup> These road fatalities also tend to spike during heavy travel periods like the holidays or, tragically, when relatives are traveling to and from major events like funerals.

Taken together, what becomes clear is that the social and financial functions of burial societies and funeral parlors are performed under increasing pressure. Rising mortality rates have translated into more frequent payouts for local burial societies and fewer surviving members to replenish their funds. Moreover, research has shown that these informal financial mechanisms are particularly vulnerable to external shocks and

<sup>4</sup> Source: <https://www.saps.gov.za/services/final-crime-stats-release-02september2016.pdf>

<sup>5</sup> Source: <https://www.arrivealive.co.za/United-Nations-Decade-of-Action-for-Road-Safety-2011-2020>

covariate risks, which would include epidemics like HIV/AIDS or persistently high rates of violence (De Weerdt, 2005; Morduch, 2006). So while these institutions have demonstrated remarkable adaptability and resilience over time, the confluence of these more recent factors have compelled them to partner with insurance companies to remain financially viable. Thus, formal and informal structures involved in the provision of microinsurance exist in a co-dependency; burial societies and funeral parlors increasingly need to be underwritten to remain solvent, and insurance companies need informal infrastructures to gain access to a client base with an increasing demand for insurance products that can cope with rising death rates. This putatively symbiotic, mutually-beneficial partnership between insurance companies and burial societies/funeral parlors is the empirical focal point for this study.

### **Locating the Thesis: Informality, Financial Inclusion, and Microinsurance**

Development practitioners and scholars have framed microinsurance as a market-based instrument that can supplement or take the place of state-based social protection systems that have failed to provide adequate coverage for informal sector workers (Siegel et al., 2001; Arun and Steiner, 2008). In many developing countries, particularly in Sub-Saharan Africa, state-based social security systems were designed to be linked to formal sector employment on the assumption that the formal sector would expand as countries developed/industrialized. But contrary to the expectations of many, an era of industrial development, market liberalization, and globalization did not lead to a wide-scale decline in the size of the informal economy/sector. In fact, the evidence suggests quite the opposite has happened; the informal economy is expanding and continues to be a critical source for employment, income/wages, and service provision (Meagher, 2003; Schneider et al., 2011; ILO, 2011; Meagher and Lindell, 2013).

This recognition has provoked a shift in the way the informal sector is conceptualized and approached within development policy circles. No longer viewed as

some unincorporated, underdeveloped, and/or unproductive economic sector, the informal economy is increasingly seen as a source of economic dynamism and entrepreneurial potentialities (see Castells and Portes, 1989; De Soto, 2000; Maloney, 2004; Guha-Khasnobis et al., 2007; Jütting & de Laiglesia, 2009). More attention has been paid to finding arrangements that work in the informal sector in order to re-purpose them toward new, more productive ends (Kelsall, 2008). Various agendas and frameworks have emerged under different headings like “inclusive markets,” “markets for the poor,” (M4P) and “bottom-billion capitalism,” all of which emphasize the need to incorporate informal infrastructures into formal market systems that promise to yield more inclusive forms of growth (De Haan and Thorat, 2013; De Mello and Dutz, 2014; ADB, 2014).

BoP ventures and articulations, for instance, stress how the poor are “co-creators of value” and that they operate in a context filled with “usable” networks, structures, and institutions that can be leveraged to generate both profit and social welfare simultaneously. (Prahalad, 2006; UNDP, 2008; London and Hart, 2010; and Rivera-Santos and Rufin, 2010). These perspectives are deeply rooted within frameworks that conceptualize microinsurance as both a development tool and a potentially profitable business opportunity. The viability of microinsurance in South Africa rests on the ability of insurance companies to tap into and re-purpose community-based, indigenous, “informal” infrastructures—e.g. burial societies, funeral parlors, churches, “stokvels” (mutual savings groups), and cooperatives—to distribute products more efficiently and affordably.

But what are the implications of this re-purposing for informal institutional landscapes? What are the terms by which informal institutions are incorporated into or linked with formal markets and systems? And how do power inequalities shape the negotiation of these terms? These are some of the key questions that animate the more

critical perspectives on inclusionary agendas and discourses. Informal structures and workers may be included, but they may be “adversely incorporated” into formal systems on disadvantageous terms (Hickey and du Toit, 2007; Meagher and Lindell, 2013). Moreover, informal institutions are not merely reshaped and repurposed, but they also impact the social field in dynamic ways (Jütting et al., 2007; Casson et al., 2010). Power inequalities shape the interactions between formal and informal systems and are thus key factors in the distribution of benefits.

These questions and critiques figure prominently in the debates surrounding microfinance and financial inclusion. The proliferation of microcredit and microfinance institutions (MFIs) worldwide has fuelled what Roy (2010: p.32) has called “neoliberal populism” or the notion that the poor can lift themselves out of poverty through access to a more “democratized” capital in the form of microcredit. In this framing, removing the barriers to the formal financial system is an integral component of poverty reduction (Beck et al., 2009; Cull et al., 2014; World Bank, 2014). But as critics have argued, this view that poverty is symptomatic of financial exclusion misses the ways in which the financial system itself can be the source of negative outcomes for the poor. Simultaneously, the focus is shifted away from the structural drivers of poverty while the burdens of escaping it are placed squarely on the shoulders of the poor (Rahman, 1999; Rankin, 2001; Roy, 2010; and Mader, 2014).

These perspectives are useful anchors to locate and inform this study of microinsurance markets in South Africa. Microinsurance enthusiasts argue that this market-based instrument can extend coverage to those who have slipped through the cracks of the social safety net, particularly the poor who work in the informal economy. This view brings the state into a new sort of relationship with the market, one in which the former essentially outsources its traditional obligations to the latter. Thus, as anthropologist Erik Bähre has observed, commercial insurance “blurs distinctions

between the realm of the market and that of redistribution” (Bähre, 2011: p.374). At the same time, questions have been raised about the extent to which this outsourcing would essentially transform rights-holders into risk-bearers (Maurer, 1999). From this view, market and management technologies produce, rather than respond to risk, while the poor are re-constituted as market/insurance subjectivities. What does this mean for microinsurance clients and their ability to manage risk? And what does this mean for the informal risk management structures that have long been the last line of defense for low-income households?

### **Theoretical Framework and Research Questions**

The debates that frame the issue of financial inclusion and market-based approaches to development are seemingly at an impasse between the valorizing rhetoric of individual self-empowerment on the one hand and critical perspectives concerned more with the “dark side of inclusion” (Meagher, 2015: p.839) and/or adverse incorporation on the other. To move this debate forward, I have adopted an institutional framework to focus more attention on the institutional processes and dynamics that produce outcomes, rather than on the outcomes themselves. Through this institutionalist lens, the duality that is often used to describe South Africa’s economy can also be used to describe the divide between formal institutions, which are more prevalent in the developed sectors of the economy, and informal institutions, which hold more sway in the underdeveloped, “indigenous” segments of South African society.

Throughout the thesis, I rely on institutional theory, which broadly defines institutions as the rules of the game of a society/organization, or more precisely, “the humanly devised constraints that shape human interaction” (North, 1990: p.3). Building on this foundation, I further distinguish between formal and informal institutions. I identify formal institutions by utilizing the definition advanced by De Soysa and Jütting (2007: p.31) as “rules encapsulated in formal structures such as constitutions...formal

legal and property rights systems,” which are “enforced by official entities.” I rely on Helmke and Levitsky’s (2006: p.5) definition of informal institutions as “socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels.” These might include “norms and customs regulating socio-economic life,” which “determine each individual’s position to others” (Casson et al., 2010: p.137). Unlike formal institutions, informal institutions are not enforced by the state, not generally codified, and yet, widely accepted as legitimate (De Soysa and Jütting, 2007).

Moreover, I build upon an analytical framework developed by De Soysa and Jütting, which conceptualizes the interaction between formal and informal institutions (see Appendix A). In their framework, formal and informal institutions are given equal analytical weight; their interactions produce institutional outcomes, which in turn lead to either positive or negative development outcomes. Crucially, their framework also accounts for the impact of external factors like “meta-institutions” (e.g. culture and identity) and “context” (e.g. history and geography), as well as the agency of political actors (e.g. industry lobbyists who push for a change in insurance law).

In adapting this framework to my own study, I make a couple key adjustments to more accurately capture what I observed in the field (see Appendix B). First, I give a much more central role to agency, particularly as it relates to so-called gatekeepers who straddle the line between formal and informal institutional spheres. While agency is conceptualized as an external influence in De Soysa and Jütting’s framework, I found that it was the work of individual agents (i.e. insurance sales agents, funeral parlor operators, burial society administrators, etc.) that played a determining role in whether formal and informal institutions cohered or conflicted. They are thus embedded within, rather than external to, processes of institutional interaction.

Second, while my framework looks specifically at formal and informal institutions, it also considers the broader institutional environment in which institutions and actors operate. Among other things, this has allowed me to better understand how clients experience microinsurance. They do not simply interface with an insurance company, for example, they must learn to navigate a whole set of institutionalized systems in the formal sector that might include contracts, premium/claims administration regimes, and legal forms of recourse. These experiences stand in stark contrast to their more intuitive dealings in the informal institutional environment, which is typically regulated by social norms, traditions, and relational structures. These informal regulatory regimes are not only more familiar and intelligible to locals, the mechanisms for recourse are also more accessible.

In understanding risk and welfare outcomes as by-products of a complex interaction between agents and formal/informal institutions, the thesis challenges the idea (central to the self-empowerment perspective) that simply improving access to formal financial products is enough to result in positive outcomes. As I will demonstrate, access is a necessary, yet insufficient condition to assure that microinsurance clients can realize the full benefits of financial inclusion. The thesis also challenges the somewhat deterministic view that formal entities like insurance companies and state regulators can simply re-shape and re-purpose informal infrastructures to serve the needs of capitalist enterprise. These perspectives tend to miss the crucial regulatory roles that social, informal institutions continue to play and the ways in which they can shape formal institutions as well.

An important subtext of this theoretical framework, then, is that accounting for power dynamics is key to understanding processes of institutional change and the effectiveness of institutional outcomes. It is true that formal actors like regulators and insurance agents deploy a range of techniques to shape the microinsurance market; this



entails both discursive and managerial forms of power that appropriate informal institutions to serve the interests of the corporate bottom line. But as this thesis will demonstrate, the informal space is not a flat vacuum devoid of institutions and actors with agency, but is rather filled with complex power hierarchies and social networks. Moreover, informal operators subvert, circumvent, and negotiate with formal actors and thus contribute to the shaping of the institutional space. I thus approach microinsurance markets as a “terrain of contestation” (Elyachar, 2005: p.189), in which institutional and development outcomes are analyzed within the frame of political economy.

The core research questions that structure this thesis are centered on this complex interplay between institutional structures (both formal and informal) and the agency of actors; I argue that they must be examined within the same analytical frame. As such, the research questions of the project are as follows:

1. How do the interactions between formal and informal institutions affect the regulation of microinsurance markets?
2. How do microinsurance providers (both formal and informal) navigate and affect the prevailing institutional structures?
3. How do these institutional dynamics affect welfare outcomes for microinsurance clients?

Guided by the research questions, the objectives of the thesis are threefold. First, the thesis will examine the interactions between formal and informal institutions, linking institutional outcomes to the regulatory effects they ultimately produce. By regulation, I am referring to both formal regulations, which are encapsulated in state laws and standard insurance practice, and to informal regulatory structures like social norms, customs, and socially shared rules, which govern burial societies and funeral parlors. Second, the thesis will examine the relationship between agency and processes of

institutional change/development. While the actions/strategies of individual actors are constrained by and respond to the prevailing institutional structure, they can also enable and/or distort outcomes, which can then induce institutional change. In other words, analysis must be attuned to the ways in which the direction of change flows both ways between agents and institutions. Third, the thesis provides an explicit focus on microinsurance clients and their perspectives/experiences as they navigate the institutional terrain to access microinsurance. Like providers, they must adapt to the emergent set of incentives and constraints inscribed in institutional structures. How does this affect their ability to manage risk?

### **Chapter Structure**

The chapters of the thesis are structured around these three main objectives, which are to examine: 1) The interaction between formal and informal institutions that underpin South Africa's microinsurance market; 2) The agency of microinsurance providers; and 3) Welfare outcomes for microinsurance clients. But first, in the following chapter, I lay the theoretical foundation of the research project by reviewing the relevant literature under three broad themes. First, I outline the mainstream macro/micro-economic case for microinsurance, as well as more critical anthropological perspectives on risk/insurance. Second, I review the wider debates around inclusive markets and financial inclusion within which various approaches to microinsurance take their shape. Does inclusion into formal financial (and microinsurance) markets lead inexorably to favorable welfare outcomes for the poor, or does inclusion entail new risks that can be disempowering? And third, since financial inclusion (via access to formal microinsurance) entails a process by which formal entities like insurance companies penetrate and restructure informal infrastructures, I turn to the vast institutionalist literature (i.e. New Institutional Economics, critical institutionalism) to shed light on how institutional dynamics/interactions are understood and conceptualized. Across these

three themes, the literature review outlines a framework built at the interstices of formal and informal institutional spheres, where the political economy of risk, microinsurance markets, and financial inclusion is most clearly revealed. The framework trains the empirical focus of the study on the underlying interactions between formal/informal institutions and the different actors engaged within the microinsurance value chain. How do these various interactions shape the distributional benefits of inclusion into formal insurance markets?

The ethnographic approach I took to my field site in South Africa (predominantly based in Cape Town and the township of Khayelitsha) is informed by the convergence of these various literatures. In Chapter 3, I discuss the qualitative as well as quantitative methods I adopted to address the core empirical questions of this study. Because the nature of these questions required that I conduct research in both formal and informal spheres, I had to design different data collection strategies accordingly. Moreover, an in-depth study on microinsurance meant that I had to find ways to procure potentially sensitive information on the intimate financial practices of the poor. This required that I take more long-term, relational approaches to many of my interview subjects. I discuss my rationale for each of the strategies I chose to employ, and I reflect upon the unique methodological challenges of conducting research in South Africa, particularly as it relates to overcoming racial, cultural, and linguistic barriers.

The empirical chapters explore the institutional dynamics of microinsurance markets and the ways in which different actors navigate the prevailing formal and informal institutional arrangements. But before analyzing the interactions between formal and informal institutions, it was important to first examine them separately as they are rooted in their own unique histories. Analyzing them separately allowed me to trace their respective evolutionary pathways over time, which helped to contextualize the logics by which these institutions operate.

In Chapter 4, I focus on what I call informal institutions of risk management. Broadly, these refer to the set of social norms, conventions, rules, and traditions embodied by organizations like burial societies. In the informal space, institutional structures that cultivate norms of solidarity, cooperation, and reciprocity have long played key regulatory roles in the collective management of risks (related to death and funerals). In the context of Cape Town/Khayelitsha, these institutions have been shaped by the socio-political history surrounding Xhosa migration from the Eastern Cape to the Western Cape. Moreover, the Xhosa people's deeply held cultural beliefs regarding death and their obligations to their ancestors are directly tied to the economics of the funeral industry, as well as to the way economic institutions (i.e. burial societies) have been designed to address them. Having set the cultural and historical frame, the chapter proceeds to analyze the regulatory/governance functions of modern burial societies. Varying in form and function, burial societies embody and enact the institutions that regulate social relations, financial flows, and risk management with relations to funerals.

Chapter 5 turns its attention to the formal institutions underpinning microinsurance markets. I situate the analysis within the context of the state and industry's on-going efforts in the past decade to formalize the funeral insurance and services market. Though these efforts have largely been stymied, the state does seem to recognize the need to develop separate legislation tailored to microinsurance markets. Chief among the difficulties in crafting and passing such legislation, however, has been balancing the competing, often contradictory agendas of corporate interests, financial inclusion, consumer protection, and so-called "black economic empowerment" (BEE). The complexities of this balancing act and the various motivations that drive the formalization agenda are captured in the Microinsurance Regulatory Framework and the Financial Sector Charter, touchstone policy documents that I analyze along with other relevant documents within this policy domain. After having traced the political and

policy context of the current formalization agenda, the chapter turns to the underlying mechanics that drive it forward. The analysis focuses not only on the concrete market technologies and practices (e.g. market research, surveys, training, etc.) that are deployed to shape microinsurance markets, but also on the discursive frameworks cultivated to calibrate a social field that frames risk in ways that microinsurance products are particularly well suited to address. I challenge the normative assumptions behind a financial inclusion discourse that stresses “improved access,” by demonstrating how these managerial and discursive techniques produce/construct, rather than access, microinsurance markets and client subjectivities.

In many ways, Chapter 6 serves as the center of gravity for the thesis. After having examined formal and informal institutions separately, I bring them together in this chapter to analyze the nature of their interaction and the regulatory outcomes this interaction ultimately produces. I find that in the microinsurance space, formal and informal institutions co-exist in alternating states of complementarity and competition. In addition to highlighting the conditions that determine whether institutions complement and/or compete with one another, the analysis also demonstrates that institutional change flows in both directions. In other words, not only do burial societies and funeral parlors change as a result of their partnerships with insurance companies, but formal insurance practices and regulations must also adapt to better align with informal institutional structures. This insight pushes back against deterministic perspectives on formalization by re-framing institutional dynamics as a dynamic ebb-and-flow process that engages in constant negotiation and adaptation between formal and informal institutions.

Starting with Chapter 7, I switch gears to focus on how agency factors into the institutional analysis; Chapter 7 looks at this from the perspective of microinsurance providers. More specifically, I center the analysis on intermediaries and mediators who

reside at the intersections between formal and informal institutional spheres, namely, insurance agents, mobile network operators, funeral parlor operators, and burial society administrators. The chapter highlights the critical role mediators play in building coherence between heterogeneous (formal and informal) systems and frameworks, work that holds microinsurance value chains together. By comparing different mediators/intermediaries along this value chain, the analysis demonstrates how processes of mediation are embedded within existing social relations and power hierarchies. I argue that to understand welfare and institutional outcomes, these power dynamics have to be taken into account because mediators ultimately affect how values are “translated” (Mosse and Lewis, 2006) between institutional spheres. Moreover, as the interactions between formal and informal institutions recalibrate the set of constraints and opportunities, certain actors are better positioned than others to benefit. Thus, the incursion of microinsurance systems into the low-income market can result in the reinforcement of existing power inequalities, which complicates the optimistic rhetoric often peddled by mainstream financial inclusion narratives. Instead, understanding how mediators fit along not only the microinsurance value chain, but also within the social structures of their communities, helps to reveal how the benefits (and risks) of financial inclusion are distributed.

Finally, Chapter 8 examines agency from the perspective of microinsurance clients as they navigate the institutional landscape. In contrast to the other chapters of the thesis, this chapter employs a more narrative style and structure to capture the felt experiences of clients as they deal with the death of a loved one, confront the various challenges and obligations in putting together a funeral, and adapt to the financial aftermath. I present and compare the portraits of two individuals, a Zulu woman name Jabulile Lwazi and my local facilitator, Goodwill Nxusani. Both had recently lost family members, and through a combination of interviews and participant observation, I was

able to sketch how they respectively engaged with the different institutions involved with risk management/microinsurance, as well as what kind of outcomes were produced in each case. While their cases were comparable in a variety of ways, the most salient factor that divided Jabulile from Goodwill was income: Jabulile was comfortably earning a middle-class salary while Goodwill and his family were very poor. And although you would not expect their respective engagements with microinsurance to yield equivalent outcomes, the striking contrast in their two cases had more to do with their broader exposures to different institutional spheres than to the disparities in their income. While Jabulile's income bracket corresponded with her natural familiarity with formal institutions (e.g. insurance companies, small claims courts, etc.) Goodwill's worldview was shaped almost entirely by his lifelong experiences navigating informal institutional settings. As I will demonstrate in Chapter 8, contextualizing a clients' experience of microinsurance within these frames is essential to assessing the substantive benefits of access or inclusion into the formal financial system.

Funerals like that of Goodwill's father-in-law constitute the bedrock upon which the South African microinsurance industry stands. In South Africa, the demand for "modern," "formal," "efficient," and "reliable" microinsurance products is inextricably bound to deeply held cultural beliefs about death, ancestors, family, and the afterlife. Taking my cue from economic substantivist perspectives, I highlight how microinsurance markets are embedded within South Africa's unique socio-cultural context. Far from building microinsurance markets from scratch, insurance companies must negotiate with existing informal structures that are imbued with a cultural logic all their own. Conversely, informal operators are not passive consumers, but are rather active agents who negotiate, circumvent, and contest the terms of their partnerships with insurance companies. Thus, this thesis aims to widen the empirical and theoretical frame to more

fully capture how the complex interplay between actors and formal/informal institutions shape efforts to build microinsurance markets and drive processes of financial inclusion.



## 2—Literature Review

Development theory has explored the possibilities and pitfalls of microinsurance as a market-based instrument that can help reduce the economic vulnerabilities of low-income individuals and households. Current perspectives on microinsurance have been shaped by the wider shifts in microfinance thinking over the past 30 years. The aspirational view of microfinance—famously propagated by Muhammad Yunus and other founding figures—as a sort of silver bullet to the problem of poverty, has given way to more sober perspectives as empirical evidence has steadily caught up to the initial hype.

David Roodman argues, for instance, that instead of expecting microfinance to lift people out of poverty, more attention should be paid to microfinance's role in stabilizing livelihoods: "The great strength and hope of microfinance lies in building self-sufficient institutions that can give billions of poor people an increment of control over their lives" (Roodman, 2012: p.270). Thus, more likely to be at the normative center of microfinance is the "microsurvivor" (Fernandez, 2005) rather than the "microentrepreneur"—a term that "romanticizes their plight and implies too much hope for their escape" (Roodman, 2012: p.28). This more modest approach has widened the microfinance arena beyond its initial focus on credit to encompass other financial products like savings and insurance that can play a stabilizing, if not a more overtly catalyzing, role in the lives of the poor. This has given rise to the hope that microinsurance might be the next microfinance product to scale at the global level. A closer look, however, suggests that, again, the hype may be outpacing the available evidence.

For all the theoretical (and aspirational) benefits it can offer low-income clients, microinsurance is still subject to market governance. At what point do social objectives hit a ceiling set by the profit motive? Even if microinsurance can get supply-side features

right, why do many products fail to generate demand? And how does formal insurance fit in with the array of informal risk management strategies poor people have historically relied upon? In many ways, these questions are not new. Market approaches to development typically have to confront the tensions between the demands of profit and the aspirations of social welfare. What, then, are the new opportunities, values, dislocations, and tensions generated by the penetration of microinsurance markets into this largely informal, high-risk space? How do they impact the risk outcomes for the poor?

This review aims to bring together disparate, yet related literatures that help frame the core debates raised by the prospects of microinsurance as a market-based development tool for the poor. The chapter is organized thematically and will review these literatures under three broad headings: 1) Theories of risk and poverty; 2) Inclusive markets and financial inclusion; and 3) Institutional theory. Under the first theme, I begin by outlining the mainstream macro and micro-economic cases for microinsurance. Empirical evidence has shown that the poor exist in a heightened state of risk; since financial calamity can result from even the most banal of incidents, researchers have argued that risk is linked to the persistence of poverty. Moreover, the poor, especially those that draw their income from the informal sector, are also the least equipped to protect themselves or to deal with the consequences that result from their exposure to risk. Social policy perspectives thus approach microinsurance as a potential means to extend protection to those who may have fallen through the cracks of the social safety net.

Risk is conceptualized within this framework as being detached and objective, that is, an external hazard that can be alleviated through proper risk management techniques and well-designed tools/interventions, i.e. microinsurance. But from a critical anthropological angle, this conceptualization of risk obscures the ways in which risks are

socially and culturally constructed. This work re-frames microinsurance within a political economy of risk that, crucially, takes into account power dynamics, which shape how risks are defined and distributed, as well as how insurance clients are ultimately engaged.

Next, the chapter broadens the scope by reviewing the relevant debates around “inclusive markets” and financial inclusion. Mainstream market-based perspectives are primarily concerned with improving access to the formal financial system for the excluded poor. Stemming from this emergent research agenda, which positions the market as a key force in the alleviation of poverty, C.K Prahalad’s “bottom-of-the-pyramid” concept advances the notion that the profit-maximizing ethos of the private sector can be harnessed to meet the social aims of poverty alleviation. Much of this “business as development actor” rationale is embedded within efforts to build out microinsurance markets. But of course, this idyllic scenario garners its share of critique, as this literature review will make clear. Critical scholarship, in particular, has pointed out the ways in which markets themselves can be a source of disempowerment and risk. As scholars from this school of thought argue, more attention needs to be paid to the terms by which the poor are being included into markets and the financial system.

Finally, since this market is characterized by formal insurance companies partnering with informal, community-based structures to sustain microinsurance value chains, I review the relevant literature on institutional theory to illuminate the processes of institutional interaction that underpin the South African microinsurance market. In particular, scholarship stemming from New Institutional Economics (NIE) has identified the regulatory role that institutions play in producing and perpetuating certain outcomes; “getting institutions right” is thus a core mantra that shapes a research agenda interested in finding the right mix and/or design principles that would reliably lead to desirable objectives. Critical institutionalism, on the other hand, challenges the premise of these design-based perspectives. In contrast to a conceptualization of institutional dynamics as

being directed from the top-down, scholarship from this more critical research stream focuses on how processes of institutional development are embedded within situated social contexts. According to this view, change is an ad-hoc, culturally informed process that is far messier than design-based perspectives might suggest.

These conceptual debates are germane to an analysis of microinsurance markets in that formal and informal institutions interact in dynamic ways to shape regulatory outcomes. The frictions produced by holding these competing conceptual frameworks against each other help illuminate a productive path upon which my empirical analysis will proceed.

### **Economic and Anthropological Perspectives on Risk and Microinsurance**

#### *The Macro/Micro Economic Case for Microinsurance*

The poor are more vulnerable than are the rest of the population to a spectrum of covariate and idiosyncratic risks—illness, natural and manmade disasters, property loss, etc.—and due to their low levels of income and general exclusion from formal socio-financial institutions, are less able to prevent and mitigate these risks (Holzmann & Jørgenson, 2001; Churchill, 2006). The higher probabilities of risk coupled with the poor's limited ability—or perhaps unwillingness—to pay market-rate insurance premiums, have traditionally made insurance markets the exclusive domain of the well-to-do. But in recent years, on the strength of the so-called “microfinance revolution” (Robinson, 2001), innovations to all facets of insurance operations—design, distribution, and even underlying actuarial principles—have enabled microinsurance operations to gain a foothold in markets throughout the developing world. Microinsurance products have emerged in several domains including health (Drechsler and Jütting, 2005; Castel, 2009; Aggarwal, 2010; Acharya et al., 2013), agriculture (i.e. crop/rainfall insurance [Horowitz and Lichtenberg, 1993; Rosenzweig and Wolpin, 1993; Giné et al., 2008; Cai

et al., 2009; Binswanger-Mkhize, 2012]), credit-life (Wipf et al., 2011) and life/funeral (Ranade and Ahuja, 1999; Ericson and Doyle, 2006; Chan, 2009; Golomski, 2015).

Defining microinsurance is not as straightforward as it might seem at first glance. For regulatory purposes, policymakers tend to define microinsurance according to specific product features, which vary by country.<sup>6</sup> Others use the term loosely to refer to general risk-prevention techniques. The broadly accepted definition of microinsurance is the one advanced by Craig Churchill who defines it as “the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved” (Churchill, 2006: p.12). While the latter part of this definition is indistinguishable from that of regular insurance, the specific emphasis on low-income people differentiates microinsurance categorically. That it operates on the principle of risk-pooling (between other insurance clients) further distinguishes microinsurance from other risk-mitigation techniques.

Researchers have charted the mechanisms through which risk is linked to poverty persistence and have discovered that the risk-management strategies undertaken by the poor play a key role (Dercon et al., 2009). Historically, the excluded poor have turned to informal coping strategies and financial mechanisms to provide themselves with some protection, including rotating savings and credit associations (ROSCAs), accumulating savings and credit associations (ASCAs), burial societies, stokvels, cooperatives, etc. (Rutherford, 2000; Collins et al., 2009). A number of studies have demonstrated that these informal risk management strategies, although important, are generally imperfect and insufficient (Townsend, 1995; Morduch, 1999; Gertler and Gruber, 2002; Dercon, 2005). They have also been shown to have both short-term and long-term trade-offs that contribute to the persistence of poverty. For example, ex-ante strategies (before the

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<sup>6</sup> See The South African Microinsurance Regulatory Framework (Republic of South Africa, 2011) released by the National Treasury, Republic of South Africa.

occurrence of a risk event) include measures like making conservative production or employment decisions that offer low returns on investment in the long-run (Rosenzweig & Wolpin, 1993; Morduch, 1995; Dercon, 2005). In the aftermath of a shock, ex-post responses include the depletion of productive assets to smooth consumption (Lim & Townsend, 1994; Davies, 1996), harmful labor supply adjustments such as the use of child labor (Jacoby & Skoufias, 1997; Beegle et al., 2003), and taking on debt that can quickly become unmanageable (Udry, 1994; Goldstein et al., 2005). Similarly, at the community-level, studies on informal risk sharing have demonstrated that such mechanisms are imperfect and particularly poor at addressing covariate risks that affect all individuals in an area at the same time (De Weerdt, 2005; Goldstein et al., 2005; Morduch, 2006).

Given the fragility and limited scope of informal risk management systems, formal insurance has the advantage of applying actuarial standards to help supplement, or in some cases, replace these systems (Dercon, 2005). Theoretically, microinsurance brings value to low-income households in three main ways: Smoothing consumption, promoting welfare-enhancing behavior, and encouraging productive forms of risk-taking (Churchill, 2006; Dercon et al., 2009). Surprisingly, the empirical evidence of the impact of microinsurance along these three dimensions is limited, due in some measure to methodological challenges (Dercon et al., 2009). Research on health insurance schemes has found positive results with regard to welfare-enhancing behavior (Dong et al., 1999; Wagstaff and Pradhan, 2005; Dror et al., 2006) and some income protection for inpatient costs, but not for out-of-pocket expenditures (Wagstaff, 2007; Chankova et al., 2008). In terms of the impact of microinsurance on production decisions, the research has yielded somewhat mixed results; while crop insurance has been shown to encourage risk-taking into more productive ventures (O'Donoghue et al., 2007; Cai et al., 2009), other studies

have demonstrated no impact on risk-taking behavior (Rosenzweig and Wolpin, 1993; Giné and Yang, 2009).

Since microinsurance does not operate in a vacuum, but is rather part of a larger “social risk management toolbox” (Siegel et al., 2001), it must strike a balance with other financial mechanisms such as informal insurance, private savings, and social insurance schemes. How to strike this balance is an empirical question without clear answers. A limited number of studies have shown that parallel systems can crowd each other out. For example, public programs such as public insurance, comprehensive health insurance, and food aid transfers have been found to have crowding-out effects on private insurance, precautionary savings, and informal risk sharing arrangements, respectively (Attanasio and Ríos-Rull, 2000; Gruber and Yelowitz, 1999; Chou et al., 2003; Dercon and Krishnan, 2003). Conversely, Jowett (2003) presents evidence that informal financial networks may crowd out voluntary health insurance schemes in Vietnam.

Despite these studies, it is important to note that the trade-offs of microinsurance uptake have not been clearly established in the literature. Economist Jonathan Morduch laments that because assessments of microinsurance’s welfare impacts can only be made in relation to already existing risk management mechanisms and strategies, researchers do not have precise estimates of the value-added gains from replacing/supplementing these measures with market-based insurance (Morduch, 2006). Nevertheless, since the coverage gap in risk management systems is primarily conceived in this framework as a product of state failure, market-based approaches to extending and/or replacing traditional social protection have been embraced and advanced by policymakers and development theorists who are at least ideologically, if not empirically, committed to the market as a viable vehicle for risk mitigation.

*Insurance as a Source of Risk: Anthropological Perspectives on Risk*

While the traditional neoclassical research agenda has sought to answer narrowly constructed questions related to the impact of microinsurance on welfare and on the wider risk management ecosystem, scholarship emerging from a more critical school of thought have interrogated the ways in which markets for risk and insurance are mutually constitutive of situated socio-cultural institutions. In his seminal book, *Risk Society: Towards a New Modernity*, Ulrich Beck provides the following insight on the nature of risk:

*Risks are a bottomless barrel of demands, unsatisfiable, infinite...Demands, and thus markets, of a completely new type can be created by varying the definition of risk, especially demand for the avoidance of risk—open to interpretation, causally designable and infinitely reproducible (Beck, 1992: p.23).*

Drawing on the notion that markets are produced through the interaction of a variety of “calculative agencies” (Callon and Muniesa, 2005: p.1230), De Goede (2004) has argued that actuarial logic (an instrument of calculation) does not just react to but creates particular definitions of risk and insecurity. For this reason, Ewald (1991: p.200) has called insurance “eminently creative” in the way that it creates value out of previously dreaded events. Building on her ethnographic work on price formation, Jane Guyer evokes Karl Polanyi’s concept of “fictitious commodity” to describe the process of commoditizing risk: “The original object—risk—is already out there to be disembedded from a shared social matrix, transformed into a definition, and linked to an insurance strategy, in order to be revalued for sale on the market” (Guyer, 2009: p.215). These insights help to unveil the central paradox of insurance: “While pretending to eradicate uncertainty...finance identifies and invents more and more possible uncertainties to be hedged” (De Goede, 2004: p.213)—Beck’s “bottomless barrel.”

Building on these constructionist views of insurance markets, De Goede argues that the commercialization of risk should not be understood as a reaction to objectively existing danger, but as a “profitable cultural process” (De Goede, 2004: p.205). Corporate calculative agencies must interact with norms and cultures engrained within



community structures and institutions. In other words, as “rationalist” as insurance may present itself to be, it is still subject to socio-cultural understandings of life and value (Kar, 2013). Zelizer (1978) observed, for example, that life insurance markets in the United States first emerged as a response to changes in the nuclear family system (prompted by urbanization), which created an uncertain economic situation for a bulk of middle class households that could no longer rely on informal, community-based support in times of crisis. Similarly, in her study of life insurance markets in China, where talk of death is a cultural taboo, Chan (2012) found that agents mobilized their deep knowledge of the cultural practices and beliefs of their clients to frame insurance in unique, context specific ways that were locally sensible.

Anthropologists have also demonstrated how insurance, as a social and political technology (Ewald, 1991), re-constitutes the social landscape. For instance, Golomski (2015) demonstrates how the legal definition of the nuclear family, which underpins life insurance policies in Swaziland and is key to claiming insurance payouts, worked to reconfigure traditional kinship structures of care. By tying up the value of human life with market notions of value, insurance transformed these affective relations through “consumptive practices and revaluations of cultural ideals” (ibid.: p.82). As these ethnographies make clear, insurance does not operate in abstracted vacuums, but simultaneously shapes and is shaped by existing social and cultural norms (Kar, 2013; Golomski, 2015).

Moreover, the gradual process of financialization exerts a governmental force that transforms rights-holders into risk-bearers (Maurer, 1999). This shift is crucial in understanding how insurance, while protecting against some defined risk, can also introduce other forms of risk by reconstituting the poor as market subjectivities and newly minted risk-bearers. In the case of index insurance, for example, property ownership is nullified as a prerequisite for the purchase of insurance in exchange for

individual policyholders accepting some degree of basis risk, leading scholars to question if farmers are, in fact, better off not purchasing index insurance at all (Binswanger-Mkhize, 2012; L. Johnson, 2013). In the life insurance market, Erik Bähre's ethnography, which focused on brokers who mediate between communities and employers by mobilizing personal networks to sell policies, found that the costs insurance companies were attempting to cut were translated into financial risk for the brokers in the form of reduced/cancelled commissions (Bähre, 2012). Moreover, community-based intermediary institutions—in Bähre's case study, a church—were also exposed: "Many of the risks that were part of this new financial endeavour were not covered by the 'market' (the insurance company). Instead, they were passed back to...the intermediary organization, which was ill-placed to withstand them" (ibid.: p.159).

In contrast to neoclassical renderings of microinsurance, then, Leigh Johnson argues that insurance cannot simply be understood as a development intervention, but as "techniques attempting to articulate a particular chain of social and economic relations premised on the creation of financial consumers." (L. Johnson, 2013: p.2676). In the process, the poor are "dis-articulated" (Bair and Werner, 2011: p.993) from what cultural anthropologist Mary Douglas referred to as the "old protections." As she observed, "the markets suck us (willingly) out of our cozy, dull, local niches and turn us into unencumbered actors, mobile in a world system, but setting us free they leave us exposed. We feel vulnerable" (Douglas, 1994: p.15).

### **Markets of Inclusion or Exploitation? Financial Inclusion for Microinsurance Clients**

#### *The Drivers of Financial Exclusion and the Economic Case for Inclusion*

The economic case for microinsurance reflects and operates within a much broader neoliberal development framework that gives primacy to the market as the key driver of poverty reduction. Within this paradigm, researchers have highlighted the

crucial role of well-functioning financial markets/systems in economic development. Financial sector depth, which is a measure that captures the size of a nation's financial sector relative to its economy, has been found to be associated with lower levels of income inequality in the medium-to-long term (Li et al., 1998; Clarke et al., 2006; Jahan and McDonald, 2011), boosted real incomes for those in the lowest income brackets (Beck et al., 2007), and higher economic growth (Levine, 2005; Demirgüç-Kunt and Levine, 2008), all factors that have been strongly linked to measured reductions in poverty (Ravallion, 2001; Adams, 2002; Beck et al., 2007; DFID, 2008). This has given rise to the argument that financial sector development is fundamentally pro-poor (Rajan and Zingales, 2003; Honohan, 2004).

According to this formulation, then, the exclusion of the poor from formal financial systems and services is a key contributor to persistent levels of poverty. The World Bank estimates that around 40% of the world's adult population—an estimated 2 billion people—do not have access to the most basic formal financial services (World Bank, 2014). For adults in the lowest income quintile, Demirgüç-Kunt and Klapper (2012) estimate that 77% are excluded. The dynamics of what drives and sustains financial exclusion are complex and difficult to capture in the data. Beck et al. (2009) distinguish between those who are voluntarily excluded (i.e. lack of demand) and those who are involuntarily excluded. For the latter group, they identify four main drivers of exclusion: 1) Households/firms that are considered un-bankable due to their low incomes or their high levels of risk; 2) Discriminatory policies; 3) Deficiencies in the contractual and informational frameworks (e.g. lacking the proper ID documents); and 4) Price and product features.

Sarma and Pais (2011) situate financial exclusion within broader processes of social exclusion. Studies suggest that exclusion from the financial system tends to occur to groups of people who are considered at the margins of society including low-income

groups, ethnic minorities, immigrants, the elderly, and the unemployed (Kempson and Whyley, 1998; Goodwin et al., 1999; Connolly and Hajaj, 2001; Barr, 2004). Countries with lower levels of income inequality tend to also have higher levels of financial inclusion, suggesting a strong correlation (Kempson, and Whyley, 1998; Buckland and Guenther, 2005). Other factors that seem to impact measures of financial inclusion/exclusion include, but are not limited to geographical proximity (both physical and electronic) (Leyshon and Thrift, 1995), levels of adult literacy, infrastructure development, and rates of urbanization and connectivity (Sarma and Pais, 2011).

Propelled primarily by this growing body of empirical scholarship that has linked the depth and efficiency of financial systems with economic growth, financial inclusion has, in recent years, steadily moved to the center of the global development agenda. The world's leading development organizations including UNDP, OECD, the World Bank, and others have all launched major reports and/or initiatives devoted to the advancement of financial inclusion. For example, the World Bank's 2008 report, *Finance for All? Policies and Pitfalls in Expanding Access* makes the broad case for financial inclusion in succinct terms:

*Financial market imperfections that limit access to finance are key in most development theories. Lack of access to finance is often the critical mechanism behind both persistent income inequality and slow economic growth. Hence, financial sector reforms that promote broader access to financial services should be at the core of the development agenda (World Bank, 2008: p.17).*

As was already discussed in the context of microinsurance, one of the major drawbacks of having limited access to formal financial products is that the excluded poor often have no choice but to turn to informal mechanisms to manage their assets and risk. Though these informal mechanisms are a valuable last resort, they are often unreliable and expensive. Formal financial markets and institutions, on the other hand, exist to overcome information asymmetries, lower transaction costs, efficiently channel savings and investment into their most productive uses (Honohan, 2008; Beck et al., 2009), and

in the case of formal microinsurance, provide rationalized, well-regulated risk-pooling services (Dercon, 2005). Exclusion from the financial system, therefore, exacts a heavy opportunity cost (Cull et al., 2014).

Studies have associated more inclusive financial systems with lower levels of socio-economic inequality, stronger economic growth, and a more dynamic economy overall (Rajan and Zingales, 2003; Honohan, 2004; Beck et al., 2007; Beck et al., 2009; Cull et al., 2014). Although these macro findings point to a positive relationship between financial inclusion and the economic welfare of the poor, the precise mechanisms and linkages that animate the relationship between the two are still subject to some debate. Researchers have noted, for instance, that the financial needs of small firms/enterprises are different from those of households. Randomized controlled trials (RCTs) have demonstrated that while access to finance has clear benefits for firms, such as the elimination of credit constraints that lead to growth (Crépon et al., 2011; Banerjee et al., 2015), the evidence is more mixed at the household level (Banerjee et al., 2015; Karlan and Zinman, 2009; Brune et al., 2011; Angelucci et al., 2013; Dupas and Robinson, 2013). For individuals and households, then, it may be the indirect benefits of financial inclusion on firms (i.e. more efficient production and labor, higher wages, etc.), rather than the direct provision of financial services that have a stronger impact on poverty reduction (Beck et al., 2007).

#### *Market Failure or State Failure? Diverging Perspectives and Approaches to Expanding Inclusion*

While the positive effects (direct and indirect) of improved access to formal financial services have been well established in the empirical literature, there are competing views of whether financial exclusion is primarily a product of state or market failure. These diverging views have different policy implications, particularly as it relates to the role of the state and subsidies. In terms of risk, for instance, social policy perspectives frame the persistent and high levels of economic vulnerability of the poor as

fundamentally a product of state failure. From this perspective, microinsurance—a product of the private sector bound to market/business principles—is conceived of as an instrument to extend vital social protections to poor and vulnerable citizens. This social protection approach is animated by the coverage gap that exists in many developing countries, particularly in Africa. The challenge of comprehensive coverage is exacerbated by the fact that most state-based systems are designed in the traditional Bismarckian mold of linking social protection to formal sector employment. The ILO estimates, however, that half to three-quarters of all non-agricultural employment in developing countries is found in the informal economy (ILO, 2014), making it difficult for countries to extend protection to those in the informal sector (Canagarajah and Sethuraman, 2001).

Following this, microinsurance has been framed as a market-based intervention that can supplement and even replace inadequate state-based social protection systems (Jacquier et al., 2006; Arun and Steiner, 2008). In the context of limited state capacity, Jacquier et al. (2006) argue that microinsurance schemes have certain comparative advantages over state-based schemes with respect to their cost-effectiveness and their ability to reach excluded groups, such as workers in the informal economy. This perspective maintains that microinsurance should thus be linked to national social protection strategies, essentially harnessing the market to serve as a patch for the state's social safety net (Siegel et al., 2001; Jacquier et al., 2006).

In contrast, the view that financial exclusion is primarily a result of market failure shapes efforts to “fix” market institutions in order to become more inclusive. Several frameworks, most notably the “Making Markets Work Better for the Poor” (M4P) approach, have emerged to identify and address systemic constraints that limit the capacities and opportunities for the poor to engage markets as consumers, producers, and/or wage earners (DFID, 2005; Elliot et al. 2008). A primary focus of the M4P

framework, which is rooted in the work of New Institutional Economics (NIE), is on lowering transaction costs; interventions are focused on how the right mix of institutions can lower the barriers of entry for the poor. In this framework, then, it is the state that works to address market failures by “getting institutions right” (Rodrik, 2004) as an integral component of market inclusion.

Out of these divergent perspectives, two general schools of thought have emerged regarding the state’s role in developing more inclusive financial services markets: modernism and activism (Honohan and Beck, 2007). Modernist approaches focus on establishing an enabling environment for inclusive financial markets. In the microinsurance sector, this entails adjustments to formal insurance regulations like minimum capital requirements, licensing regimes, and prudential standards that aim to reshape the structure and operation of the market to better align with the realities of the low-income space (Trommershäuser et al., 2006). Activist perspectives, on the other hand, advocate for more targeted interventions that aim to prioritize and assist specific groups that have been excluded (i.e. low-income households, informal businesses, etc.). Typically, this includes the judicious use of subsidies and ring-fencing legislation that enables access for those groups who are hardest to reach. M4P inspired approaches look to bring together the overall strategic focus of the modernist perspective with the flexible operational focus of the activist approach (DFID-SDC, 2008).

#### *From Equity to Efficiency: Shifts in Microfinance Thinking*

In the microfinance literature, this modernist-activist debate is reflective of a deeper conceptual and philosophical divide between rights-based and market efficiency-based discourses. Muhammad Yunus and the Grameen Bank are some of the more prominent voices advocating for a rights-based approach, which conceptualizes financial services— particularly microcredit—as a human right (Microcredit Summit, 1997; Yunus, 1998). This assigns a more central, direct role to the state, donors, and civil society

organizations in ensuring that the hardest to reach clients (i.e. low-income, rural households, etc.) are extended access to financial services. The use of subsidies to ensure this outcome is thus encouraged or at least tolerated within this discursive framing. Indeed, studies have shown that the vast majority of microfinance institutions (MFIs) continue to rely on subsidies to remain operationally sustainable (Morduch, 1999; CGAP, 2005; UNCDF, 2005); subsidies have even been shown to make MFIs more efficient (Hudon and Traca, 2011).

However, decades of microfinance research have challenged these approaches, provoking a rethink regarding the most effective role for the state. In particular, research on microcredit makes clear that the poor do not always use formal loans for productive enterprise, but also use them to finance consumption—food, education, healthcare, and even luxury goods, for example—(Todd, 1996; Rahman, 1999; Collins et al., 2009; Banerjee and Duflo, 2012; James, 2014)—and to build non-financial assets like house improvements or car repairs (Todd, 1996; Rahman, 1999; Copestake, 2002). Evidence has also shown that credit is often used in “loan recycling” (Rahman, 1999) whereby new micro-loans are drawn to pay-off existing debt obligations.

As Cull et al. point out, the reason for this may be due to the fact that the financial needs and objectives of the poor who make their living in the informal economy often blur the distinction between firm and household: “In economic terms, they are consuming households and self-employed firms at the same time; thus consumption and production decisions are intertwined” (Cull et al., 2014: p.1). Informed by these insights, there has been pushback against direct subsidies on the grounds that they underwrite unproductive/inefficient financial behaviors and practices (CGAP, 2006), as well as fears that excessive subsidies may lead to a dependency that undercuts sustainability over the long term (Morduch, 1999; Morduch, 2005; CGAP, 2006).



In the wider microfinance sphere (which includes microinsurance), these debates have contributed to a shift away from an equity focused approach, which relies on public subsidy to maximize direct access to financial services, to a broader “financial systems approach” more concerned with implementing inclusive financial sector policies that aim to develop self-sustaining MFIs and other financial services institutions (Robinson, 2001; Hannig and Jansen, 2010). The World Bank’s Finance for All (FFA) agenda, for example, de-centers firms/households as the focal point for financial inclusion interventions and, to the extent that they hinder the development of the financial sector, discourages the use of subsidies to improve direct access.

Led by influential bodies like the World Bank’s Consultative Group to Assist the Poor (CGAP), FFA inspired approaches to financial inclusion have favored the closer integration of the microfinance industry into global circuits of capital. Access to financial services provided by MFIs and other local financial institutions has thus, by extension, entailed inclusion of the poor into global financial markets (Roy, 2010). In other words, the market, as well as its logics and global institutional systems, takes center stage as the primary arbiter of access to financial services. The state is relegated to a supporting role more focused on creating “enabling environments” (DFID-SDC, 2008).

These equity versus efficiency debates animate the various perspectives and approaches taken to build sustainable and inclusive microinsurance markets, which are plagued by a number of challenges including moral hazard, adverse selection, information asymmetries, high transaction costs, and of course, persistently high levels of risk that are difficult to price at affordable levels. Morduch (2006) notes that in his canvass of microinsurance schemes, he could not find a single example of a small-scale crop insurance program that successfully served the poor, made profits, and reduced risk without the aid of state subsidies (see also Hazell, 1992). Moreover, most microinsurance schemes, particularly ones that are initiated by specialized providers and civil society

organizations, are only able to offer very limited coverage and/or benefits without subsidy support (Churchill and Garand, 2006; Jacquier et al., 2006).

Yet despite these many challenges, the development and maturity of microinsurance markets around the developing world have prompted a move toward efficiency perspectives that echo similar shifts in the broader microfinance landscape. In its 2017 report on inclusive insurance, GIZ<sup>7</sup> calls for a holistic financial systems approach that focuses on establishing “an enabling business environment,” which includes “effective laws, regulations, and supervisory structures [that] create a legal certainty for the insurance industry and for consumer protection” (GIZ, 2017: p.30). In line with M4P-inspired frameworks, the focus is shifted away, then, from targeted support for individual microinsurance providers/schemes, and centered instead on extending the “access frontier,” defined as “the maximum proportion of usage possible under existing structural conditions of technology, infrastructure, and regulation” (DFID, 2005: p.11). The success of this approach hinges largely on its ability to properly incentivize different types of providers, particularly in the private sector, to enter into low-income markets; maximizing choice and plurality are thus emphasized. In the microinsurance space, private actors like insurance companies move into a much more central role in addressing the risk management needs of the poor.

*Corporations-cum-Development Agents: Business and Social Welfare at the Bottom-of-the Pyramid*

Incentivizing private companies to take risks, invest, and innovate in what C.K. Prahalad referred to as bottom-of-the-pyramid (BoP) markets, is a critical component of expanding the access frontier. Writing from a business management perspective, Prahalad and Hart (1999) first advanced the BoP concept, which argued that the profit-maximizing ethos of private businesses (particularly multinational enterprises) could be

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<sup>7</sup> GIZ- Deutsche Gesellschaft für Internationale Zusammenarbeit (German Corporation for International Cooperation)

aligned with the aims of poverty alleviation by building markets that deliver welfare enhancing goods and services to the poor. While earlier iterations focused on the poor exclusively as consumers, the BoP framework has evolved over the past decade to reconceptualize them as “co-creators of value” (UNDP, 2008; London and Hart, 2011). Dubbed by some as BoP 2.0 (Simanis and Hart, 2008), these approaches seek to build businesses that engage the poor not only as consumers, but also as employees, partners, and/or entrepreneurs (Whitney and Kelkar, 2004; Brinkerhoff, 2008; Dolan and Scott, 2009).

Research on formal institutional voids has highlighted the challenges and barriers that BoP ventures must overcome to create new markets in this space (Khanna and Palepu, 1997; London and Hart, 2004). Due to the high degree of “institutional distance” between developed and BoP markets, there are significant knowledge gaps that hinder an enterprise’s ability to understand demand, build operations, and to mobilize resources in these largely uncharted spaces (Khanna and Palepu, 1997; Kostova and Zaheer, 1999; Ricart et al., 2004; Webb et al., 2010). In order for profitable operations to take root, BoP ventures have recognized the need to leverage local networks, embedded nongovernmental organizations (NGOs), and informal institutions, which have collectively amassed the required experience/knowledge of the target BoP consumer base (Rivera-Santos and Rufin, 2010; Webb et al., 2010; London and Hart, 2011). “BoP ventures thus seek to combine the best of both worlds—the resources and technological capacity of the formal economy and the indigenous knowledge, human face, and local embeddedness of the informal sector” (London and Hart, 2011: p.10). The normative vision of BoP markets, then, is that of mutually-benefitting, “symbiotic market-based ecosystems” (Prahalad, 2006: p.7), whereby a win-win alliance between private sector companies, local infrastructures, and low-income individuals is forged to generate

sustainable, profitable, and socially beneficial outcomes—a triple bottom line approach (Elkington, 1994).

In the business of microinsurance, Craig Churchill and other commentators have pointed out that these partnerships, which are often formed between formal insurance companies and informal mutual-assistance groups (i.e. ROSCAs, burial societies, etc.), are an indispensable part of creating microinsurance markets and deepening their penetration:

*One of the great challenges in serving BOP consumers is to get the product to the market; yet, insurance companies are particularly weak at distribution. The main solution to this problem is to collaborate with another organization that already has financial transactions with low-income households so the insurer can leverage existing infrastructure to reach the poor (Churchill, 2006: p.19).*

Efficiency, discipline, innovation, strategy, and effective marketing—all hallmark principles of the BoP concept—have also been recognized as integral components in scaling-up microinsurance provision (Radermacher, et al., 2006; Wipf and Liber, 2006; Churchill and Cohen, 2006; Churchill and Garand, 2006). Thus, the financial inclusion and BoP frameworks are not only central to the articulation of microinsurance, they are inextricably linked to one another.

Before his untimely death, C.K. Prahalad summarized his argument and his aspirations this way: “We must recognize that the conversion of the BoP into a market is essentially a developmental activity...new and creative approaches are needed to convert poverty into an opportunity for all concerned” (Prahalad, 2011: p.xxx). The notion that business and the private sector have important roles to play in development is not a new idea, of course, but Blowfield and Dolan (2014) have observed an important shift associated with the recent rise of BoP discourse:

*In the space of less than two decades, there [has] been a shift from companies viewing developing countries as a location in which to do business (the role of the development tool), to understanding that to a degree it was not only possible but necessary (for moral or material reasons) for companies to see themselves less as the inanimate hammer and more as the instrumental carpenter, i.e. to be a development agent (Blowfield and Dolan, 2014: p.25).*

Financial service providers like insurance companies have thus been re-cast as development agents within a discursive and managerial space forged open by market-based approaches to poverty reduction. Since a market that works for the poor is one that “expands choices available to poor people and produces market outcomes that benefit the poor” (DFID, 2005), success is measured by the extent to which the private sector is able to drive up levels of production, employment, wages, and consumption at the BoP. As Prahalad and other prominent BoP proponents would argue, the best way to achieve this is through the profit motive and through strategic partnerships with community-based entities.

*BoP Ventures as Governmental Force: Reshaping the New Lines of Belonging*

As businesses have assumed a more central role in driving development outcomes, BoP and private sector led models have drawn their fair share of critique (Woller, 2002; Karnani, 2007; Cross and Street, 2009; Dolan and Roll, 2013; Blowfield and Dolan, 2014; Banks and Hulme, 2014). In a systematic review of the BoP literature over the past decade, for example, Kolk et al. (2014) found very little evidence of BoP initiatives in which the poor were engaged as co-creators despite the aspirational articulations of BoP advocates. Instead, they found that most BoP initiatives were conceived and implemented by the enterprises themselves (or their NGO partners), and almost exclusively dealt with poor households and communities as consumers. They also found that, conceptually, BoP frameworks operated on narrow income-based definitions of poverty (i.e. per capita income thresholds of \$1-\$2/day), which limited their engagement with the multi-dimensional, structural drivers of poverty (World Bank, 2000).

Blowfield and Dolan (2014) highlight the inherent paradox of this business-development alliance. They observe, for example, that while corporations are

accountable to their shareholders for financial returns on investment, similar accountability structures are not in place to ensure that they uphold their commitments to social, environmental, and/or development outcomes. Moreover, they argue that the prioritization of financial returns over social welfare confers an “epistemic privilege” to market-oriented definitions of success, which lead to the reinterpretation of positive outcomes at the expense of alternative ways of measuring success (ibid.). Business perspectives on what we might consider a “development success” or a positive welfare outcome are based on narrow metrics (i.e. return on investment), which are easily measured, recognized, and accepted by the business community. Moreover, the very way business frames or conceives a development problem is such that it recognizes only those problems that the market is particularly suited to solve (Banks and Hulme, 2014).

Meanwhile, problems that the market can’t solve—political disenfranchisement, inequalities of wealth and power, gender and/or racial discrimination—are sidelined or otherwise ignored (Cross and Street, 2009; Schwittay, 2011; Banks and Hulme, 2014). This has led Blowfield and Dolan to conclude that “the problems business deems significant and the solutions it proffers often accord more with the needs of capital than the needs of the poor” (Blowfield and Dolan, 2014: p.30). As a result, the primary beneficiary of the business-development alliance is no longer the rights-bearing subject of a state, but is rather “a value-driven consumer, whose needs, desires and preferences are defined and fulfilled by the market” (ibid.: p.30).

Building on this insight, Catherine Dolan has argued that BoP initiatives produce “new ecologies of belonging and exclusion” in the sense that new lines are drawn between those who have certain desirable moral qualities (i.e. responsible, enterprising, ambitious, etc.), and those who do not (Dolan, 2012: p.6). Companies construct and maintain this boundary by deploying a range of market technologies (e.g. training in sales and financial discipline, time management and performance metrics, etc.) to produce a

particular “useful” type of market subjectivity (Dolan & Johnstone-Louis, 2011; Schwittay, 2011; Dolan, 2012). Thus, the definition of what it means to be poor becomes “highly circumscribed in ways that have little to do with poverty itself” (Blowfield and Dolan, 2014: p.33). Instead, BoP initiatives center on the moral qualities of the enterprising poor and exclude those who don’t fit the bill—the landless, disabled or elderly, for instance. In other words, the intervention of BoP enterprises creates new dynamics of exclusion.

In microinsurance markets, the viability and effectiveness of the product depends on the characteristic of the risk being covered; not all risks are insurable (Siegel and Alwang, 1999). Siegel et al. (2001) outline certain criteria for a risk to be considered “ideal” for microinsurance products:

*A) The risk must be randomly and independently distributed among insured clients, B) risks and losses of insured clients should be determinable, measurable, and not catastrophic, and C) the risk and loss should not be influenced by the actions of insured clients (e.g. no moral hazard) (Siegel et al., 2001: p.9).*

Ideal risks also mean ideal partners and clients. Insurance companies deploy a range of management technologies to both identify suitable partners and insurable clients and to implement systems that can control the terms of the exchange. For example, insurance contracts are used to define the insurable risk, organize financing of the insurance and exercise control over the flow and management of its funds (McCord, 2001). All these techniques are used to reify the boundary between the insurable and uninsurable poor.

Thus, as scholars have pointed out, the notion of mutually benefitting partnerships between low-income communities and corporations-cum-development agents, which sits at the heart of BoP discourse, must be examined critically. Cross and Street (2009) have argued that the benign BoP rhetoric of “partnership” obscures the vast power disparities that exist between well-resourced corporations and the BoP communities they wish to engage. Rather than simply penetrating these “usable” spaces

(Ferguson, 2005), Dolan and Roll argue that businesses “create BoP economies through a set of market technologies, practices, and discourses that render the spaces and actors at the bottom of the pyramid knowable, calculable, and predictable to global business” (Dolan and Roll, 2013: p.125). Corporations thus impart forms of economic governance and governmentality that transform the social structures, networks, and institutions of the poor in ways that are more amenable to market intervention—and do so in the name of poverty reduction. These transformations not only delineate between the enterprising and unproductive poor, the insurable and uninsurable, but also reinforce the notion that poverty is a product of market failure, and that the solution, therefore is further market integration (ibid.).

*Adverse Incorporation and Dispossession: Critiquing the “Sheen” of Inclusion*

Social theorists have long recognized that closer integration—or inclusion—of the poor into global markets do not lead inexorably to positive welfare outcomes. Ananya Roy warns that “what is at stake here is a crucial shift from the idea of development as social services and the improvement of human capital to development as integration into global financial markets” (Roy, 2010: p.47). Rankin (2001: p.20) points out that this shift comes with real effects, arguing that incorporating the poor into financial systems through microfinance must be recognized as a state strategy to “devolve responsibility for securing economic opportunity to individuals acting as responsible agents of their own well-being...in a manner consistent with a neoliberal agenda.” These perspectives highlight how the “positive mobilizing narratives” (Mader, 2014: p.11) of the financial inclusion discourse, in which financial norms supersede social norms, work to shift responsibility for welfare from the state onto the individual (Roy, 2010).

Moreover, Hickey and du Toit (2007) have argued that these accounts miss the ways in which markets and economic institutions themselves create or exacerbate



poverty. Often, the poor are “adversely incorporated” into markets, which themselves are “powerfully determined by their location within complex and power laden institutional arrangements and commodity chains” (ibid.: p.17). Kate Meagher has argued that inclusive growth discourses tend to miss the ways in which processes of inclusion are highly selective and how “informal markets are altered rather than simply connected to the global economy” (Meagher, 2015: p.838).

David Harvey has critiqued the “neoliberal turn” through a Marxist framework arguing that it is a political project aimed at the restoration of class power (Harvey, 2007). He argues that “new fields for capital accumulation in domains formerly regarded off limits to the calculus of profitability” are opened up by dominant classes, leaving in their wake “the dismantling of institutions and narratives that promoted more egalitarian distributive measures” (ibid.: pgs.22, 35). Following Harvey’s formulation, Mader (2014) argues that microfinance makes poverty the basis for creating new credit relations which works to extract surplus value from the poor into financial systems. Accordingly, microfinance is situated within larger processes of capitalist expansion whereby poverty is transformed into an investible asset for the rich (ibid.). Beyond the capture of the poor’s economic surplus value, this line of argument supposes that in the emergent social configurations mediated by microfinance, the poor’s social networks, cultural practices, and local institutions are also subject to dispossession and/or change (Rahman, 1999; Rankin, 2001; Smets and Bähre, 2004; Elyachar, 2005; Bähre, 2007a; Roy, 2010).

Central to this movement is a conceptual framework that reifies the non-monetary assets of the poor as social capital. This framework borrows heavily from the articulations of Robert Putnam who defines social capital as “features of social organization, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993: p.167). Putnam’s instrumental conceptualization of social capital has been taken up most notably by the microfinance

industry. Conceived in this way, studies have shown that social capital can be deployed as a form of collateral for those who lack the financial assets necessary to access bank loans (Woolcock and Narayan, 2000; van Bastelaer, 2002), can diminish information asymmetries (Grootaert and Van Bastelaer, 2002), and can lower transaction costs (Anderson et al., 2002). As Bähre (2007a) points out, Putnam-inspired analyses of social capital have grown in popularity among scholars who are aligned with a neoliberal economic ideology.

In her seminal ethnography of Cairene workshop markets, Julia Elyachar demonstrated that this conceptual shift is far from benign; it is a key part of reconstituting the social networks and cultural practices of the poor as part of the free market:

*With this conceptual transformation, social networks of the poor could now be seen as an important ingredient of large-scale economic success. What might earlier have been seen as informal economy—that which is not state, that which is not the real economy—was being absorbed into prevailing notions of the economy...At the same time the concept of social capital reinforces the idea that this is all about economy, and that social networks are at the core of what makes economy, and society, function (Elyachar, 2005: p.186).*

Building on Harvey, Elyachar argues that “valorizing the cultural practices of the poor as a form of social capital and financializing their social networks through relations of debt...is an important aspect of accumulation by dispossession” (ibid.: p.29). And indeed, several ethnographic studies of microcredit operations have illustrated Elyachar’s central point that the appropriation of the poor’s social capital toward the financial practice of loan repayment has, in many cases, led to disempowerment. For example, the leveraging of existing solidarity/community based groups to enable micro-lending has been shown to exacerbate community tension and increase social pressure (Rahman, 1999; Kar, 2013), entrench, rather than challenge existing social hierarchies, notably, household-level gender inequalities (Kabeer, 2001; Rankin 2001; Mayoux, 2001; Molyneux, 2002; Rankin 2002), and ultimately serve to deteriorate what social capital

there was in the first place (Moser, 1998; Bähre, 2007b). These empirical insights prompt us to interrogate the rhetoric of financial inclusion, a term whose “empowering, beneficial, and harmonious sheen” may obscure the ways in which inclusion itself can be an exercise of control and power (Schwittay, 2011).

### **Navigating New Market Spaces: Formal and Informal Institutional Dynamics**

#### *Relational Poverty: Accounting for the Regulatory Role of Social Institutions*

M4P inspired approaches to financial inclusion have appealed to policymakers and donors who want microfinance to continue its integration with the financial sector, but retain a stronger focus on poverty. And yet, despite important conceptual advances, the framework fails to fully incorporate theoretically informed perspectives on poverty. S. Johnson (2013) argues that M4P engages with a “residualist” view of poverty that conceptualizes the poor as a group that simply lacks the necessary income or resources to engage in markets. NIE-inspired M4P approaches have thus charted a path to inclusion that puts primacy on the lowering of transaction costs. But this view fails to engage with how poverty is produced in the first place. Beyond income-based definitions, poverty theorists have painted a broader picture of poverty that is multi-dimensional and linked to wider processes of social exclusion (Sen, 1999; Saith, 2001). Thus, “relational”, as opposed to residualist, perspectives shift the focus of analysis away from poverty outcomes to the processes through which these outcomes are produced (Hickey and du Toit, 2007; S. Johnson, 2013).

This has led to important questions regarding the institutional underpinnings of markets and the ways in which they shape poverty outcomes; this contrasts with M4P’s core focus on how institutions create enabling environments for the poor. For instance, S. Johnson (2013) has argued that relational poverty is embedded within social institutions—such as gender, religion, caste, space, and class—and that current analyses of inclusive markets tend to overlook their underlying role in social regulation. In her

analysis of the Indian economy, Harriss-White (2004) highlights how these various, and often overlapping social institutions structure the economy and how formal macroeconomic policy is implemented through their filters. Crucially, these social institutions, which are deeply embedded and resistant to change (North, 1990), can play a dominant regulatory role, particularly in contexts where formal regulation is weak or not enforced (S. Johnson, 2013). And as several scholars have shown—particularly through a critical feminist lens (e.g. Agarwal, 1994; Kabeer, 1998; Rahman, 1999; Rankin 2001)—these institutions play key roles in regulating processes of inclusion and exclusion throughout the wider economy. It is through this function that poverty is reproduced, necessitating an analysis of markets that systematically accounts for these social institutions (S. Johnson, 2013).

The 2002 World Development Report “Building Institutions for Markets” recognizes that while informal institutions can provide people with a way to access the market, they are often sources of exclusion. By contrast, formal institutions are understood as a way to include more people by building efficiencies into the market and mitigating information asymmetries (World Bank, 2001). Contexts in which formal institutions are weak or non-existent (i.e. developing countries) have been conceived of as formal “institutional voids” (Webb et al., 2010). However, critics have argued that such conceptualizations privilege modern/Western interpretations of what constitutes an “ideal market” (Mair et al., 2012). Subsequent research on informal economies have shown that instead, these voids occur in the midst of institutional abundance—a complex, interdependent ecosystem that needs to be made legible by formal market systems (Mair et al., 2012; Meagher, 2015).

The growing recognition that informal, social institutions play key regulatory roles in the functioning of markets has signaled the need to move them more to the center of analytical frameworks. More accurately, institutional analyses must account for

the interactional dynamics between formal and informal institutions and the ways these produce outcomes related to development, welfare, risk, and poverty. In contrast, then, to the view that privileges formal institutions as a set of ideal market governance systems that enter into “voids”, this approach gives equal weight to informal institutions and re-conceptualizes market/regulatory outcomes as products of situated, institutional interactions.

*Institutional Change from the Top-Down: Design Perspectives on Institutional Dynamics*

As discussed in the introduction, De Soysa and Jütting (2007) build on these insights to advance an analytical framework that links institutional outcomes to development outcomes (see Appendix A). In this framework, development outcomes are not attributed to a single set of institutions, but rather to several factors that include formal institutions, informal institutions, external factors (such as context, identity, and culture), and agency (i.e. the actions of government, civil society, private sector, and individual actors). While this framework captures the complex linkages and contextual factors that ultimately shape development outcomes, it does not explain *how* institutional change is induced.

For North (1990), change begins with individuals; institutions are created and altered by individuals and their organizations:

*Institutions...determine the opportunities in a society. Organizations are created to take advantage of those opportunities, and, as the organizations evolve, they alter the institutions. The resultant path of institutional change is shaped by 1) the lock-in that comes from the symbiotic relationship between institutions and the organizations that have evolved as a consequence of the incentive structure provided by those institutions and 2) the feedback process by which human beings perceive and react to changes in the opportunity set (North, 1990: p.7).*

Since informal constraints (i.e. social/cultural norms, habituated behavior, etc.) have “tenacious survival ability” and are resistant to change, North argues that changes to the institutional framework typically consist of marginal adjustments to the complex of rules, norms, and enforcement (ibid.).

This notion of “getting institutions right” (Rodrik, 2004) animates much of the NIE-inspired, design-based theorizations of formal and informal institutional dynamics. Central to much of Elinor Ostrom’s work on public service provision, for example, is the notion that “weak” institutions can be transformed into robust ones through an iterative process between service users and providers, a process she refers to as “co-production” (Ostrom, 1996). In this view, an optimal institutional arrangement can be forged or “crafted” through a gradual, evolutionary process that can ultimately produce welfare enhancing outcomes (Ostrom, 1992). Ostrom and her colleagues recognized that service users/clients collectively hold and have access to a wealth of local knowledge, skills, networks, and institutions between them, and that if these were not directed toward the creation of valued outputs, a hefty opportunity cost would thus be incurred (Ostrom, 1996). From this view then, involving users in the production of services is a way of securing a more efficient utilization of resources.

Moreover, the term “co-production” evokes the traditional production process by which a set of inputs is transformed into certain outputs—the production function. A principal (i.e. entrepreneur, firm, etc.) makes combinatorial decisions based on an analysis of costs and benefits in order to maximize output. In this formulation, local knowledge, networks, and institutions, collectively and commonly referred to in the literature as “social capital”, are understood as raw inputs that can be utilized to optimize the production function (ibid.).

Taken together, this “calculus approach” (Hall and Taylor, 1996), which is heavily influenced by rational choice assumptions, views institutional formation and change as a purposive process that reflects the preferences and expectations of actors (ibid.). The perceived deficiencies of indigenous arrangements can be “made good” through optimally crafted partnerships; complementarities between providers and users can be identified and forged into a synergy. These concepts have resonance with

Prahalad's (2006) notion of building "symbiotic market-based ecosystems" which serve as the foundation of successful BoP markets. They are also central to mainstream microinsurance discourse, which focuses on how to rationalize formal-informal arrangements according to a set of design principles in order to build an optimal institutional landscape for the expansion of formal microinsurance markets (Churchill, 2006; McCord, 2006; Trommershäuser et al., 2006).

*Institutional Bricolage: A "Messier" Perspective on Institutional Formation and Change*

The calculus perspective underpinning co-production perspectives has been criticized for being overly functionalist and mechanical; critics have questioned to what extent formal-informal institutional arrangements can be crafted or designed (Cleaver, 2002; Cleaver, 2012; S. Johnson, 2013). Rather, Frances Cleaver, whose insights stem from her work on natural resource management, argues that the process of institutional evolution is much more ad hoc in nature, and shaped by deeply embedded socio-cultural norms. From this view, formal and informal institutions articulate and interact with each other in a complex process she describes through the metaphor of bricolage:

*Institutional bricolage is the process in which people consciously and non-consciously draw on existing social formulae (styles of thinking, models of cause and effect, social norms, and sanctioned social roles and relationships) to patch or piece together institutions in response to changing situations (Cleaver, 2012: p.45).*

Such a view critiques co-production's instrumental rendering of social capital and informal institutions, and is meant to better reflect the dynamic social relations and cultural milieu that make up an individual's social environment.

Moreover, Cleaver points out the implicit bias in the way formal, bureaucratic institutions are favored due to their more identifiable and tangible modes of interaction. This bias assumes that institutional evolution marches along a unilinear trajectory toward either modernity (i.e. formalization) on the one hand or disorder on the other. These assumptions "obscure rather than elucidate the relational nature of collective action,"

and discard the array of institutional outcomes that might occur had they not been considered sub-optimal from a strictly formal standpoint (Cleaver, 2002: p.15). This culturalist, rather than calculative, perspective does not begin and end, then, with the rational utility-maximizing designer, but with a network of people within a contextual cultural milieu engaged in adaptive processes in which they “modify old arrangements and invent new ones” in line with the “acceptable ways of doing things” (Cleaver, 2012: p.34). And while there is recognition within NIE and co-production literature of the need to embed or “nest” formal institutions within these contextual fields (Ostrom, 1990; North 1990; Ostrom, 2010a), these are rather mechanical views that fail to recognize and engage with the full depth of the socio-cultural embeddedness of decision-making and cooperative relations.

This failure can lead formalist, design-based perspectives to miss the ways in which institutional arrangements can reproduce and reinforce power inequalities that are deeply embedded within existing social structures and networks. Cleaver (2012) critiques what she terms “mainstream institutionalism” for focusing too heavily on the publicly visible processes of decision-making (e.g. public proceedings, meeting minutes, conferences etc.), while ignoring the “offstage, invisible, and, everyday dynamics” of macro and micro level politics that shape daily life. Moreover, mainstream institutionalism tends to capture only narrow aspects of people’s identities—as entrepreneurs, landless laborers, or state bureaucrats, for example—which gloss over the plurality of social identities and motivations that interact in ever shifting ways. Bricolage has been advanced to better capture “the exercise of power through a plurality of institutions and actors, social practices, and everyday encounters—not just through state governance and public spaces” (ibid.: p.22). If financial markets and market actors are regulated by “polycentric” (Ostrom, 2010a; Ostrom, 2010b) institutional arrangements,



then accounting for the way power works through these overlapping structures and actors is essential in understanding the full scope of institutional formation and change.

## **Conclusion**

The emergence of microinsurance as both a viable business and a potential instrument for development brings together a number of relevant literatures that have been reviewed in turn. The basic economic case for microinsurance frames it as a financial technology that offers the poor a modern, efficient way to manage their risks; informal mechanisms and strategies not only provide inadequate coverage, they may also contribute to the persistence of poverty. Critical anthropological perspectives highlight the ways in which (commercial) risks are social constructions, which are in large part shaped by the definitions employed by insurance companies. For all the risks commercial insurance claims to mitigate, it also introduces new forms of risk that originate from and are subject to the vagaries of the market.

These competing theoretical perspectives on markets and risk echo the animating questions at the heart of the broader financial inclusion and inclusive markets debate. The dominant neoliberal development frameworks fundamentally conceive of poverty as a product of market exclusion. Moreover, given the importance of financial sector development to economic growth, wide-scale exclusion from the formal financial system has taken on heightened salience within this literature. Over the course of the past few decades, the global microfinance industry has emerged to address and mitigate this exclusion. Financial inclusion initiatives and policy frameworks have followed suit; various approaches (i.e. Finance for All, Making Markets Work for the Poor, etc.) have contributed to a development agenda focused on eliminating barriers to the financial market.

This has corresponded with a gradual shift away from the rights-based approaches that characterized the early foundations of microfinance. Market-based

perspectives are mainly concerned with improving market systems and identifying efficiencies that would help create sustainable financial services. Within this framework, then, the private sector performs a more central role in generating positive development outcomes. Corporations like insurance companies bring to bear their managerial techniques, their enterprising ethos, and expertise to engage with a historically excluded consumer base at the BoP. In so doing, they aim to draw low-income individuals and communities into the market not only as consumers, but also as producers—“co-creators” of BoP, i.e. microinsurance value chains. To close the “institutional distance” between developed market systems and the BoP, companies are encouraged to partner with and leverage local, community-based infrastructures.

However, the body of evidence reviewed above suggests that while microfinance can offer a much-needed measure of stability to poor households and firms, it can also be complicit in processes of accumulation by dispossession. As Harvey’s notion implies, value—both monetary and symbolic—is generated through the appropriation of the poor’s social capital in order to serve the needs of capitalist expansion. Elyachar (2005) argues that the question of who captures this value is essentially a political issue with broad implications. Or, as Erik Bähre puts it in the context of financial inclusion: “The vocabulary of ‘providing access’ to the poor that is salient in development circles fails to take essential power inequalities into consideration” (Bähre, 2012: p.160).

Through this lens of political economy, the importance of accounting for the power hierarchies and dynamics that are embedded within these market-based, private sector led approaches to financial inclusion come into clearer focus. This is a particularly relevant critique for BoP-inspired ventures like microinsurance, which extol the virtues of building mutually beneficial partnerships between insurers and community-based institutions. What does inclusion into the formal insurance system entail for informal service providers who serve as distribution channels for well resourced, highly capitalized

insurance companies? How do inherent power inequalities along the microinsurance value chain skew the distribution of benefits? How are clients affected? These questions echo the broader debates that frame the financial inclusion/inclusive markets literature reviewed in this chapter: Does inclusion lead inexorably to positive welfare outcomes? Or are the poor being incorporated into markets on terms that structurally disadvantage them in the long term?

While market-based conceptual frameworks like M4P have advanced to recognize that markets themselves can be a source of risk, it nevertheless engages with a residualist view of poverty that fails to account for the multi-dimensional and dynamic ways in which poverty is produced. Social institutions like gender, religion, class, and caste regulate processes of inclusion and exclusion that have wide-ranging implications for market access, participation, and empowerment. And while the importance of these social institutions is recognized in the M4P and allied literatures, mainstream institutional perspectives tend to view them mechanically, as raw inputs that can be “made good” or utilized to craft ideal arrangements that produce desired outcomes. “Critical institutionalists” (Cleaver, 2012) contend instead that institutional dynamics are a more organic process captured in the notion of “bricolage,” in which formal and informal institutions are mutually constitutive.

The frictions generated by these various theoretical and empirical insights on institutions help to form the conceptual framework for this current study of microinsurance markets in South Africa. The literature makes clear that both formal and informal institutions have, respectively, the potential to exert either emancipatory or exclusionary forces on microinsurance clients. What is not entirely clear is *how* regulatory outcomes are impacted by the interactions between these formal and informal institutions: What drives processes of institutional change and ultimately, how does this translate into risk outcomes for microinsurance clients? Moreover, what is the role of

individual agency in processes of institutional development? While some (Douglas, 1986) argue that individual agency is nearly entirely constrained by socially embedded institutions, others in the co-production mold (Giddens, 1984; Ostrom, 1996) place a greater emphasis on the primacy of individual agents in forging institutional outcomes. Cleaver offers a middle path:

*I reject a view of individuals as rational and essentially economic resource appropriators, and attempt to reconceptualize them as conscious and unconscious social agents, deeply embedded in their cultural milieu but nonetheless capable of analyzing and acting upon the circumstances that confront them. Individual action is characterized both by agency and structural constraint (Cleaver, 2002: p.16).*

In this spirit, my thesis will aim to shed light on how microinsurance providers and clients navigate a shifting institutional landscape, and how their actions, in turn affect institutions. It will also explore the ways in which institutional dynamics constrain agency in ways that are seen and unseen. Ultimately, the interplay between prevailing institutional arrangements and individual agency produces regulatory outcomes that shape how the benefits of microinsurance are distributed. The methodological framework adopted for this study, which will be elaborated upon in the following chapter, stems from these theoretical insights.

### **3—Researching microinsurance across the formal-informal divide: Reflections on a mixed methods approach**

More than 20 years after democracy was inaugurated in South Africa, activists and scholars have drawn attention to the enduring structures that continue to segregate the population along racial and economic lines. Cape Town has been described through the lens of “spatial apartheid” (Turok, 2001; Lemanski, 2004) to describe a socio-economic reality in which affluent, well-serviced suburbs that surround the city are predominantly inhabited by white people while black and colored residents live in the low-income, insecure townships on the outskirts of the city.<sup>8</sup> Even without the prism of compelling statistics, a simple 45-minute drive along the N2 highway, which connects Khayelitsha to the wealthy waterfront communities of Cape Town, lays bare the economic and spatial disparities that continue to divide white from black residents. In Cape Town, the formal and informal divide is visibly and tangibly inscribed onto this bifurcated social reality.

This setting proved to be an appropriate backdrop for an empirical study of formal and informal institutional dynamics. I quite literally drove the length of the N2 highway that separated formal and informal research settings, shuttling back and forth between insurance headquarters nestled in the comfortable suburbs of developed Cape Town and the dilapidated township of Khayelitsha, which is where burial societies, funeral parlors, and microinsurance clients were based. As I will elaborate upon in this chapter, conducting research on both formal and informal institutional systems demanded that I adopt different research strategies; while I utilized “formal” research techniques to access formal sector actors (i.e. phone/email requests for scheduled sit-down interviews), I relied primarily on relational strategies in the informal sphere in order to build trust with my respondents. Building this trust was vital in the sense that I

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<sup>8</sup> A legacy of the Group Areas Act of 1950, which forcibly relocated black, colored, and Indian people away from city centers across South Africa.

had to overcome more cultural, racial, and linguistic barriers in these “informal” settings than I had to in formal settings.

Another methodological challenge was to design strategies in order to capture the interaction of formal and informal institutions. Though in some ways an abstract, conceptual exercise, there were several occasions over the course of my fieldwork that afforded me opportunities to physically observe these interactions play out (e.g. observing insurance agents negotiate terms with burial society administrators, comparing formal and informal insurance contracts, etc.). My primary strategy was to incorporate questions related to formal-informal dynamics into my interview topic guides. But, as I will discuss, opportunities to engage in participant observation also yielded key insights on this formal-informal relationship.

I chose to base my fieldwork primarily in Cape Town for a variety of reasons. First, in my preparation to select a field site, I was struck by the work of anthropologist Erik Bähre who based his own ethnographic study of financial self-help groups in the townships surrounding Cape Town. He wrote extensively about the rapid expansion of insurance operations into these townships and how it surprised him to find that seemingly more residents held funeral insurance policies than they did membership in burial societies (Bähre, 2007b; Bähre, 2012). He located this observation within a broader paradigm shift propelled by Bottom-of-the-Pyramid frameworks in which financial services businesses like insurance companies were increasingly looking to profit from, rather than ignore, poor clients. These dynamics seemed particularly relevant for my own study.

Second, as this study required that I obtain interview data from both formal and informal providers/operators, Cape Town was an ideal choice in that many of South Africa’s largest insurance companies have offices and/or headquarters in the city and surrounding areas. These include large insurance corporations like Old Mutual,

Metropolitan Life, Sanlam, Liberty Life, Safican, and Santam among others. Moreover, KGA Life, a smaller-scale, boutique funeral insurance company based in Cape Town, offered me the opportunity to shadow their sales staff in one of their retail offices, many of which are located in the heart of several township communities. As I will detail below, the KGA Life office in Khayelitsha proved to be a highly productive empirical site as I was able to directly observe the tangible points of intersection between the formal and informal spheres, i.e. the interactions of insurance sales agents on the one hand and informal operators, as well as low-income clients, on the other.

Third, I was drawn to the ways in which the unique social, economic, and cultural histories of Xhosa migrant communities in Cape Town were interwoven with the emergence of burial societies and microinsurance. In particular, labor migration patterns, which stretch all the way back to the 19<sup>th</sup> century and are invariably shaped by the discriminatory laws imposed by the apartheid regime, resulted in millions of Xhosa settling in and around the Cape Town area, hundreds of miles away from their ancestral homes in the Eastern Cape. As Bähre (2007a: p.10) points out, “the emergence of burial societies was a result of labour migration.” But I also discovered that the cultural imperative to return bodies back to the Eastern Cape was translated directly into higher transport costs, which in turn, helped boost the demand and desirability of financial insurance products. While I unpack these cultural and economic links in subsequent chapters, the selection of Cape Town and the Xhosa dominated communities in Khayelitsha allowed me to examine these intersections and entanglements in more depth.

In the remainder of this chapter, I discuss the qualitative and quantitative methods I chose to collect my data, the rationale for these methodological decisions, and the types of analyses I utilized to make sense of the data collected. I also share a number of reflections about my methodological experiences in the field. In particular, I consider my own positionality as a researcher from an elite university in the United Kingdom

conducting research in a South African context in which most, if not all, social actors saw and interpreted me as an “outsider.” Moreover, I draw upon and add to relevant studies done in this area of scholarship, which have shaped my own research design. This includes empirical approaches undertaken to better understand the financial practices of the poor (e.g. Rutherford, 2000; Roth, 2001; Bähre, 2007a; Collins et al., 2009; and James, 2014) as well as scholarship that has explored the interactions between formal and informal systems and institutions (e.g. Ostrom, 1996; Cleaver, 2001; Harriss-White, 2004; Phillips, 2011; Cleaver, 2012, and Meagher, 2015).

### **Research Design: Utilizing Mixed Methods**

#### *Methods Overview*

This study draws on fieldwork I conducted in South Africa—predominantly Cape Town and the adjacent township of Khayelitsha—between June 2015-April 2016. This data collection period was preceded and set up by a month long pilot study I undertook in June 2014, which allowed me to establish initial contacts with key sources and to develop a general structure for my approach to the field. The Centre for Financial Regulation and Inclusion (Cenfri), a non-profit think tank based in Cape Town, and the University of Cape Town served as institutional hosts for my research. I turned to them often for resources, contacts, and general advice about the local research context.

I utilized both qualitative and quantitative research techniques. On the qualitative side, I conducted 68 semi-structured one-on-one interviews and 5 focus group interviews. In addition, Cenfri allowed me to participate in one of their on-going qualitative research projects, which aimed to gather clients’ perspectives on the informal funeral parlor market in South Africa (see Van den Berg et al., 2016). These were organized as a series of 7 focus group interviews as well as 12 semi-structured, one-on-one interviews with informal service providers (i.e. funeral parlors and burial societies). Finally, I collected and analyzed a number of documents including policy documents,



marketing materials, and contracts. On the quantitative side, I designed a survey that targeted microinsurance clients. In total, I collected the demographic and attitudinal data of 76 respondents.

To access both interview subjects and survey respondents, I relied on a combination of purposive, opportunistic, and snowball sampling techniques. Purposive sampling was also used to identify and collect the relevant documents for analysis. Overall, my sampling strategy was structured around the empirical objectives of the study. It was critical that I was able to interview actors in both the formal and informal spheres, as well as microinsurance clients and funeral parlor/burial society members. Generally then, there were three categories of actors (i.e. formal actors, informal actors, and clients), which required different strategies in order to secure access. I detail these sampling strategies further in the following sections.

#### *Semi-Structured and Focus Group Interviews: Qualitative Methods and Negotiating Access*

The core research questions that structure this thesis are exploratory and descriptive in nature. As such, following Noaks and Wincup's (2004) typology of interview strategies, I turned to one-on-one semi-structured interviews as my primary mode of data collection. This format allowed me to explore specific issues of interest with some depth and to probe respondents with questions that were organized around relevant themes (Silverman, 2014). But it also allowed me to retain some flexibility to be more responsive to the interviewee's own natural train of thinking. Moreover, the pilot trip I conducted in 2014 allowed me to gain a better understanding of the types of questions that would elicit the most relevant information without being overly invasive. For example, I anticipated that I would be asking potentially sensitive questions to microinsurance clients since it involved their personal financial practices. But the clients I met during the pilot trip did not seem particularly evasive in answering my questions related to their income, financial difficulties, or their experiences with microinsurance.

The pilot trip was thus instrumental in helping me craft contextually appropriate and effective interview questions and topic guides.

Over the course of the research, I identified four broad groups of social actors that needed to be interviewed: 1) State regulators/legislators; 2) Formal providers; 3) Informal providers; and 4) Clients. As such, four separate topic guides were created for each respective group (see Appendix C). Though individual questions varied for each respondent type, the topic guides followed a similar structure designed to elicit reflections on the current microinsurance institutional landscape and to understand, from the respondents' perspectives, which institutions and/or institutional arrangements held sway in terms of regulatory relevance and impact. Of the 68 semi-structured interviews I conducted, 23 were with insurance industry actors (e.g. sales agents, administrators, executives, technology service providers, and industry association representatives), 4 with state actors (e.g. regulators, legislators, and program administrators), 4 with informal providers (e.g. funeral parlor operators and burial society administrators), and 37 with microinsurance clients.

All interviews were conducted in person and recorded for accuracy. Each interview began by informing participants of the project's aims and assured that their names would be changed to ensure anonymity and confidentiality (respondent names have been changed throughout this thesis). Consent to publish interviewees' responses under these conditions was also obtained before the start of every interview, and participants were given the option to withdraw at any time. Although I loosely followed the procedures for informed consent as prescribed by Ryen (2004), I was mindful to avoid what Riessman (2004: p.473) refers to as "ethical universalism," or the assumption that the safeguards of informed consent that are applied in one cultural context could be exported unaltered into another. I made sure to seek feedback from local researchers at

my host institutions that the measures I utilized to uphold ethical standards for research were contextually appropriate.

Generally speaking, the research did not involve information that, if disclosed, would put respondents in any sort of risk. Nevertheless, subjects were informed at the beginning of every interview that I was a doctoral student based in the United Kingdom, and that any information disclosed would be used for research purposes only. Further, interview subjects were given the option to request that any specific piece of information be redacted from the transcript if they decided to keep it confidential, though this option was never invoked.

Hammersley and Atkinson (2007) note that the issue of access to data is not resolved simply by gaining entry into a setting, but is rather subject to a constant process of negotiation with gatekeepers. As such, because my study required that I negotiate access with different types of gatekeepers to a wide range of settings, I had to utilize a variety of strategies to obtain my interview data. For formal sector actors, i.e. industry and state, I relied on a combination of purposive and snowball sampling methods. Cenfri was instrumental in connecting me with industry and state contacts who were engaged heavily with the operational and regulatory aspects of building the South African microinsurance market. Other interviews with formal actors were secured directly through email/phone solicitation. To obtain interviews with informal sector actors, i.e. burial society and funeral parlor administrators, I relied heavily on a local facilitator, Goodwill Nxusani, who was embedded within the community structures and networks of his home area of Khayelitsha. Without his intermediation, obtaining interviews directly with these sources would have proved difficult.

Barbera-Stein (1979) observes that the process of negotiating access with gatekeepers can itself produce important insights about the field. In my study, negotiating access to microinsurance clients as well as burial society/funeral parlor

members helped to reveal important power dynamics that had to be accounted for in my analysis. As I would discover, for instance, funeral parlors in particular are very careful to maintain control over their clients' information; they do not want insurance companies circumventing them to access clients directly. As such, my attempts to access funeral parlor clients through funeral parlor operators were repeatedly rebuffed and/or redirected. I was forced instead to find alternative ways to interview burial society/funeral parlor members (i.e. via focus groups organized by Goodwill; see more below).

I was able to access microinsurance clients through purposive/opportunistic sampling techniques. I made an arrangement with KGA Life to shadow the sales agents in their Khayelitsha retail storefront. I decided to make my visits at the start of each month to coincide with clients receiving their monthly cash transfers from the state (i.e. child grants, old age pensions, etc.). With this cash in hand, clients would make the short trek over to the Khayelitsha branch to make their monthly premium payments, making this time the busiest transactional period of the month. Once their transaction would be complete, sales agents requested that they sit with me for a short interview. I was able to make 6 visits of this type to their branch office over the course of my fieldwork.<sup>9</sup>

As it relates to semi-structured client interviews, one limitation I discovered with my sampling strategy was that it solicited responses from KGA clients who had every reason to be satisfied with microinsurance; they were premium-paying customers after all. Predictably, attitudinal questions that targeted this cohort yielded overwhelmingly positive responses. To counterbalance this natural bias in my sample, I worked with Goodwill to organize a series of focus group interviews that I conducted out of his home. These focus groups were comprised of his neighbors and the only guideline I

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<sup>9</sup> In subsequent chapters, interview data derived from these one-on-one client interviews will be denoted by referring to the client as "Respondent" followed by a corresponding number (e.g. Respondent X; Fieldwork Interview).

provided Goodwill was that he invite people who had at least some experience with funeral insurance and/or burial societies/funeral parlors (regardless of if these experiences were positive or negative). As expected, the attitudinal responses I received in these focus group settings were far more varied. This format also enabled me to access burial society/funeral parlor members. The 5 focus group interviews yielded data from 40 additional clients.<sup>10</sup>

Finally, Cenfri's qualitative study on the informal funeral parlor market in South Africa yielded useful supplemental data for my study.<sup>11</sup> Although I was just an observer for these focus group discussions, I was able to provide some input that helped shape the interviewer's questions. Joining this project also afforded me the opportunity to branch out of my research base in Cape Town to hear from clients in different parts of the country. The project convened 4 focus groups in Johannesburg and 3 in Durban, as well as in-depth, one-on-one interviews with funeral parlor operators and burial society administrators from the Eastern Cape, Gauteng, KwaZulu-Natal, and North West provinces. As might be expected by incorporating this geographic diversity, my study benefited immensely from exposure to a range of different perspectives and practices. Most notable, for instance, were the differences in funeral traditions and beliefs between the Xhosa respondents in the Western Cape and the mostly Zulu respondents I observed in Durban, and the ways in which these differences affected their respective engagements with funeral insurance. But more relevant for my analysis were the remarkable similarities in the stories I heard from people across the country. Underlying the socio-cultural differences between these groups was a more fundamental political economy of risk and risk management that seemed to play out across contexts. Stories about the same types

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<sup>10</sup> In subsequent chapters, interview data derived from these focus group interviews will be denoted by referring to the setting as "Group Interview" followed by the corresponding group number (e.g. Respondent #X; Group Interview #X).

<sup>11</sup> In subsequent chapters, interview data derived from these focus group interviews will be denoted by referring to the setting as "[Johannesburg or Durban] Focus Group Interview" followed by the corresponding group number (e.g. [Male or Female] Respondent; Johannesburg Focus Group #X).

of abusive practices, frustrations, fears, and adaptations, were recorded in all these locales, lending a measured degree of generalizability to my findings.

### *Analyzing Documents*

Interview and survey data were supplemented by the collection and analysis of relevant documents. The sampling strategy with regard to documents focused on the three main actors at the heart of my study, namely the state, insurance company, and informal operator. The analysis of state documents produced in relation to microinsurance regulation aimed to reveal the underlying interests of the state as it tried to balance competing priorities in the process of formalization. The main documents analyzed in this regard were: 1) The Financial Sector Charter (FSC); 2) The South African Microinsurance Regulatory Framework; 3) The Financial Advisory and Intermediary Services (FAIS) Act; and 4) The Long Term Insurance Act of 1998 and the Insurance Laws Amendment Act of 2008. The selection of these policy documents was guided by the interview data, which indicated that they had the most relevant influence on the regulation of microinsurance in South Africa.

In addition to these, I collected marketing material and contracts used by both insurance companies and funeral parlors. These documents not only shed light on how these different organizations operated, they also helped to reveal their motivations as they interfaced with clients, the state, and other providers. Representative examples of these types of documents are included in Appendices D-F.

All documents were read through a constructionist lens. This approach is not as concerned with the factual content contained in these documents, but is more attuned to the contextual milieu, motivations of actors, and narrative fields that produced these documents (Silverman, 2014). Atkinson and Coffey (2004: p.79) argue that documents are “social facts, in that they are produced, shared, and used in socially organised ways.” Moreover, they “actively construct the very organisations they purport to describe.”

These perspectives are germane to my study insofar as documents, particularly state documents, are integral to the enactment of formalization processes. In other words, they do not simply contain information; they have an actual effect on the social field. As I will show, this dovetails with the efforts of formal corporations to dictate the terms of formalization in their favor. The documents collected for this research study were thus considered to the extent that they help shape the interaction between formal and informal institutions.

*Quantitative Methods: Designing a Topically Relevant, Contextually Appropriate Survey*

In addition to these qualitative approaches, I designed and deployed a survey to capture basic demographic data (i.e. sex, age, marital status, income, work status, etc.) and client attitudes toward risk and insurance (N=76; see Appendix F).<sup>12</sup> In order to measure attitudes toward risk, I wrote several prompts reflecting plausible sources of risk that corresponded to different microinsurance products, namely insurance for property, health, life, and unemployment. As an example, I would ask respondents to rate on a Likert scale ('1' being 'Not worried at all' and '7' being 'Very worried') how much they were concerned about "Damage to your home" (which corresponded with property insurance) or "Providing for your family in case something happens to you" (which corresponded with life insurance). The intention of the measure was to identify which sources of risk clients actually worried about in their daily lives and to quantify that concern relative to other potential risks. I was also interested in understanding if insurance companies were providing microinsurance products that aligned with the needs of their clients.

In piloting the survey, however, I discovered that the Likert scale was largely ineffective in its ability to capture attitudes toward risk. No matter how it was explained, verbally or in text, respondents seemed to interpret the prompts in a binary "yes-or-no"

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<sup>12</sup> The survey was also translated into isiXhosa (see Appendix G).

sort of way. If the prompt asked them to rate their level of concern about “Sickness of a family member,” for example, respondents would indicate yes and circle ‘7.’ If they were not concerned, they would circle ‘1.’ Any nuance between these two responses—which the Likert scale is ostensibly designed to capture—was lost. I thus abandoned the Likert scale for the risk portion of the survey and customized an alternative measure that prompted respondents to rank risk scenarios in terms of their relative levels of concern. I averaged these responses to shed some light on what types of risk—related to health, property, life, or unemployment—seemed to be front of mind concerns for the survey respondents.

Interestingly, the same problems I encountered with the Likert scale on the risk measure did not seem to carry over to the portion of the survey that aimed to capture attitudes toward formal microinsurance. As such, I chose to retain the scale for this measure. This section of the survey sought to gauge clients’ attitudes toward different aspects of microinsurance operations including their experiences with insurance agents, mechanisms for recourse, communication, and claims administration. Ultimately, I was interested in quantifying respondents’ general levels of trust with microinsurance, as qualitative interviews identified trust as a key factor in the success or failure of microinsurance markets. For the analysis, I used simple descriptive statistics to summarize the survey data. While I highlight and discuss the more notable results within the text of subsequent chapters, I include the complete set of quantitative results in Appendix H.

### **Methodological Reflections: On Conducting Research in South Africa**

#### *On South Africa*

Conducting research in a setting like South Africa required that I reflect constantly on my own position within the field. South Africa has often been described by social scientists as a dual economy to illustrate the ways in which apartheid produced two



distinct social realities (Porteous and Hazelhurst, 2004). As an American, London-based researcher encountering this “strange” cultural context (Silverman, 2004), I had to adopt different strategies to navigate both these realities and to be conscious of how my own “western” thought/empirical frameworks translated within this social field.

In the more affluent, racially white, and formal side of this dual society, I found that western cultural conventions translated rather seamlessly. Obtaining and conducting interviews with insurance agents/executives, state regulators, and other formal players were relatively straightforward endeavors. But on the other side of this divide—predominantly poor, racially black (Xhosa-speaking South Africans in my study), and regulated largely by informal institutions and cultural conventions—I had to account for the power asymmetries that existed between myself and my interview subjects and acknowledge the ways in which my basic ontological assumptions did not always comport with the social realities on the ground.

To navigate the obvious linguistic, cultural, as well as ethical boundaries/barriers, I enlisted the help of a local research assistant named Sandisiwe Ncube. In Julia Elyachar’s study of craftsmen workshops in el-Hirafiyeen, a residential complex on the outskirts of Cairo, she reflects upon the presence of a “third,” or a triadic, as opposed to dyadic, relationship between “field” and “researcher(s)” as a relevant, yet overlooked factor in the process of ethnographic production:

*In a project that attempted to grasp the different forms of power acting on one ethnographic setting such as el-Hirafiyeen, multiple perspectives on that ethnographic reality were imperative. No one perspective on the complex reality that was el-Hirafiyeen was adequate...If only one person were conducting fieldwork in such a site, the ethnographic picture that would result would be severely limited. This in addition to the inevitable shaping of reality imposed by the concepts that we mobilize in the conduct of fieldwork, as well as in the process of analyzing and writing (Elyachar, 2005: p.34).*

Much of my reflections on the institutions, power dynamics, processes, and outcomes that inhabited my field site were triangulated through Sandisiwe’s own lens. Moreover, she was an ideal assistant for this particular project not only because of her intuitive

understanding of Khayelitsha's cultural, linguistic, and social context, but also because she had extensive professional experience as a consultant working on microinsurance policy in South Africa. She proved to be an important resource in terms of orienting me to the broader microinsurance landscape, catching me up to speed on the latest regulatory debates and developments, and providing important connections to her contacts within the industry. In the field, Sandisiwe's familiarity with the language and social norms of the clients quickly earned their trust, a trust which was then extended to me, a foreign researcher. On top of these versatile roles, Sandisiwe was an invaluable sounding board as I refined my ideas/approaches and learned more about the local cultural context.

In addition to Sandisiwe's assistance, a University of Cape Town research team recommended Goodwill based on their work with him on a sanitation project in Khayelitsha. Based on this recommendation, I reached out to Goodwill in order to help build connections within the Khayelitsha community. And much like my interactions with Sandisiwe, Goodwill was more than just a language translator, he acted as my local facilitator. He embodied an intermediary position that required him to translate between cultures, ways of thinking, and the dual agendas of the researcher (myself) and the interview subject. In this way, the addition of a third helped to bridge, or at least mitigate, the constraints imposed by the pre-existing power inequalities and cultural incongruities that existed between Western researcher and local interview subject. His presence (as well as Sandisiwe's) allowed certain knowledge to be unlocked in ways that would otherwise have remained buried away.

### *On Race*

Given South Africa's contentious history, race continues to be an ever-present specter on the socio-politics of the country's systems and everyday relations. This was a dynamic I was aware of going into the field site, and as a self-identifying Korean-

American, I was curious to see how my own identity would be interpreted by and interact with different groups of actors. In informal gatherings, I quickly discerned that I had access to certain types of conversations that would have been considered taboo under other circumstances. In the company of exclusively white South Africans, for example, I found that they felt entirely at ease sharing certain opinions they would have been more hesitant to share had a black South African been present (e.g. complaints about race “quotas” under Black Economic Empowerment regulations, comments about how things were better in the apartheid days, etc.). I was exposed to similarly “unfiltered” talk when I was in the exclusive company of black South Africans (e.g. views on land reparations, expressions of hatred toward white people, etc.).

I concluded that my own identity as a Korean-American did not register neatly into the famously delineated racial categories that continue to underpin South Africa’s post-apartheid social structures and institutions. Within white South African perceptions, I was not seen or interpreted as a marginalized racial minority. And although, on occasion, I was referred to as “umlungu” (the Xhosa/Zulu word for white person) in my dealings in Khayelitsha, it was my sense that the word was used probingly, almost as if locals were trying to figure out how to place me. The more time I spent in the KGA Life branch office and with Goodwill in his home and community, I sensed that I was eventually construed as belonging to some nebulous, miscellaneous category (e.g. I was referred to quizzically as a “Chinese” on multiple occasions), and importantly, not belonging to a racial group with historic ties to oppression.

I was struck by how my experience contrasted with Bähre’s (2007a) own fieldwork in the townships of Cape Town, in which he described how his white identity potentially made him a target of politically motivated violence or a victim of a generalized hatred toward white people. He was forced to adopt research strategies that, while mitigating risk, limited his maneuverability and ability to conduct participant observation.

For example, he was unable to live in the township near his research assistant Edith as he originally intended, could not conduct research safely without her presence, and could not take public transportation to his field site. Nevertheless, he found ways to circumvent these constraints:

*To increase safety and receive information, we walked around a lot in the neighbourhood. By walking around we were able to start many fruitful conversations, exchange gossip, and engage in small talk with those we met on our way. This way, I was more visible than I would have been if I had only driven around the neighbourhood. My constant visibility helped to take away some of the suspicions that people must have had and it showed that I was a different kind of White person, because Whites generally tend to move around by car only (Bähre, 2007a: p.18-19).*

In other words, Bähre's whiteness introduced an important variable to a contextualized social field in a way he had to account for through risk mitigating strategies. By contrast, I sensed that locals received me with more of a bemused passivity. It is entirely possible that I was simply unaware of the potential risks, but after a few initial visits to Khayelitsha, I felt at ease walking around without Goodwill or Sandisiwe, though for research purposes, I rarely needed to do this.

The fact that I did not fit neatly within South Africa's racial binaries may also explain, in part, why I seemed privy to unusually candid thoughts and opinions. Elyachar (2005: p.34) reflected on how she would "consciously mobilize" the assumptions and perceptions her informants had about her and her research assistant; she argued that the responses she elicited under these assumptions were ethnographically relevant. Similarly, I chose not to make my own personal views known, particularly when respondents shared controversial opinions assuming that I would not find these views to be objectionable, i.e. a white respondent's view about black people, and vice versa. This proved to be a valuable source of unfiltered insight in the sense that, like many other South African institutions, insurance companies, microinsurance, burial societies, and funeral parlors are spoken about and interpreted through a racial lens. Having access to these unfiltered perspectives proved to be empirically relevant and significant.

Building on the work of Sally Falk Moore, Cousins (1997) argues that the interaction of formal and informal institutions must be analyzed by distinguishing between rules and practice, and “in terms of an analysis of power and the politics of meaning”:

*Institutional analysis must include both a structural analysis of complexes of rule-orders...and also a processual and actor-oriented analysis of struggle, of action which is 'choice making, discretionary, manipulative, sometimes inconsistent, and sometimes conflictual' (Cousins, 1997 citing Moore, 1978: p.4).*

He goes on to argue that since formal and informal institutions operate at the micro, meso, and macro levels, an analysis that centers power/politics must be able to link social actors at the micro-level with the macro level institutions that shape the wider political economy (ibid.). As such, an important focus of my empirical work was to understand processes of meaning-making and legitimization as new formal and informal institutional arrangements were being negotiated.

In her study of common resource management in the Usangu basin in Tanzania, Frances Cleaver advances the notion of institutional bricolage to describe the ways in which bureaucratic (formal) and socially embedded (informal) institutions interact. She highlights three aspects of bricolage: 1) The multiple identities of the bricoleurs; 2) The ways in which institutions draw from each other and are re-purposed toward new ends; and 3) The prevalence of arrangements that foster cooperation, respect, and reciprocity (Cleaver, 2001).

Empirically, Cleaver's insights attuned my research to three specific processes/phenomena. First, I focused on the social identities of the various actors, or bricoleurs, and the ways in which they not only navigated the institutional space, but affected change to these institutions as well. In other words, I was interested in the question of agency and how it related to processes of institutional development and

change. Second, Cleaver's insight that institutions actively draw from each other and the surrounding cultural milieu prompted me to give equal analytical weight to the role of informal, social institutions as I did to formal, bureaucratic ones. As I will argue, institutional change does not flow in one direction from the top-down or from the bottom-up, but is better described as a "piecing together" process that draws upon the social and institutional context. Finally, to Cleaver's third point, my research also focused on how institutional outcomes shape regulatory outcomes. While it is understood that formal institutions regulate behavior through the enforcement of contracts and laws, and informal institutions regulate through customs and norms, what does it mean in terms of regulatory outcomes when formal and informal institutions interact? By anchoring my empirical work onto these three areas, I was able to refine my interview questions to elicit responses that spoke more directly to the processes of interest.

#### *On Researching Financial Practices*

Conducting research on people's daily financial practices is a notoriously difficult endeavor. In their seminal work, *Portfolios of the Poor*, Daryl Collins and his colleagues developed a painstakingly detailed approach they refer to as the "financial diaries" method, which was designed to capture the rich complexities of the poor's financial lives. They note that "finance is the relationship between time and money, and to understand it fully, time and money must be observed together" (Collins et al., 2009: p.187-188). The issue of time is not only an empirical consideration in the sense that financial management practices need to be tracked longitudinally to get an accurate sense of income/expenditure fluctuations, but is also a methodological issue in the sense that it takes time to establish trust, which is essential:

*...our interviewers had to be very sensitive. This was part of the considerable effort made to establish a friendly relationship with everyone in the household and to allow a comfortable environment that would encourage respondents to be open...We were ever mindful that this was a very sensitive relationship—with householders revealing their most intimate financial details to us, we did not take our role as 'confessor' lightly (ibid.: p.188-189).*

As part of the effort to build trust and create this comfortable environment, I adapted many of the insightful, and more empathetic “human-centered” techniques used by Collins and his team. For instance, I made provision within my research budget to provide lunch for focus group respondents who convened at Goodwill’s home.<sup>13</sup> In fact, many of the more insightful, less guarded comments emerged while eating lunch together after the focus group interviews had concluded. I also found that it was essential to have focus groups comprised of individuals who were roughly in the same income category; the fact that respondents could relate to one another’s experiences made them more likely to share the intimate aspects of their financial lives.

I credit Sandisiwe and Goodwill for the skillful and empathetic ways in which they mediated one-on-one, as well as group interviews. Though the discussions often involved sensitive personal finance issues, the tone they set was often light and full of humor, which helped create a more conducive environment to the sharing of honest dialogue and reflection. Moreover, as Hammersley and Atkinson (2007) have noted, when research is overt, interview subjects often suspect field researchers of belonging to some undesirable group that should be treated with caution. But again, I felt my identity as a foreigner helped allay any concerns respondents’ may have had that I was secretly a representative of the government or some insurance company. Based on the fact that I did not fit neatly into the social field, it did not require too far a leap for local respondents to believe that I was a researcher from a distant locale; sensitive information could thus be shared without as much concern that it would be used inappropriately.

In Deborah James’ study of debt, she points to another methodological challenge concerning people’s unwillingness to discuss *illegal* financial practices, which are important to account for both empirically and ethnographically:

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<sup>13</sup> Goodwill’s wife shopped, cooked, and served the meal. She was compensated for both the food and her labor.

*Faced with such understandable circumspection, I in turn found circumspection to be the best remedy. Tales offered up, in the abstract, about well-known moneylenders, and stories recounted, in general terms, about 'scams' practiced by furniture store repossession agents, proved easier to gather and discuss than did firsthand accounts from those subjected to the dealings of such lenders and agents, or from the agents themselves (James, 2014: p.9).*

As I will discuss in the following chapters, informal funeral parlors engage in practices that state and industry players view as illegal from a formal regulatory perspective, but which are, at the same time, integral to maintaining solvency in a cash-volatile low-income market space. Predictably, funeral parlor operators did not disclose these practices in my interviews. Instead, like James, I learned of these more illicit financial activities indirectly from industry sources (who admittedly have an agenda), but also from ex-burial society administrators/funeral parlor workers, and clients with familiarity of how the informal funeral market operates.

Finally, over the course of my fieldwork, my relationship with Goodwill opened up numerous opportunities for me to engage in participant observation. He arranged for me to sit in on two burial society meetings, which were held in community centers near his home. Moreover, during the course of my fieldwork, Goodwill's grandmother and father-in-law passed away within a few months of each other. Despite his bereavement, Goodwill graciously allowed me, for the purposes of my research, to attend the funeral of his grandmother in Khayelitsha and to closely follow his preparations for the funeral of his father-in-law.

There is a fair amount of debate, particularly among anthropologists, related to the degree of "participation" needed for this method to yield ethnographically notable insights (Spradley, 1980; Bernard, 1994). DeWalt and DeWalt (2011) argue that participation rests along a spectrum with "nonparticipation" on one end (e.g. acquiring cultural knowledge by watching television or reading novels) and "active participation" on the other (e.g. fully engaging in activity being observed, or "going native" [Jorgenson, 1989]). Following this, given my limited resources and time in the field, I engaged in



what they might describe as “moderate participation;” I was present in the field yet relatively passive in the situations to which I was invited.

Regardless, forgoing semi-structured interviews in favor of a participant observation approach in these ethnographic settings proved to be a prudent choice. As important as it was for me to understand this significant life-cycle event (a funeral), which essentially underpins South Africa’s entire microinsurance market, I had to remind myself that these were still emotionally significant and delicate moments in the lives of my informants. It would have been culturally inappropriate—and I believe empirically counter-productive—to have conducted interviews in these settings. Nevertheless, participating in these funerals yielded invaluable ethnographic data. Participant observation allowed me to be “enmeshed” (Geertz, 1995) by the social, cultural, emotional, and financial experiences of having to prepare for the funeral of a loved one while being poor in South Africa. Though it was merely a glimpse into this intimate moment of daily life, the experience centered the focus of my analysis on the ways in which financial practices, both formal and informal, are embedded within the cultural context.

#### *Concluding Thoughts: Limitations and Constraints*

The limitations of the methodological strategy I adopted reflect the extent to which “moderate participation” falls short of “active participation” with regard to generating first-hand, directly observable empirical data. When it came to unregulated/illegal practices, in particular, one-on-one and focus group interviews were only able to elicit what I considered to be second-hand data in the sense that respondents were relaying stories of their own experiences as victims of such practices. When I interviewed burial society and funeral parlor administrators, some whom were accused of being “cheats,” I predictably only received noble accountings of their legality, competence, and sterling service to their clients. This was a phenomenon that was by no

means confined to informal institutional settings. Insurance company respondents were quick to label their informal competitors as frauds and abusers, while extolling their own value to this “unserved” market. Any questions regarding the adverse effects of formalization were consistently dismissed and/or rationalized.

In an ideal world without the constraints of time, financial resources, and cultural/linguistic/racial barriers, the only way to access this first-hand data would have been to fully embed myself in both formal and informal institutional spheres, and participate actively in the financial practices described in the subsequent chapters of this thesis. The best alternative to this infeasible approach was to adopt James’ (2014) strategy of circumspection. This involved holding “formal” and “informal” respondents up against each other. While funeral parlor operators had very little to say about how they fell short, for example, they had plenty to say about their insurance company partners. Similarly, much of what I learned about the informal funeral services market, I heard from formal providers who have had extensive experience working with burial societies and informal funeral parlors. Thus, I was always mindful to interpret this second-hand data with a grain of salt, crosscheck stories with multiple different sources when possible, and develop a composite approach to the qualitative data in my analysis.

A key limitation of my quantitative data lies in its generalizability. Since the sampling strategy I undertook for the survey was tied to the purposive/opportunistic sampling techniques I utilized to interview microinsurance clients, I could not employ inferential statistical methods to generalize my findings in any meaningful way to a broader population. The quantitative data, while useful in highlighting certain trends, can only make limited claims that apply exclusively to my sample of 76 respondents.

Despite these constraints, the qualitative and quantitative data I managed to collect speaks to the underlying institutional dynamics that are the focus of this empirical study. Follow-up research could be devoted to a deeper dive into the practices of

informal funeral parlors and burial societies, which might yield critical, first-hand qualitative data that can corroborate, contest, and/or add to the findings of this study. A well-resourced follow-up study could also build upon the preliminary descriptive statistical trends highlighted by my quantitative data to conduct a more robust, randomly sampled survey that can generalize trends to the broader population. Thus, while the methodological strategy I designed did produce original data relevant to the core empirical questions of my study, its limitations also point to opportunities for future research.

#### **4—The long return home: Burial societies and the informal institutions of risk management**

*The Eastern Cape will always be home. We live here [Western Cape], because we have to work here, but we must always remember where our home is. That's where our people are from. Our ancestors are from there. We have to go back home (Respondent #59; Fieldwork Interview; 3 March 2016).*

In this very brief statement, the respondent, a Xhosa-speaking woman who lives in Khayelitsha, reveals much about the cultural bedrock upon which the South African microinsurance market stands. She migrated from the Eastern Cape in 2001 at the age of 23 with her parents who were searching for work. Although she met and married her husband in Khayelitsha, and has no immediate plans to return to the Eastern Cape, her notions of home are still defined in relation to where her ancestors are thought to reside. And like many Xhosa people living and working in Khayelitsha, she and her husband send remittances back to support family members and/or invest in a rural homestead in the Eastern Cape. In so doing, they maintain their material, relational as well as spiritual connections to their ancestral place of origin.

By “going back home,” the respondent is referring here to her absolute need to return to the Eastern Cape in the event of her death. This cultural mandate necessitates a significant commitment of resources and manpower to enable the mobility of bodies, both alive and dead, across vast distances (see Lee, 2009; Lee, 2012). Despite the challenges brought on by socio-economic and political upheaval and the ensuing shifts in rural-urban migration patterns, South African indigenous communities, including the amaXhosa, have managed to devise mechanisms that cultivate and maintain norms of solidarity and reciprocity, which have institutionalized over time to mitigate this burden of returning home.

Here and throughout the course of the thesis, I refer to these mechanisms as belonging to a wider set of informal institutional arrangements. These contrast with formal institutions, which are the set of regulations, norms, and rules derived from and

codified by the state. But much like formal institutions, informal institutions perform regulatory functions that both facilitate transactions and constrain individual action. They are informed by the cultural milieu and are deeply embedded within situated social networks. Moreover, informal institutions are legitimated by and mutually constitutive of accepted forms of interpersonal exchange; they are the “rules in use” as opposed to the codified rules of the state (De Soysa and Jütting, 2007).

This chapter will trace the history and development of informal institutions that play key regulatory roles in the management of risks related to death in South Africa. Specifically, the analysis will center on emergent institutional forms like burial societies and funeral rituals, as well as the accompanying social norms and belief systems that structure the terms of cooperation and reciprocity. The aim of this chapter, then, will be to advance an understanding of how history, culture, and context-specific factors shape informal institutions, and how they, in turn, exert a regulatory force on risk management strategies and behaviors outside the regulatory framework of the state.

This chapter is divided into three parts. First, accounting for the deeply rooted cultural beliefs regarding life, death, ancestors, notions of the homeland and the afterlife is crucial in understanding why the Xhosa people are willing to commit significant resources and engage in collaborative economic strategies to ensure dignified funerals for their kin. Drawing on cultural and ethnographic scholarship on funeral rituals and belief systems, as well as my own fieldwork interviews, I illustrate the ways in which culture shapes informal institutional processes. Second, I will lay out a brief history of how burial societies developed as an institutional response to the demands of organizing funerals. The legacy of colonialism and apartheid, while not a central focus of this analysis, will be considered in their relation to labor migration patterns, spatial inequalities, and other enduring boundaries of economic inclusion/exclusion that continue to impact the ways in which burial societies operate.

In the last section, I turn my attention more explicitly to the institution of the burial society and how it regulates social relations, the circulation and management of cash, and the administration of funerals. I will outline the general types and characteristics of burial societies, which vary in form and function. As I will demonstrate, burial societies embody and enact economic, social, and cultural institutions that have been developed over time into concrete regulatory arrangements that govern this sphere of economic activity, as well as structure social relations. Since these norms are self-enforced—or enforced within the community—through social mechanisms, rather than by external laws/regulations, I conceptualize these institutions as “informal” institutions. As it relates to the rest of the thesis, these insights will aim to illuminate the interconnectedness between cultural traditions/beliefs, the informal institutions that arose to respond to these cultural obligations, and the South African microinsurance market.

### **Ancestors, Rituals and the Afterlife: The Metaphysical Underpinnings of Risk**

#### *Ancestors and Their Relations to the Living: A Brief History*

*Umntu ngumntu ngabantu. (A person is a person through other people)- Xhosa proverb*

The Xhosa people, collectively known as amaXhosa (herein referred to simply as “Xhosa”), consist of several tribes that are linguistically, rather than strictly ethnically, related. Their common language is referred to as isiXhosa. Given their cultural and linguistic uniformity, however, the Xhosa are commonly recognized as the second largest Bantu<sup>14</sup> ethnic group in South Africa, behind only the Zulu-speaking people. John Henderson Soga, a Xhosa missionary and historian, speculates that the original Xhosa tribes were descendants of migrants traveling south from the coastal and/or Great Lakes regions of East Africa. They eventually settled in the southeastern region of South

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<sup>14</sup> Bantu is a general label used to describe the ethnic groups in Africa who speak a class of languages referred to collectively as ‘Bantu.’ In the South African context, Bantu is an apartheid-era term referring to the racially oppressed black South African population.

Africa, which is referred to today as the Eastern Cape. According to Statistics South Africa, the vast majority of the Xhosa people (more than 5 million out of an estimated total of 8.1 million) reside in the Eastern Cape today (See Figure 2). A sizeable number of Xhosa (1.4 million) also reside in parts of the Western Cape, particularly in the peri-urban areas surrounding Cape Town where I conducted my fieldwork (Statistics South Africa, 2011).

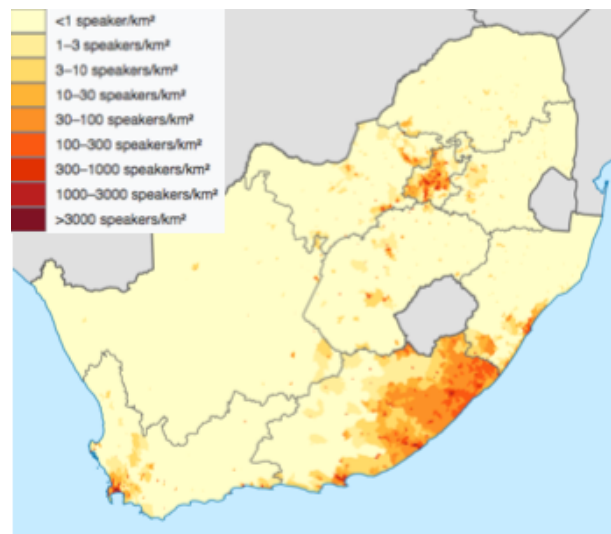


Figure 2- Density map of isiXhosa speakers in South Africa.  
© Statistics South Africa Census 2011.

The well-known Xhosa proverb inscribed at the top of this section speaks to an ontological worldview that diverges from classically Western conceptions of individualism. Historically, the Xhosa believed that the essence of what it means to be human is found not in the individual, but in the relationships between people. This concept is central to the indigenous South African philosophy of “Ubuntu,” which Ramose (2009) approximates roughly as “Humanness,” or that which “regards being or the universe as a complex wholeness involving the multi-layered and incessant interaction of all entities.” Soga (1932) described the ancestor spirits as being included along with the living within this cosmology:

*These spirits are active, concerning themselves with the things which pertain to their unseen world, and, at the same time, keeping in touch with the living, and requiring the living to keep in touch with them through ritual acts and ceremonial rites (ibid.: p.8).*

Setiloane (1986) referred to these spirits as “isithunzi,” which is loosely translated as “shadow” or “shade.” It was understood to be a type of aura that emanates from and surrounds the physical human body. It is communal by nature and is the social glue that makes relationship between people possible. And unlike the physical body, isithunzi is

immortal; “it is either a man’s shadow or breath which becomes his ghost after his death” (Gluckmann, 1937: p.118).

Thus for the Xhosa, while death may bring an end to the physical body, the spirit or *isithunzi*, lives on in its relation to both ancestors long passed as well as the relatives left behind. Max Gluckmann argued, then, that death should be understood more as a “reconstitution of social relationships” (ibid.: p.120). The dead are conferred a new status; they join the ranks of their ancestors and, in turn, demand commemoration from their living relatives through the enactment of various rituals. The social world of the Xhosa, and many other indigenous African communities, is made up of both the living and the dead (Lee and Vaughan, 2008).

Gluckmann went on to provide some insight as to why next-of-kin were motivated to maintain strong ties with their ancestors:

*A group will be larger and stronger the longer the line of ancestors it can count, the further it can grope back into the past for its beginnings. Since the people are linked together through their ancestors, the dead must not be lost to society. They represent the past life of the group, links binding together the living. The cult of the ancestors then gives life to the kindred which it would not otherwise possess...For the dead are held on to and are thought merely to be initiated into another part of society, the spiritual and unseen but potent part of it, and the people are perpetually concerned with maintaining contact with this unseen world (ibid.: p.129).*

The relationship between the living and their ancestors is characterized by both love and fear (Van Heerden, 2002). The ancestors, if venerated properly, have a benevolent power that can intervene positively in the lives of their relatives—an idea conveyed by customary exhortations addressed to the deceased at the grave like “Uze usikumbulele apo uya kona” or “Remember us for good from the place to which you have gone” (Soga, 1932: p.320). This was a common sentiment I encountered during my fieldwork in Khayelitsha:

*We must always remember our ancestors because they are looking over our family, né? It is very important for us. That is why we remember them in important times like a wedding or when my child was born. If I get sick, I will ask them for help to get better. So it is very important to remember them (Respondent #57; Fieldwork Interview; 1 March 2016).*



On the other hand, if the ancestor spirits are disobeyed or slighted in some way, it is believed that they have the power to sanction their errant kin through various afflictions and/or misfortunes (Gluckmann, 1937; Van Heerden, 2002). Mayer and Mayer (1971: p.151) described the spirits as being “ethically as well as ritually fastidious, growing offended not only by omission of sacrifice but by lapses from morality in daily behaviour.” Thus, the Xhosa take great care to honor, but also placate their ancestors.

Much like the social structures of their living world, the relationships between the living and the “living dead” (Mbiti, 1975) are gendered and reflect situated power relations:

*In the traditions of the South African Bantu-speaking peoples, the ancestor cult was closely connected with the patrilineal kinship system. The living were believed to be influenced particularly by their deceased patrilineal ancestors and senior male agnates. Maternal ancestors were not without significance, but mostly the mother's agnates were the ones that mattered. The group gathering for ritual was the patrilineage, with the most senior male by patrilineal descent acting as leader (Paum, 1974: p.106).*

Funeral rituals differ based on the sex and status of the deceased. For example, the death of a male head of household, especially a chief, would demand more elaborate arrangements than a woman's death would. Part of the reason for this as Gluckmann alluded to above, is to maintain the patrilineal line. Establishing shared (male) ancestry helped to clarify and perpetuate kinship structures/hierarchies through the generations, which is crucial not only to reinforce familial bonds, but also, on occasion, to adjudicate material disputes, i.e. over inheritance that passes along a patrilineal line.

In the modern era, scholars have noted a “cultural revivalism” occurring around customary events like funerals, whereby participants brandish their ritual fluency in order to strengthen their claims in the new post-apartheid dispensation (Lee, 2012). James (2009: p.238), for example, notes that gravesites “have acquired a heightened significance as sites for the concentration of social memory;” she observed that they serve to establish legitimate claims to formerly dispossessed land in Mpumalanga. Mourning

rituals can thus be read as “mnemonic” processes (McCaskie, 1989) that link adherents to a shared cultural and political heritage. Lee and Vaughan (2008: p.346) argue that in the postcolonial context, “contestations over the management of death have occasioned a renewed debate over collective identity and statehood, now voiced in terms of ‘citizenship.’” In other words, as the modern state has reconfigured social relational structures, longstanding cultural practices like funerals play key roles in a new “politics of belonging” through which groups make claims on the state as citizens (ibid.). In these intimate and consequential matters for the living, their relationships with the ancestor spirits continue to figure prominently culturally, socially, and politically. As Soga (1932: p.318) thus concluded, “death to the Xosas [sic] does not, indeed mean extinction. The soul lives on, continuity of the family is preserved.”

*Navigating Liminality in the Afterlife: Xhosa Funeral Rituals and Obligations*

The worldview that bestows such a privileged and contemporaneous role for ancestor spirits has historically been reflected in the funeral/bereavement practices of the Bantu-speaking tribes of southern Africa. The purpose and function of these rituals are manifold, addressing pressing concerns ranging from the metaphysical (i.e. propitiations to the ancestors to avoid the risk of punishment), to the social, particularly as it relates to assertions of kinship and local/political belonging (Geschiere, 2005; Page, 2007). More recent scholarship on funerals highlight how money spent on ceremonies is an important avenue for community members to participate in local social and political life (Mazzucato et al., 2006) and are important opportunities to visually exhibit markers of social prestige (Van der Geest, 2000). Others have highlighted their role in reconstituting physical, spiritual, and social relationships that have been “ruptured” (Lee and Vaughan, 2008 p.344) due to death. As van Gennep (1960) has argued, funeral and mourning rituals help to repair societal disintegration by offering a transitional process that restores a balance between the deceased and the living.

Funeral rituals can be understood, then, as socio-cultural institutions that have developed over time to mediate the relationships between the living and their ancestors. Two rituals in particular, *umkhapho* (“accompanying”) and *umbuyiso* (“returning”) serve as useful bookends to understand how the Xhosa people translate their beliefs of death and the afterlife into an institutionalized response. Immediately following a death, the spirit of the deceased is understood to enter into a liminal state. Mbiti (1975: p.69) explains that before the burial, “the living-dead occupy the ontological position between the spirits and men.” The umkhapho ritual is thus performed to accompany the spirit to the place of his/her ancestors. To accompany the spirit, an animal is slaughtered; the type of animal that is chosen depends on the status (and sex) of the person who had just passed. For a male head of household, an ox or a cow is slaughtered, while a goat may be slaughtered for anyone else, i.e. women and men of lower social standing (Van Heerden, 2002). Jabulile Lwazi, a Zulu woman I interviewed and whose funeral customs are similar to that of the Xhosa, explained how she had to perform this ritual for her late husband, who was the patriarch over three generations of kin:

*We had to buy a cow to slaughter according to the Zulu traditions. The cow will take him to where our ancestors are. He was the head of the household, so it is why we had to do a cow. We put the skin of the cow over the coffin and we slaughter the rest of the cow to serve the guests. We also had to buy a goat for the cleansing<sup>15</sup> (Lwazi, J.; Fieldwork Interview; 16 January 2016).*

The process of accompanying the spirit to the ancestors is made complicated in situations where the death occurred away from the homestead, or in the event of an accidental, “unnatural” death. For instance, in the case of fatal road accidents, which have been on the rise in South Africa, Lee (2012: p.205) raises the specter of a “dual dislocation,” whereby the spirit is first separated from the body due to the sudden, violent death, and then thrust into an unfamiliar place far from home. Lee observed that

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<sup>15</sup> According to Hutchings (2007), the goat is needed for what is known as *imbuzi yokugez’ izlanda* (goat for washing of the hands), a cleansing ritual for those who helped prepare the burial to rid them of the “pollution” that is thought to emanate from the corpse.

in these unfortunate situations, relatives would respond by “speaking” to the corpse, while journeying with it back home, much the same way one would descriptively lead the blind. This compelling need to speak was something I also encountered in focus group interviews with people who had trouble accessing the bodies of their relatives in the mortuaries in which they were being held:

*Sometimes it is very bad with these [funeral] parlors, they won't let us see the body until we bring them papers. But you see, when our family member has died, we have to go to whisper in their ear. Sometimes they are there for four or five days alone and their bodies will be getting soft in the box. That is very hard. The spirit is not at rest, we must whisper in their ear to tell them where they are and what has happened (Female Respondent; Durban Focus Group Interview #3; 15 January 2016).*

Lee also notes the importance of how the “proper ritual shedding of blood at death, as for example performed through animal sacrifice prior to the funeral service, can help to ensure a dead person’s spirit is safely led to the realm of the ancestors” (ibid.: p.204). Thus, the unanticipated spilling of blood during an “unnatural” death like a road accident fatality, imposes another layer of distress for living relatives who fear that the spirit will lose its way and/or not be at rest. Family members are thus obligated to clean the blood at the site of the accident so that further misfortunes might not occur and that the spirit can be led back to the homestead. From these accounts it becomes clear that umkhapho can involve a great deal of emotional and physical labor in order to ensure that spirits are guided properly to the realm of their ancestors.

Van Heerden (2002: p.8) describes the umkhapho ritual as a somber occasion: “No fermented sorghum beer is consumed and there is no dancing...as life in the Xhosa tradition is ‘communal,’ grieving is also a communal activity.” The length of the communal mourning period seems to vary. In van Heerden’s account, people sat with the bereaved and shared their pain for around two weeks. In my interviews, respondents indicated a mourning period of at least a month and definitely sometime within a year of

the burial.<sup>16</sup> Regardless of the exact length of time, ritual mourning continues until the performance of the umbuyiso ritual, which means bringing the spirit of the ancestor back home. The umbuyiso ritual requires the slaughter of a second animal (an ox for a male and a cow for a female), and unlike the umkhapho ritual, umbuyiso is a celebratory ritual where sorguhum beer (“umqombothi”) is consumed, dancing/singing is performed, and the whole community invited into the homestead to share in the feast. The occasion is also marked by the widow removing her mourning attire. The spirit has found its ancestors and has now returned to its eternal home to be at rest.

#### *Burying Well: Ritual Fluidity and Mobility*

From these various accounts, it is clear that funeral rituals are conducted with a certain measure of urgency. Living relatives have strong motivations to “bury well” or appropriately to ensure that the souls of their ancestors are at peace. The proper performance of these rituals not only serves the spirits, but also imparts a number of benefits for the living. For instance, Gluckmann (1937) observed how the funeral offered kin the social context to come together, grieve and air grievances collectively, and to ceremonially affirm the (reconstituted) bonds between survivors and their common ancestors. In his correspondence with Rev. Andile Mbete, van Heerden reveals that these rituals also have a healing quality for the participants:

*It is healing because the focus is not just on the beast that is slaughtered, but the focus is that as a family or clan. You gather there for two days and in the course of the gathering there is talk, there is team building, and when the following day, the neighbourhood arrives, elderly people and wise women stand up and address you, and they sort of praise you by being grateful to those who made you who you are. In that sense the spirit of the ancestor is honoured and you feel encouraged and strengthened (Mbete, A.; Correspondence with van Heerden, 2002: p.9).*

Van Heerden suggests, however, that the motivation to bury people properly does not necessarily imply that there are rigid, immutable ways of conducting funeral rituals. Instead, family members are expected to take the rituals seriously by “not holding

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<sup>16</sup> The length of the mourning period depended, in some part, on how long it would take for the family to save enough money to purchase a second cow for the umbuyiso ritual.

back” or by not being “stingy” in some way (ibid.). Regardless of how a particular funeral is carried out, ritual behavior has been documented to be surprisingly flexible and adaptable to shifting social and cultural environments over time. A number of scholars have noted, for example, that indigenous beliefs and rituals have synthesized with Christian traditions in ways that are mutually accommodating (Pauw, 1974). And contrary to early expectations that urbanization/modernization would spell the death knell for certain more mystical belief frameworks, anthropologist B.A. Pauw observed that, instead, funeral rituals were being adapted to the urban environment:

*Certainly the traditional cults have not survived as complete cults in the same form as they are still performed by pagan traditionalists in remote rural communities, but the persistence of certain basic beliefs and rituals among a considerable proportion of Bantu living in towns is unmistakable. The extensive adaptation and innovation in belief and ritual are evidence of their vitality...Ancestor beliefs and rituals do not constitute anachronistic ‘survivals,’ but have been adapted within the context of the comprehensive process of cultural change (Pauw, 1974: p.109).*

As will be discussed further, the ways in which the Xhosa have come to conceptualize “town” versus “rural” (or perhaps, more accurately workplace versus home) reflects a wider social phenomenon (i.e. rural-urban circular migration) and reveals a dimension of spiritual mobility that has increasingly become a fundamental part of burying well. Mayer and Mayer (1971: p.151) make it clear that while the spirits can and do go wherever the living go (“...there is absolutely nowhere the spirits cannot reach, if the one they love is there,”) they prefer to be where their “real home” is, i.e. the rural homestead: “They like to be about the cattle-kraal and to hold their own unseen assemblies (*inkundla*) in the place where the living elders still assemble” (ibid.). For the Xhosa I interviewed in the Western Cape, this understanding of the spirits’ preference was clearly reflected in their unwavering commitment to return back to their ancestral homeland in the Eastern Cape:

*It’s important to have your final resting place with your ancestors. I want to rest with my grandmother. I want my children to know where I am when I die. They must know where her people are from (Respondent #57; Fieldwork Interview; 1 March, 2016).*

*We have our ancestors in the Eastern Cape. By our culture, we have to be buried with them or it's like throwing them away or separating from them (Respondent #61; Fieldwork Interview; 3 March 2016).*

*Even if I work here, all the money goes home to support home. I just work here, but this is not my home (Respondent #63; Fieldwork Interview; 3 March 2016).*

To be clear, these types of responses were the most common among my interview sample; even respondents who had lived in Khayelitsha for decades still considered the Eastern Cape “home,” and expressed that a return there (in death) was obligatory. However, there are indications that the younger generations are increasingly open to burying their dead and performing funeral rituals in “town.” The ethnographic account I provide in Chapter 8, for example, will be based on a funeral I attended in Khayelitsha, rather than the Eastern Cape, which would have been customary under the circumstances. From these observations and the rich historical literature on African funeral rituals/beliefs, it is clear that death cultures and practices are far from static, but are rather shaped in dynamic ways by changing economic, social, and political conditions over time. In the following section, I historicize the emergence of modern day South African funeral practices in the light of such large-scale transitions such as modernization, urbanization, labor migration, and the HIV/AIDS epidemic.

### **South Africa in Transition: The Historical Context of Burial Societies**

*Stretching Beyond the Homeland: A Brief History of Xhosa Labor Migration*

Ngwenya (2003: p.90-91) defines the burial society as a “relatively autonomous, historically-distinct, local mutual-aid institution, which may be based on occupation or gender and whose goal is to provide social relief and support (material and non-material) to a member or member’s family that is experiencing conditions of distress due to death.” To this comprehensive definition, I would add that burial societies are also mediating institutions that enable living relatives to meet the myriad cultural obligations to the spirits of their deceased kin, as outlined in the previous section. Ngwenya’s

inclusion of the clause “historically-distinct” in her definition is worth noting as well; the burial societies in South Africa must be understood in relation to its unique socio-economic and political transformations. In South Africa, these are invariably tied to apartheid and its legacies, in particular, labor migration.

As South Africa transitioned from a peasant, subsistence-based economy into a modern capitalist state, a combination of economic factors and discriminatory legislation shaped labor migration patterns that endure even today. A series of natural disasters in the late 1800s, including droughts (Beinart, 1982), the spread of lung sickness among cattle (Ross, 1999), and a devastating rinderpest epidemic (van Onselen, 1972) laid waste to the Xhosa economy in the Transkei and Ciskei bantustans.<sup>17</sup> Although an economic disaster for the Xhosa, who relied heavily on cattle for their pastoral/agrarian livelihoods, these events proved to be a boon for white industrialists, particularly mine operators, who had been struggling with labor shortages. Bundy (1979: p.114) quotes a speech given by the President of the Chamber of Mines in 1911 to reflect the prevailing thinking at the time: “The tendency of the native is to be an agriculturalist...He cares nothing if industries pine for want of labour when his crops and home-brewed drink are plentiful.” When this subsistence economy collapsed, the Xhosa people were compelled to enter low-wage labor. The available figures during this period reflect this transition in terms of migration flows. Bundy estimates that in 1893, approximately 27,511 migrants left the Transkei. By 1916, this figure was up to around 90,000, the majority of whom were headed to the mines in the Transvaal region.<sup>18</sup>

Industrial (gold and diamond mining) interests in low-wage labor dovetailed with those of white farmers who felt the threat of competition from the black peasant farmer class. In what Bundy describes as the political union of “gold and maize,” white interests

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<sup>17</sup> Bantustans refer to territory set aside for specific black ethnic groups, i.e. Bantus, under the apartheid regime. Transkei and Ciskei were Bantustans set aside for Xhosas. They are located in the modern-day Eastern Cape.

<sup>18</sup> Figures taken from Bundy (1979) Table 3 pg. 121.



were translated into legislation that “would retain potential labourers, but so circumscribe their status as to transform them from ‘independent’ squatters, lessees, or sharers to dependent, wage-earning servants” (Bundy, 1979: p.134). A series of stringent anti-squatter laws (e.g. 1894 Glen Grey Act, Location Act 32/1909, Natives Land Act of 1913) drastically lowered the number of black-owned farms through forced evictions and essentially converted independent black peasants into wage laborers or labor-tenants. At around the same time, restrictive legislation, known collectively as influx control, was also passed to regulate the free movement of this new migrant labor class (Ross, 1999). In particular, the Urban Areas Act of 1923 restricted the number of black Africans allowed to reside in urban areas (Wilson, 1972) and those who were permitted to live in cities like Cape Town were forced to live in townships far away from White population centers, a spatial legacy that endures today (Ross, 1999). Moreover, subsequent legislation like the Bantu Urban Areas Act of 1964 was even more restrictive to African women, who had to receive permission to join their husbands in the city (Cock, 1980). The laws were thus disproportionately constraining to women who were forced to stay in Bantustans and rely on remittances sent by their husbands (James, 1999a).

These movement restrictions were held largely in place until the 1986 Abolition of Influx Control Act and the dismantling of the apartheid apparatus. As anticipated, the black urban population surged. No longer considered illegal in urban areas, women migrants moved out of the bantustans in growing numbers and sought to establish groups of their own, which were not so dependent on men (e.g. *Kiba* groups formed among Sotho women hailing from the Northern Province [James, 1999b]). Lee (2011) argues that this unleashed new gendered dynamics on the development of burial societies, which shaped how migrants managed the challenges of “death on the move.” Moreover, burial societies afforded women the opportunity to establish themselves in the social networks of their new urban communities:

*Far from being a simple tool that reaffirmed one's connection to a rural 'home' through the faithful maintenance of 'traditional' burial rites, burial society membership was used to consolidate women's position in town...migrant women added new layers to these networks, and crafted their membership in burial societies to embrace a less ethnically specific yet distinctly urban African identity, and to cement their growing prominence in the moral and material economies of township life (Lee, 2011: p. 229).*

It was anticipated that circular internal migration, which was tightly controlled and enforced, would eventually dissipate as labor migrants were expected to settle permanently in their new urban homes. However, it should be noted that labor migration patterns have not changed with the abolition of influx controls (Posel, 2004). The latest census data show that net in-migration figures in the Western Cape were up in 2016 from 2011, and sustained high levels of out-migration were observed in the Eastern Cape over that same period (Statistics South Africa, 2016; See Appendix I)<sup>19</sup>. In my sample as well, 93.4% of the respondents I interviewed in Khayelitsha originally came from the Eastern Cape and still considered it “home” (see Figure 3).

Where does the Respondent Originally Come From?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Eastern Cape	71	93.4	93.4	93.4
	2 Western Cape	3	3.9	3.9	97.4
	3 Kwazulu-Natal	1	1.3	1.3	98.7
	4 Northern Cape	1	1.3	1.3	100.0
	Total	76	100.0	100.0	

Figure 3- Respondent's home of origin (N=76)

Posel (2004 p.287) concludes that “in an environment of increasing labour market insecurity and rising unemployment...the household of origin may provide ‘insurance’ for work-seekers, care of children, and a preferred place for retirement.” In other words, labor migrants continued to maintain not only a spiritual connection to their homelands, but a socio-economic connection as well.

<sup>19</sup> Net in-migration into Western Cape in 2011 was 1.1 million. In 2016, it was 1.3 million. Conversely, net out-migration from the Eastern Cape in 2011 was 1.5 million and held steady in 2016 (Statistics South Africa, 2016).

Burial societies in South Africa emerged and evolved against the backdrop of these political and economic transitions. Modern-day burial societies were primarily established to help labor migrants repatriate corpses back to distant rural homesteads. In her classic study of women's social organizations in South African townships, Mia Brandel suggests that the first recorded burial society was started in Vrededorp in 1915; even then she noted that "death in town is expensive" (Brandel 1955: p.296). Burial societies then began to emerge en masse across the country as early as the 1930s (Dennie, 2009). As rural-urban migration started to gain steam, the economic and logistical need for burial societies became increasingly acute (Thomson and Posel, 2002; Vearey et al., 2011). The rapid expansion of burial societies was fueled primarily by a combination of high burial costs and the migrants' fear of pauper burials in places far away from their homelands. Remarkably, while the costs of burials remained high, there was a marked decline in pauper burials around this time:

*Whenever possible, Africans chose not to allow their deceased to be buried as paupers. Indeed, what amazes is not Africans' desire to escape pauper burials, but that nearly all of them succeeded in doing so. In the first half of the twentieth century, Africans' standard of living showed little or no improvement; but their standard of dying vastly improved (Dennie, 2009: p.321).*

Burial societies were the primary explanation for this phenomenon.

Like many other South African social institutions, burial societies had to evolve in response to the country's broader political and socio-economic transformations. As the country monetized, for example, traditional kinship structures that were suited for subsistence economies were gradually replaced by more capitalist modes of production (Bähre, 2007a). Male laborers who were allowed to reside in urban areas under apartheid legislation organized themselves into hometown associations referred to as "abakhaya," or "those of one home"—essentially groups of laborers who were from the same areas in

the Eastern Cape. These abakhaya networks played a crucial regulatory role: “The social control of abakhaya kept migrants in line with the expectations of migrant labour, namely to save money for the homestead without spending it on women and alcohol in the city” (ibid.: p.36). Migrants’ ties to their rural homesteads were also reinforced through the establishment of burial societies on the basis of these abakhaya identifications. Clustered in this way, migrants were able to establish burial societies that linked with counterpart societies in their home locations (see Mayer and Mayer, 1971); these trans-provincial unions coordinated the logistics and raised the funds needed to transport the corpse home for burial.

With the fall of apartheid and influx control measures, abakhaya-based identifications and networks also diminished in importance. In their place, Bähre (2007a) points to the emergence of neighborhood relations as vital social formations. By neighborhood, Bähre is mostly referring to people who live close to one another. In contrast to abakhaya networks, however, neighbors were not necessarily from the same areas in the Eastern Cape. Neighborhood identifications were the basis along which groups formed any number of financial mutuals. For example, respondents in my interviews referred to neighborhood-based burial societies as “street” burial societies. Thus, while what constitutes a “neighbor” can be vague from a geographical perspective, Bähre argues that participation in financial mutuals like burial societies, helped identify people as neighbors:

*Burials particularly helped to define a neighbourhood. The collection of money determined who were considered neighbours. The collection engaged people in reciprocal relations that were regarded as constitutive of neighbourly relations. In other words, being neighbours was realised by doing neighbourly activities (ibid.: p.46)*

According to Mpumelelo Nxasana, one of my informants who has had years of experience managing burial societies before accepting his current post with a private insurance company, many burial societies started adopting more sophisticated financial

practices, marking an important shift in the scope and internal logics by which they operated:

*It was [in the 1980s] that the first burial societies started in the way of insurance, it was called 'uzwelonke' ['covering everybody'] that means they were focusing to bury everybody across South Africa...the concept of uzwelonke was saying as long as you're from South Africa, even if you are coming from Durban and working in Cape Town, we will be able to transport your body, also pay out some form of a claim so that you get buried...[in uzwelonke], it changes from paying 'as-and-when' there is an event into more of a premium sort of arrangement where you pay now, whether it is R20, on a monthly basis (Nxasana, M.; Fieldwork Interview; 11 December 2015).*

The concept of *uzwelonke*, which essentially adopted a premium-benefit model (i.e. informal insurance), helped transform many burial societies from small *abakhaya*-based pooling schemes into sprawling, federated organizations, which better catered to the mobile lives of migrant laborers. Verhoef (2001) points to the establishment of the National Stokvel Association of South Africa (NASASA), an umbrella organization founded in 1988, to help mobilize and channel the vast, “untapped” sources of finance pooled by informal mechanisms like *stokvels* and burial societies toward more productive/efficient vehicles in the formal financial sector. Similarly, in a 2002 report to the Committee on Trade and Industry on the state’s “Broad-Based Economic Empowerment” (BEE) agenda, the National Co-operative Association of South Africa (NCASA) recommended that the state support the growth of burial societies—then valued at an annual savings of more than R3 billion—by facilitating their integration with the formal banking/insurance sector.<sup>20</sup>

These transformations were necessitated in part by the increasing economic pressures placed on informal social support mechanisms like burial societies by the forces of rapid urbanization/labor migration, and exacerbated most notably by the HIV/AIDS epidemic, which contributed to rising mortality rates in the 1990s and early 2000s (Collins and Leibbrandt, 2007; Vearey et al., 2011). It is believed that the epidemic

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<sup>20</sup> <http://pmg-assets.s3-website-eu-west-1.amazonaws.com/docs/2003/appendices/030626ncasa.htm>

resulted in a simultaneous increase in burial society membership as well as a decrease in the age of its members, reflecting a widespread concern with an early death (Lee, 2009; Mbiba, 2010; Vearey et al., 2011; Núñez and Wheeler, 2012); these trends put many burial societies under considerable financial strain.

As various scholars have noted, the increased demand for burial services during this time has coincided with and most likely contributed to the commoditization of funeral and burial services (Duguid, 2002; Lee, 2007; Lee and Vaughan, 2008; Núñez and Wheeler, 2012). Commoditization, in turn, has reshaped mourning practices. Lee (2011) gives the example of how modern technologies deployed by funeral businesses (i.e. refrigerated mortuaries, new embalming and exhumation techniques, etc.) have enabled the performance of certain burial rites over vast distances and thus revived the practice of honoring traditional funeral rites based on returning to rural homesteads. Other innovations have been documented such as “trouble funds,” which are essentially emergency savings mechanisms built into the structure of burial societies (Vearey et al., 2011). Thus, as Lee and Vaughan (2008: p.357) argue, “the products of modernity have mediated shifts in the meaning and management of death.” And far from diminishing or “sterilizing” the cultural significance of burial rituals/practices, commercialization of the funeral industry seems, in some ways, to be enabling, and indeed reviving, engagements with historically shaped death cultures:

*...the forces of globalization and technological change have helped fashion alternative cultural landscapes within which Africans could re-invent their relations to death and the dying process. That these dynamics could be simultaneously ‘modern’ and deeply ‘historical’ attests to Africans’ extensive and multi-faceted engagement with death over the course of the last two centuries (Lee and Vaughan, 2008: p.359).*

There exists today a diverse array of burial society institutions in South Africa, ranging from small, street burial societies that help constitute and structure neighborly relations (per Bähre) to large, semi-professional organizations that span the entire country (Thomson and Posel, 2002). Through their various stages of evolution, burial

societies have adopted a number of key regulatory functions that help structure economic and social responses to the risks associated with death. In the final section, these regulatory functions will be examined in some detail.

### **Traditional Burial Societies and the Informal Regulation of Risk Management**

#### *Three Types of Burial Societies*

Although estimates of burial society membership vary and are difficult to come by, a series of annual surveys called FinScope (run by the FinMark Trust Initiative) suggest that anywhere between 5-7 million people in South Africa are currently in a burial society.<sup>21</sup> Further, Thomson & Posel (2002) estimate that burial society membership averages around 80 people per society (skewed heavily by the larger burial societies). If these estimates have stayed somewhat constant, one could approximate around 60,000-90,000 burial societies in South Africa, which would be fairly consistent with most reported estimates (see DGRV South Africa, 2003).

Thomson & Posel (2002) also differentiate between three types of burial societies. First, traditional burial societies are mutual-aid schemes that rely upon norms of reciprocity and solidarity, as well as sets of mutually agreed upon rules. They are typically small in scale, non-profit, and community-based. Most of these traditional burial societies hold regular meetings, usually once a month, and are managed by a small committee. Second, hybrid burial societies are those that have been initiated by entrepreneurial-minded individuals who conceive of burial societies more as businesses than as mutual-aid schemes. These hybrid types still retain the social and cultural dimensions of traditional societies, which remain popular among the members, but have largely ceded control of financial/claims administration to a third party, i.e. an underwriting insurance company.

Finally, commercial burial societies are those that have fully embraced “modern”

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<sup>21</sup> <https://www.finmark.org.za/finscope/finscope-consumer/#toggle-id-9>

financial practices. These commercial societies have abandoned principles of mutuality and are driven primarily by the profit motive. The “burial society” moniker is mostly used as a marketing scheme to sell group-life insurance products. Members of these societies do not typically know each other and pay into anonymous risk-pools that are managed by an insurance administrator along strict financial/actuarial principles. Since commercial “burial societies” are essentially formal insurance products, they are considered in subsequent chapters. Similarly, since hybrid societies are where formal and informal institutions interact, these will be examined at length in Chapter 6. The remainder of this chapter will focus on traditional burial societies, which are exclusively informal (i.e. not registered with the state).

#### *General Characteristics of Traditional Burial Societies*

A traditional burial society is self-reliant. It is funded only through the contribution of its members and is (nominally) managed collectively. In practice, a committee—typically comprising a chairperson, secretary, and a treasurer—manages the operations of the burial society. Most burial societies charge a joining fee and regular monthly contributions, which are deposited into bank accounts or a post office account. In some of the more organized burial societies, the committee shares bank statements with members during the regular meetings to help ensure transparency and accountability. Moreover, most burial societies have some kind of constitution that outlines the key terms like premium and benefit rates, monthly meeting schedules, fines and other idiosyncratic rules that are unique to every burial society.

Interview respondents indicated that the market rather than actuarially based calculations dictate the pricing of monthly premiums and benefits:

*The informal insurers (burial societies) take market rates and sometimes cut a bit off the price or remove some restrictions (e.g. shorter waiting periods or removing maximum age restrictions) effectively increasing their risk without realizing it (Actuary; Email Correspondence; 29 February 2016).*



In other words, the tradeoff between prudential soundness and competitive behavior is a salient feature of informal insurance markets. Informal actors establish themselves in the market by undercutting each other in prices and/or services to attract customers, while inadvertently exposing themselves to higher (and often unsustainable) levels of liabilities. This dynamic will be examined more in later chapters in relation to the practices of formal insurance companies and the regulatory state. For now, it is enough to highlight that pricing and design conventions for traditional burial societies primarily follow a market, rather than actuarial, logic. Despite these competitive pressures, the results of my survey indicate that premium/benefit ratios were remarkably uniform across my sample (N=35), suggesting that burial societies are largely mimicking each other in terms of their pricing structures. On average, sample respondents were paying R157 per month in premiums for an assured-sum benefit of R13,842 on average (See Figure 4).

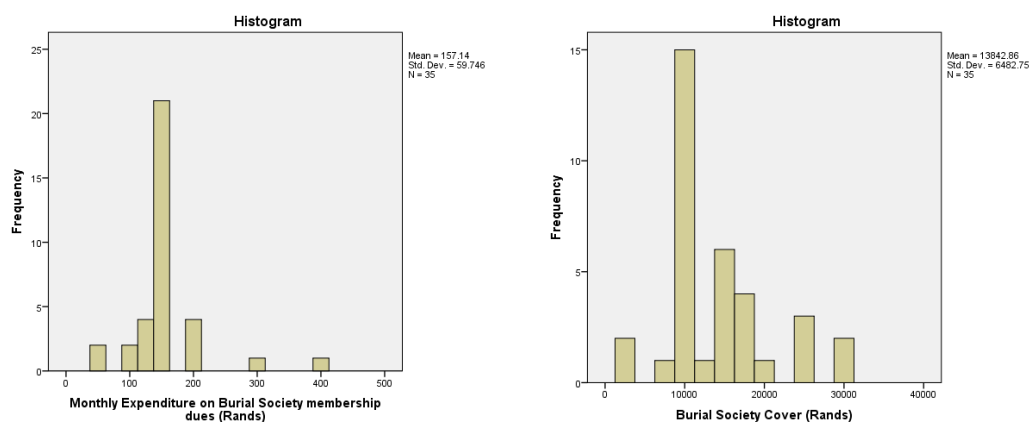


Figure 4- Average monthly expenditure on burial society premiums and assured-sum coverage (N=35)

Beyond the economic and social (regulatory) functions that burial societies provide, they are also valued for their responsiveness to the lived realities of their poor members, perhaps in ways that commercial burial societies and/or insurance companies are not. For instance, the poor often struggle with income volatility, making it difficult to consistently pay their monthly premiums. The incompatibility of irregular incomes with formal systems that demand regularized payment have been observed in other cases like,

for example, mortgage payments (Eckstein, 1990; Roy, 2005) and loan repayments (Varley, 2002; Leyshon et al., 2004; Collins et al., 2009). These studies have shown that for these incompatibilities to be mitigated, systems must find ways to adjust in order to accommodate the challenges posed by irregular income/employment. In the case of burial societies, many have instituted grace periods (three months is fairly standard) that allow members to maintain their coverage without having to repay the initial joining fee.

Members also express a certain comfort level and familiarity with the way burial societies operate, and receive basic assurances that their cultural motivations are understood intimately:

*Burial societies are easier because you are with friends and family. Everyone within the burial society understands the importance of a speedy and decent burial (Respondent #35; Group Interview #3; 20 January 2016).*

*Burial societies are more trustworthy than insurance companies because the process is less difficult. Not much paperwork is required. Burial societies only require the death certificate and then they work to bury your relatives (Godfrey; Fieldwork Interview; 1 March 2016).*

*Burial societies understand our culture and provide cover according to our needs. They provide funds for the cows because they know we need that for the funeral tradition and for feeding people (Respondent #69; Group Interview #5; 17 March 2016).*

Even if problems arise or payments are missed, there is a shared sense and expectation that norms of solidarity supersede hard and fast rules. One of the key advantages of traditional burial societies, then, is the flexibility with which they operate:

*Every burial society has its rules and regulations that need to be followed and all members agree upon them but since we are human beings, somewhere, somehow we can bend the rules for that one person who came forward with a valuable reason. We are also human beings and we reside in communities like them so it is wise for us to be fair to our fellow community members and we do understand other challenges they face. Otherwise we do not do favors because if we open that gap we will end up becoming victims of the situation. When you are dealing with people you have to be flexible and careful at the same time. Otherwise things can get messy (Secretary for Baba Burial Society; UniQ Insights Interview Transcripts; 8 February 2016).*

This measure of flexibility and empathy is at the heart of why traditional burial societies continue to be valuable risk management institutions for the poor despite the emergence of modern financial products like microinsurance. As Thomson and Posel

(2002: p.85) argue, “the effectiveness of the ‘traditional’ burial society movement must, in the end, be judged not by the financial soundness of individual burial societies, but by the success or failure of reciprocity.” Along these lines, I argue that norms of reciprocity are reinforced through the economic and social regulations that traditional burial societies both embody and enact. While this institutional ethos is often at odds with the demands of financial/prudential best practice, it is designed specifically to adapt to the volatility of high-risk, low-income environments.

*Burial Societies as Economic Institutions: Regulating Financial Responses to Risk*

Traditional burial societies are regulated by a number of financial rules and norms aimed at striking a workable balance between their commitments to mutuality and the need to maintain a basic level of financial soundness. This begins with how burial societies design their premium and benefit structures. For instance, on the benefits side, assured-sum societies are ones that pay out a specified benefit on the death of a covered member. These contrast with indemnifying societies that promise to meet the cost of certain funeral related goods or services (i.e. coffin, undertaker etc.). In theory, indemnity policies guard against fluctuating costs (thus mitigating more risk), but often require burial societies to hold some minimum level of cash reserves as well as to impose more restrictive membership policies. Not surprisingly, all the burial societies I encountered in my fieldwork were assured-sum societies, although it should be noted that the existence of indemnifying societies were documented by other studies (Molefe, 1989; Thomson and Posel, 2002).

Assured-sum benefits are rarely large enough to cover funeral costs in their entirety. Part of the reason for this, apart from low cash flow, is due to relatively flexible and open beneficiary policies in which burial societies permit multiple people to be covered under the same policy. And unlike some microinsurance products, there are rarely any stringent requirements (i.e. medical reports, age, etc.) to qualify for coverage.

Respondents suggest that this is one of the most popular features and commonly cited reasons for people to continue to turn to traditional burial societies:

*I like the burial societies because I can cover up to ten. The formal insurance it's only up to five, my husband and my children. But in Xhosa culture we have extended families that we must cover. Formal insurance may not be well equipped to cover that many people, so burial societies fill that gap (Respondent #56; Fieldwork Interview; 1 March 2016).*

*I have a burial society on top of my insurance because the burial society can cover my parents who are very old. KGA (insurance) is too expensive for my parents, and I can't afford the premium (Respondent #37; Fieldwork Interview; 4 February 2016).*

That burial societies are willing and able to offer these coverage options is a key expression of the reciprocity principle and a wedge feature that distinguishes them from other options like formal insurance. It is worth pointing out again, however, that these policies are not actuarially sound but rather priced against competitive market rates. Since cash payouts are low, it is common for members to join multiple burial societies to ensure sufficient coverage. For their part, burial societies do not restrict their members from joining other societies.

As already noted, on the contributions side, the majority of burial societies have moved to a premium-based model whereby members contribute a set monthly sum; this constitutes the primary income stream for these types of burial societies. If a burial society were to run out of funds on any given month, whether by misappropriation or by several beneficiaries dying in a short span of time, it can revert to an “as-and-when,” or collection model, which requires members to contribute above and beyond their monthly premiums to help cover the shortfall until the society replenishes its funds. It is in instances like these that norms of reciprocity are put to the test:

*When they (burial societies) become insolvent, when they're having difficulties, out of corruption or whatever reason, sometimes they are just gone. The burial society structures are constantly evolving. You have your grandparent's burial societies with certain rules like 'pay-off when there is a death,' for example. The next generation will wonder why they have this obligation for people they don't know. They are deciding more and more that it should be tit-for-tat because you may provide in this case, but sometimes they don't come back for you because they've moved away...the children are moving around and the burial society model is failing them (Silvia, Independent Consultant; Fieldwork Interview; 12 January 2016).*

Here, Silvia is pointing to the growing precariousness of reciprocity in the face of mobility. As younger generation members become more mobile (i.e. constantly moving away and into township neighborhoods), the logic of having to contribute to the funerals of strangers—especially when the family of those same strangers might move away when it is their turn to reciprocate—becomes unsettled. As relational ties become weaker and social networks more dispersed, burial societies that have historically relied upon the logics of reciprocity are put under strain if members divest themselves from these norms. As will be discussed shortly, various economic and social institutions play key roles in fostering/enforcing norms of reciprocity and solidarity. But increasingly, burial societies' success in maintaining viability hinges on their strength as economic, rather than social, institutions. Trust erodes quickly and reciprocity-based social relations falter when burial societies fail to deliver on their financial commitments:

*There was the case of Chitibhunga [burial society in Khayelitsha]. They had many clients but they can take their premium for year after year and then when it is the time to pay for the funeral, they will just make up some reason not to pay. One day, they were in the community with many branches and then over night they just closed up and disappeared. After that, I will never trust these burial society guys (Nxusani, G.; Group Interview #4; 23 February 2016).*

Burial societies have thus developed institutional mechanisms to guard against the various risk factors that can lead to insolvency. Basic accountability and transparency measures like regular financial disclosures and reliable record-keeping practices are effective against fraud. Committee members are also known to share their personal information with members to create direct lines of communication for complaints and/or queries. Joining fees and waiting periods, although not universally applied, help guard against adverse selection. Morbidity risk (an unexpected spike in deaths in a short period of time) is usually counteracted by temporary adjustments to the premium/benefit regime, as described above. And finally, non-payment of contributions from members is typically policed through a combination of social pressure and nominal

fines; failure to comply can result in social stigma or expulsion from the burial society enforced by the managing committee. Though unregulated from a formal, state perspective, burial societies rely heavily upon these self-enforcement and regulatory mechanisms to ensure that they remain viable as mutual-aid institutions.

*Helping Hands: Cultivating Reciprocity and Solidarity through Social Regulation*

While being able to meet the expenses of a funeral is of primary concern to members, there are other necessities that burial societies fulfill:

**Interviewer:** *May we quickly give again the advantages of the burial societies?*

**Respondent:** *The advantages are that you have helping hands during a funeral, with the cooking and other chores (Female Respondent; Johannesburg Focus Group #4; 12 January 2016).*

*You need people who will sing during the prayers. You have to stay the whole Saturday and so you need helping hands for the food and the drinks. If you don't, people will talk about you (Female Respondent; Durban Focus Group #2; 15 January 2016)*

“Helping hands” is a gendered term that refers to the support bereaved families rely upon on the day of the funeral. This typically takes the form of shopping for groceries, cooking, cleaning, and serving the funeral guests. The fact that this is done on a volunteer basis implies two things. First, it obligates people, particularly women, to attend the funerals of a relatively wide network of family, friends, and neighbors. Second, it relies upon and is sustained by mutually agreed norms of reciprocity:

*In a burial society, friends and community members come to the funeral and provide support. It is better if you attend and contribute too because one day it will come back to you (Female Respondent; Durban Focus Group #1; 14 January 2016).*

Reciprocal norms are cultivated through a variety of social mechanisms. For instance, many modern burial societies require their members to wear uniforms during regular meetings and publically during funerals to reinforce, at least aesthetically, a sense of solidarity. On uniforms, Warnecke (1994: p.48) observed that they “form an integral part of being a member of a society. Not wearing the uniform implies that a member does not take her membership seriously and that she is posing a threat to the morale and

unity of the society.” Moreover, regular meetings are also opportunities to strengthen social bonds between members:

*For our burial society meetings, we meet every week and it is like a sort of social gathering where people drink and eat together. It's not a party. It's a weekend activity... The formal meeting happens at the end of the every month. When there is a meeting, there is an agenda. Each and every member has a record statement, almost like a bank statement, and we can share whatever concerns we have to the committee. We do conduct business but it is an opportunity to meet the others who we haven't seen since the last meeting. It brings us together (Male Respondent; Johannesburg Focus Group #4; 12 January 2016).*

Solidarity is forged by fostering a sense of organizational discipline and order (Thomson and Posel, 2002). To this end, most burial societies impose small cash penalties for infractions of agreed upon rules, which may be delineated in the group's constitution if they have one. Fines can be levied on a host of misbehaviors: tardiness/absence from meetings, failure to wear uniforms, and missed payments, to name a few. As one might expect, these fines can be unpopular among members, leading some to accuse administrators of racketeering. But on the balance, these fines are typically too small to be a serious temptation and are intended instead to reinforce a collective commitment to a set of shared rules.

Reciprocity, solidarity and, by extension, the social regulations that have been developed to reinforce these norms, have their limits. Taken together, the economic utility of these norms, social relations, trust, and networks has been studied extensively in the social capital literature and has been recognized for smoothing economic transactions (Putnam, 1993; Anderson et al., 2002; Bebbington et al., 2004). However, social capital frameworks have been critiqued for trumpeting romanticized accounts of solidarity that sanitize the inherent messiness of social relations (Rahman, 1999; Mayoux, 2001; Rankin, 2002; Bähre, 2007a; Bähre, 2007b; Hietalahti, 2013). Bourdieu's Marxian analysis of social capital takes this messiness as a starting point to highlight how underlying power inequalities mediate associational life, including reciprocal relations. Thus, among those who are socially/economically unequal, reciprocal obligations can serve as a form of

control, and a class strategy to maintain power:

*...giving is also a way of possessing (a gift which is not matched by a counter-gift creates a lasting bond, restricting the debtor's freedom and forcing him to adopt a peaceful, cooperative attitude); because in the absence of any juridical guarantee, or any coercive force, one of the few ways of 'holding' someone is to keep up a lasting asymmetrical relationship such as indebtedness, and because the only recognized, legitimate form of possession is that achieved by dispossessing oneself—i.e., obligation, gratitude, prestige, or personal loyalty (Bourdieu, 1977: p.195).*

Thus, Hietalahti (2013: p.17) argues that social ties are “mediated by complex webs of solidarity and conflict within the ambivalent politics of everyday life.” Following this, I argue that an analysis of burial societies as social institutions must be re-centered around notions of ambivalence, conflict, and unequal power relations to more fully capture the dynamics of reciprocity/solidarity. Doing so unveils the messy politics of inclusion, which are often missed by romanticized accounts of mutual-aid societies that assume that solidarity exists among its members. These internal politics can be based on something as petty as the location of one’s home in a neighborhood, or on something more intangible like social reputation:

*In my case it was the street society that I was not happy with. Someone passed away who does not live on the same street but owns a house there. The funeral proceedings were not even conducted on our street, but we were all asked to send R50 to the bereaved family where they live, and yet I lost my mother in-law who lived only five streets from our street, they refused to contribute and stated as a reason that they only cover residents of our street (Male Respondent; Johannesburg Focus Group #4; 12 January 2016).*

*All people are supposed to be equal but not all people are treated equally. For example, if I pass away, all my cousins favor me, so because they favor me, they'll just take out R3,000. But others who are not favored will only get R1,000 cover. They'll donate money based on favoritism (Male Respondent; Johannesburg Focus Group #4; 12 January 2016).*

Closely intertwined social relationships between neighbors can also entail a degree of negative social pressure. Respondents expressed anxiety about conforming to certain societal expectations regarding the “right” way to conduct a funeral. Being considered poor or stingy is considered shameful, and so the motivation to pay more for funerals is at least partially driven by this social pressure:

*The coffin is viewed by the whole community. If it doesn't look good, people will start talking and gossiping. It's like peer pressure. A person who doesn't have money will suffer because of*



*this. Even if you're poor, you have to buy new clothes, the kids have to dress well. The money can easily push up to R40,000 (Female Respondent; Durban Focus Group #2; 15 January 2016).*

Introducing these more complicated narratives into the analysis invites closer attention to the inherent power inequalities that shape the relations between burial society members. As just one example, Thomson and Posel (2002: p.99) observed that “the power of a strong, unaccountable leader detracts from the mutuality of a burial society. It is the members who bear the risks, but they are unable to participate in the control of the risks.” As robust as social and economic safeguards may be, burial societies remain fragile and vulnerable to exploitation by powerful, more engaged individuals:

*It is difficult and you feel exhausted when you try and organize something and one trusted person in the community sabotages all your hard work because of greed. The need of burial societ[ies] is there, the situation has not changed...But we need to pray to God that he grants us men and women of character, people of integrity. We need Christ's intervention in order for this to prosper (Treasurer for Nceduluntu Burial Society; UniQ Insights Interview Transcripts; 7 February 2016).*

The impacts of these underlying power inequalities will be analyzed in more depth in Chapter 7. What is germane to this present chapter is the extent to which the viability of traditional burial societies rests on a tenuous, collective commitment to mutually agreed upon and enforced norms of reciprocity and solidarity. As I have shown, the strength of these norms, and the institutions created to sustain them, are constantly put to the test by the reworking of social, relational structures brought about by broader forces like rapid urbanization, labor migration patterns, modernization, and the HIV/AIDS epidemic. And while the economic pressures of maintaining viability can weaken these norms, social and economic institutions, as described above, have adapted ways to strengthen mutualism by smoothing, and at times constraining, ambivalent social relations. But these institutions have limits and must be reinforced through a constant process of performance and maintenance.

## **Conclusion**

To understand why death constitutes such a high economic risk for the poor and stimulates informal risk management institutions in South Africa, it is imperative to account for the cultural and historical context in which death occurs. Otherwise, utility maximization perspectives might simply interpret the poor as being irrational for committing so much of their scant resources, financial and otherwise, to ensure that their kin are provided dignified funerals. The first section of this chapter sketched a broad overview of the cultural history of Xhosa cosmologies of death. Accounting for this history is crucial in understanding why such a high (financial) priority is placed on funerals. In the Xhosa imaginary, the dead are not dead but are the “living dead,” stuck in a liminal state until the proper funeral rituals (i.e. umkhapho and umbuyiso) are performed. To insult them by being “stingy” is to invite calamity. Funerals themselves are cultural institutions that simultaneously shape and are shaped by the way people respond to death.

These cultural obligations became increasingly difficult and expensive to fulfill as the Xhosa experienced distance from the “homeland”—the Transkei and Ciskei regions of the Eastern Cape. The emergence and evolution of burial societies are inextricably tied to South Africa’s history of colonization, economic modernization, and apartheid, which unleashed a steady pattern of labor migration that continues to this day. Far from abandoning their obligations to their ancestors, Xhosa migrants developed institutions, in particular, burial societies, to help pool and coordinate their resources to overcome vast distances. These institutions were not static but dynamic, adapting to the ever shifting political-economic circumstances that re-shaped social structures, networks, and relations. Economic institutional innovations like waiting periods, trouble funds, and a switch to premium collection models helped burial societies remain financially viable. Social institutions evolved to regulate relational interactions between members and

reinforce norms of reciprocity (e.g. regular social gatherings, mandated uniforms to signal solidarity, etc.).

Moreover, evidence of these transformations can be seen in the ways burial societies are structured today. Rather than being based solely on relations of kinship, or even abakhaya hometown associations, many burial societies are now formed among neighbors. Bähre (2007a) has made the point that what constitutes a “neighborhood” is somewhat vague, and that participation in burial societies is one way in which this particular social grouping is both constituted and reinforced. As one might expect, relationships among neighbors can be fraught with tension, conflict, and power inequalities and which, exacerbated by changing economic and social pressures, can lead to ambivalent forms of mutualism. This has important implications for traditional burial societies, which rise or fall on the strength of maintaining reciprocal and solidaristic norms. Nevertheless, burial societies have persisted even with the emergence of formal financial options like microinsurance due to the various ways in which they respond to both the financial and social needs of their members, namely, social support (i.e. “helping hands”), flexible terms that can weather irregular income streams, and culturally competent practices that are aligned with their lived realities.

A useful way to understand the burial society, then, is to view it as a consolidation of the various economic, social, and cultural institutions—conceptualized together as “informal” institutions—that aim to shape individual behavior toward an effective mutualism. As this chapter has demonstrated, these informal institutions are expressed explicitly (e.g. the use of fines to forge discipline) and implicitly through the cultivation of reciprocity and solidarity to structure interactions. They must overcome ambivalent social relations and operate in tension with powerful actors who can undermine this tenuous mutuality. Thus, in the following chapters, these informal

institutions are examined in relation to individual agency, as well as the formal institutions that have in recent years encroached upon this space.

## **5—The big squeeze: Discourses and techniques of microinsurance formalization**

Since the early 2000s, the state has engaged in a systematic effort to formalize the funeral insurance and services market in South Africa. This effort has been part of a broader financial inclusion agenda driven by the state's mandate to address the socio-economic inequalities that still characterizes South Africa's post-apartheid society. Given the size and scope of informality in this market, however, formalization has proven to be a difficult and elusive task. The state has struggled to balance competing interests and has generally lacked the capacity and/or will to enforce insurance regulations in the low-income segments of the market. This has resulted in an uneven and ambiguous regulatory environment.

Motivated by the recognition that microinsurance markets present untapped opportunities for growth and profit, the insurance industry has had to resolve the challenge of conducting business in this uneven regulatory environment. The efforts by the state to formalize this space, which had been informally regulated for several decades, were contemporaneous with this sudden interest by industry. It would thus be reasonable to understand formalization as a process driven fundamentally by corporate interests. Nevertheless, the state has its own interests that were distinct from, but not incompatible with those of industry. In a South African context in which large portions of the population were excluded from the formal financial system, the state took an active role in pushing the financial services industry to engage underserved, low-income markets.

To its credit, the state recognized the need to develop separate legislation tailored to the realities of microinsurance markets and subsequently initiated a lengthy consultative process that culminated in the publication of the South African Microinsurance Regulatory Framework in 2011. While this consultative process sought feedback from informal players, their engagement was largely ad-hoc and perfunctory. It

was instead the sustained engagement between state and industry, which propelled efforts to formalize the funeral insurance space. The resulting policy document can thus be read as a negotiated outcome between formal sector actors that reveals their underlying motivations and the frictions that exist between their conflicting agendas.

This chapter takes this policy document as a jumping off point to examine how formal microinsurance institutions operate within and shape this predominantly informal space. Two broad questions frame this chapter. First, what are the underlying motivations that animate the process of formalizing the South African microinsurance market? Since formal sector actors are driving this effort, this question is targeted mainly at them; understanding their motivations helps to shed light on the nature and direction of formalization (whether the state prioritizes certain policy objectives over others, for example). And second, how does formalization actually proceed in practice? What discourses, techniques, and strategies do insurance companies and state regulators employ?

To answer these questions, the analyses presented in this chapter focuses on two sources of data. First, the analysis draws primarily from data collected through semi-structured one-on-one interviews, which were conducted with a variety of formal sector actors including insurance sales agents, administrators, legislators, regulators, technology service providers (TSPs), and industry association representatives. Second, relevant policy documents were collected and analyzed. The selection of these documents was guided by the interview data; three documents, in particular, were recognized as having the most relevant influence on the regulation of microinsurance in South Africa: 1) The Financial Sector Charter; 2) The Microinsurance Regulatory Framework (hereafter referred to as the Microinsurance Framework); and 3) The Financial Advisory and Intermediary Services Act.

Given that the exploratory and descriptive nature of the first question calls for a more inductive approach to the data, thematic analysis was used to examine both the interview transcripts and the documents. The aim of this analysis was to identify the broad themes that capture the competing/complementary motivations that propel industry and state actors in their attempt to formalize the funeral insurance market. The analysis yielded three themes/motivations, which will be explored in turn: 1) Business interests; 2) Consumer Protection; and 3) Financial Inclusion. I argue that these motivations are fundamentally at odds with one another and must be negotiated by actors who occupy different positions of power. Accounting for these power dynamics is key to understanding how formalization shapes the unregulated microinsurance market.

The second question builds on the insights of a critical stream in anthropology/sociology that has examined how informal economies have been affected by their incorporation into formal markets (see Schwittay, 2011; Dolan and Roll, 2013; Meagher, 2015; Dolan and Rajak, 2016). Among other things, this literature has highlighted the critical role that discourse plays in framing certain unmet needs as problems for the market to solve (Li, 2007; Schwittay, 2011; Dolan and Roll, 2013), in legitimizing certain “experts” who are the most qualified to tackle these problems (see Ferguson, 1994; Roy, 2010), in advancing “technical” solutions that obscure and sideline structural drivers of exclusion (see Ferguson, 1994; Maurer, 2002; De Goede, 2004; Li, 2007), and in re-constituting the poor as “prudent fiscal subjects” who are the ideal beneficiaries of an expanded and inclusive formal market/sector (Schwittay, 2011; Mader, 2014). Following this scholarship, I examine how discursive agendas calibrate the social field to enable formalization. I consider the ways in which discourse frames different actors into particular moral categories (e.g. informal providers as “illegal” operators, insurers as “trusted” financial service providers, etc.) and aligns

microinsurance formalization with South Africa's broader market-led development agenda.

Moreover, discourse works hand-in-hand with concrete managerial strategies to constitute “ideal” microinsurance clients. Building on the literature on “governmentality”—what Foucault (1982: p. 341) referred to as the “conduct of conducts”—ethnographic work on Bottom-of-the-Pyramid (BoP) ventures has highlighted how market technologies and practices (e.g. surveys, data collection, market research, management, training, etc.) are instrumental in re-structuring and re-purposing BoP markets (i.e. informal economies) to make them “knowable, calculable, and predictable to global business” (Dolan and Roll, 2013: p.123) and to govern them in ways that align with formal market logics (Cross and Street, 2009; Mair et al., 2012; Dolan and Roll, 2013; Meagher, 2015). Along this vein, I identify a number of managerial techniques employed by the South African microinsurance apparatus to shape a market space more amenable to its practices and rationalities, thus enabling formalization. These include group-based underwriting, institutional partnerships, market segmentation, and consumer education. I argue that while the processes of formalization through state regulatory channels have largely stalled, they have nevertheless proceeded through these discursive and managerial techniques, which are enacted by formal sector actors, particularly insurance companies.

### **The Drive to Formalize: Setting the Regulatory Context**

#### *The Financial Sector Charter and the Road to the Microinsurance Framework*

As it pertains to the state's approach to microinsurance regulation, the three aforementioned documents—the Financial Sector Charter (hereafter, Charter), the Microinsurance Framework, and the Financial Advisory and Intermediary Services Act (hereafter, the FAIS Act)—have had the most direct relevance and impact on the industry. While the Charter has had an indirect, yet still significant, impact by outlining



the broad inclusive agenda within which the insurance industry operates, the microinsurance framework and the FAIS Act contain explicit regulations that aim, with varying degrees of success, to regulate microinsurance providers. Each of these documents will now be examined in turn.

In August 2002, the National Economic Development and Labour Council (NEDLAC), a forum of government, business, labor, and community constituencies reached broad agreements to “transform”<sup>22</sup> the financial sector by taking proactive measures that were designed to address historic and systemic inequalities:

*We, the parties to this charter, therefore commit ourselves to actively promoting a transformed, vibrant, and globally competitive financial sector that reflects the demographics of South Africa, and contributes to the establishment of an equitable society by effectively providing accessible financial services to black people and by directing investment into targeted sectors of the economy (Financial Sector Charter, 2004: Section 1.2).*

These agreements materialized into the Financial Sector Charter, which came into effect in January 2004. The Charter was formulated within the broader Black Economic Empowerment (BEE) framework and implements its principles/objectives in the financial sector.<sup>23</sup> It notes that while the South African financial sector is generally regarded as highly developed, it continues to struggle with a number of challenges related to equity, including low levels of black participation in the sector and limited support for small-to-medium enterprises owned and operated by black businesspeople. Thus, the objectives of the Charter were to 1) Constitute a framework and establish the principles upon which BEE would be implemented in the financial sector; 2) Provide the basis for the financial sector’s engagement with other stakeholders including government and labor; 3) Establish targets and responsibilities in respect of each principle; and 4) Outline processes for implementing the charter and mechanisms to monitor and report on progress (Financial Sector Charter, 2004: Section 1.3).

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<sup>22</sup> Transformation is a term that broadly refers to the objectives of policies that benefit historically disadvantaged groups, i.e. black South Africans.

<sup>23</sup> For more on Broad-Based Black Economic Empowerment: [http://www.dti.gov.za/economic\\_empowerment/bee.jsp](http://www.dti.gov.za/economic_empowerment/bee.jsp)

In pursuit of these objectives, the Charter committed signatories to transform key aspects of their respective systems and operations, including human resource development, procurement, ownership, corporate social responsibility (CSR), and access to financial services. As it relates to improving access to financial services, key provisions in the Charter established concrete access and employment equity targets that applied to all South African financial services industries, including insurance. At the time of their signing, the insurance industry committed itself to a target of 6% of the low-income market that would have “effective access to short-term risk insurance products and services” (e.g. funeral insurance) by 2008 (Financial Sector Charter, 2004: Section 8.3.1).

Though a voluntary agreement rather than formal law, the Charter nevertheless wielded an important influence over the practices and strategies of insurance companies:

***Interviewer:** From Old Mutual’s perspective, what would you say is driving engagement in microinsurance markets? Is it more to do with market opportunities, or does the regulatory stick of the state come into play as well?*

***Respondent:** It’s a little bit of both, I’d say. I mean, on the one hand, under the Financial Sector Charter, you must, as an insurer, in some way, shape or form, show that you are providing access to insurance...it plays a role. We still have products that allow us to claim certain things, like the ‘Zimele’ products, which allow us to get access points for our BEE (Van der Westhuizen, A., Old Mutual; Fieldwork Interview; 28 September 2015).*

By “Zimele,” Anna van der Westhuizen, an insurance executive at Old Mutual, is referring to a set of simplified, flexible product standards, which facilitated the development of life insurance products targeting the low-income market. As she also refers to in her response, these products helped Old Mutual fulfill their Charter access obligations.

Concurrent to the enactment of the Charter, the Parliamentary Committee on Finance (PCoF) held hearings in 2003 and in 2005 concerning widespread reports of market abuses in the informal funeral services industry. FinMark Trust, which was commissioned to conduct the investigative study, found that the scope of these abuses varied depending on what type of provider was involved. For instance, while they found

a relatively low incidence of criminal activity like fraud and theft among burial societies, they discovered that funeral parlors regularly engaged in a number of practices deemed to be abusive (e.g. not offering clients the option to claim cash instead of services, overvaluing their services relative to premiums paid, offering rigid funeral packages that prohibit clients from opting out of services they don't need, etc.). It should also be noted that documented cases of abuse were not confined exclusively with informal providers, but with formally registered insurers as well. In these cases, insurers rarely engaged in illegal activities, but in ones that were still considered to be abusive such as bundling insurance products in ways that inexperienced, financially illiterate clients might not be fully aware (see FinMark Trust, 2005).

As a response to these hearings and investigations, the National Treasury and the Financial Services Board (FSB) convened a joint task force to discuss potential reforms, which eventually broadened into a more comprehensive review of the entire microinsurance sector (since microinsurance is nearly synonymous with funeral insurance in South Africa). Out of this work, the National Treasury released a discussion paper for public comment in 2008, which proposed a standalone microinsurance regulatory framework that outlined a formalization path for informal providers and provided concessions to formal players to incentivize their entry. Ostensibly, this consultative process was inclusive of both formal and informal stakeholders, but all indications were that it was formal industry that drove the agenda, particularly the industry lobbies (The Long-Term insurance industry is represented by the Association for Savings and Investment South Africa [ASISA] and the Short-Term insurance industry is represented by the South African Insurance Association [SAIA]):

*When it comes to legislation in the financial space, there is a lot of consultation. I must give credit to National Treasury. They don't just impose legislation on industry, not at all. And industry is free to say anything if they feel strong about the issues. So with this microinsurance [framework] the industry has been involved right from the beginning....And ASISA and*

*SALA are very coherent; they speak with one voice (Modiba, J., FSB; Fieldwork Interview; 10 November 2015).*

*I would say the associations had the loudest voice. ASISA, SALA. Industry has a lot to lose or gain (Rajah, J., National Treasury; Fieldwork Interview; 9 November 2015).*

Finally in July 2011, the National Treasury published the Microinsurance Framework Policy Document, which incorporated and elaborated upon the feedback received from industry as well as some of the larger informal players (involvement of burial societies and funeral parlors, or lack thereof, in these consultations are discussed further in Chapter 6).

#### *The Microinsurance Framework: A Broad Overview*

Rather than specify a list of products that would be considered microinsurance, the framework operationalizes a generic definition that delineates a set of parameters for products to qualify as microinsurance. This definition, which essentially sets the boundaries of formalization, seeks to reflect at least two key criteria:

*1) It should reflect the features of products demanded by the low-income market; and 2) It should generate sufficiently low prudential risk so that microinsurance products can safely be provided by a wide range of microinsurers and be straightforward to distribute, these factors combining to merit simplified regulatory requirements (National Treasury, 2011: Section 2.1).*

The intended objectives of microinsurance formalization are four-fold. First, it aims to enable improved access to good-value, appropriate formal insurance products to low-income households, thus advancing financial inclusion. Second, it enhances consumer protection. Third, it creates a path toward formalization for informal providers. And finally, it also aims to create a favorable and even-handed regulatory environment to incentivize formal players to enter the market and spur competition.

Central to the regulatory framework are two key components of insurance supervision: prudential regulation and market conduct regulation. As research and practice have demonstrated, traditional insurance laws cannot simply be applied to the microinsurance markets because most prospective microinsurers simply do not have the

resources to comply. For example, the Long-term Insurance Act requires all insurers to hold a minimum of R10 million in capital reserves unless an individual exemption is issued (Long-term Insurance Act 52 of 1998; Section 29). These types of regulations serve as barriers that keep small-to-medium size insurers out of the market, while monopolizing the (formal) low-income microinsurance space for large corporations who are the only players with enough resources to engage. A lighter touch approach tailored to these low-income markets is thus warranted. On the prudential side, the microinsurance framework establishes “scaled-down” guidelines such as lower capital and reserving requirements (R3 million instead of R10 million), a lighter tax dispensation, and loosened actuarial standards (a microinsurer would not be required to hire a full-time actuary, for example).

The market conduct regulations proposed by the framework were drafted in the spirit of consumer protection. This is especially pertinent for low-income clients who are likely to have had very little experience with formal insurance. Since the vast majority of funeral microinsurance products have been (and currently still are) distributed through intermediaries, the governing piece of market conduct legislation in force is the FAIS Act. The microinsurance framework proposed a special dispensation for microinsurance under FAIS, which developed tailored provisions for “fit-and-proper” criteria for intermediary service providers (e.g. education levels, regulatory exam, etc.), code of conduct guidelines, and a clearly established commission regime.

Finally, the microinsurance framework recognizes that institutional partnerships play an integral role in the low-income space. While traditional insurance law permits only public companies to register as insurers (to help ensure transparency and accountability through corporate governance), the framework makes concessions to member-based entities, such as cooperatives and burial societies, as well as private

enterprises like funeral parlors, so that they can formally register for a microinsurance license.

### *The Current Status of Microinsurance Formalization*

The final section of the policy document proposed a timeline for implementation. This included plans to turn the document into a standalone Microinsurance Bill to be tabled before Parliament by 2014. Since that time, a number of broader regulatory developments have first stalled, and then blocked entirely, the tabling of this standalone bill. Chief among these developments was the introduction of the so-called “Twin Peaks” financial sector reform bill (officially, the Financial Markets Act Regulation). This proposed sweeping reforms to the entire financial sector to strengthen its integrity in the aftermath of the global financial crisis in 2008. Broadly speaking, the Twin Peaks model proposes to demarcate regulation and supervision into two separate spheres (hence, “Twin” Peaks): 1) Prudential regulation, which would be managed by the South African Reserve Bank (SARB); and 2) Market Conduct regulation, which would be carried out by the Financial Services Board (FSB).

In terms of what this means for the insurance space, the Twin Peaks reform process aims to put into effect a new Insurance Bill that would collapse the current Long Term and Short Term Insurance Acts into one omnibus piece of legislation. In effect, it was the introduction of this omnibus Insurance Bill that stopped the Microinsurance Bill in its tracks. Instead, it was proposed that the principles, guidelines, and regulations outlined in the microinsurance framework be folded into the larger Insurance Bill as well as other pertinent pieces of legislation (i.e. FAIS). This way, according to Jerusha Rajah, a National Treasury official I interviewed, microinsurance legislation would be made to cohere with the overarching national development plan. Rajah indicated that the reason for the delay in implementation was because the reform process had to move forward in distinct phases:

*The Financial Sector Regulatory Bill, which is the Twin Peaks Bill, is at the Parliament right now. That bill comes first. The sequencing is important from both a legal side and a regulatory side. So that's the first bill, that's the overarching bill, and the Insurance Bill is, you could say, the first stage of two of the bills...so it's important to look at the Insurance Bill in the context of Twin Peaks (Rajah, J., National Treasury; Fieldwork Interview; 9 November 2015).*

At the time of my fieldwork and writing, the Twin Peaks Bill and omnibus Insurance Bill have yet to be signed into law. While interim measures have been put into effect (e.g. product standards enforcement and FSB board notices), the overall impact of this regulatory delay has been a “loss of momentum” in the microinsurance market (Endres et al., 2014: p.13). This delay has led to an uncertainty in the market, which has had a disincentivizing effect on insurance companies to innovate and/or more fully invest in their microinsurance ventures:

*This microinsurance paper has been promulgated for at least five or six years I think...so that creates uncertainty. I'm sure if you've read through the paper, you'll see that there are a variety of other products...that's obviously an ideal place that we'd like to start playing in as soon as we get clarity. (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

Despite the uncertainty, however, competitive market incentives have still been strong enough to compel insurance companies to make inroads into microinsurance markets. Seen another way, formalization is proceeding along a market, rather than state-regulatory vector. But because the state can more easily regulate these formal players as opposed to informal players (Scott's [1998] notion of the state's capacity to “see”), insurance companies feel that regulations are being enforced unevenly and unfairly:

*Our members [ASISA long-term insurers], to the extent this is how they feel, vocalize to us that the FSB places the regulatory burden squarely on them. They feel that [the FSB] should be looking out for both the informal and the formal sector of this market, but currently is not doing this evenhandedly [ASISA representative; Fieldwork Interview; 12 October 2015].*

According to many of the formal providers I interviewed, this uneven enforcement has contributed to a “culture of non-compliance,” in which even formal, registered insurance providers do not feel the need to fully comply with the current insurance laws on the book. It is within this context of regulatory uncertainty, then, that formal institutions, i.e. state and corporate practice and governance, are aiming to interact with and shape

informal institutions/economies. With the formal regulatory context set, I turn now to an analysis of the motivations, discourses, and techniques that are driving the formalization process in South Africa.

### **The Big Squeeze: Revealing State and Corporate Motivations to Formalize**

During a meeting with FSB regulators in March 2016, Cenfri (my host institution) presented their findings on abusive practices in the informal funeral insurance and services market.<sup>24</sup> In the subsequent discussion, which was attended only by FSB staff and Cenfri consultants, I was surprised to observe a sort of resigned recognition settling into the room. Without changes to the status quo, it was acknowledged, efforts to formalize would ultimately be futile. The size and scope of informality, coupled with the limited capacity of the regulator to enforce laws, actually made it a “regulatory risk” for the FSB insofar as inconsistent enforcement would lead to a loss of credibility for the regulator and a culture of non-compliance. Moreover, it was readily accepted by the officials in the room that neither the state nor the market was providing much of an incentive for informal operators to register their businesses under formal law.

Nevertheless, given the documented abuses occurring in the market, the FSB was still obliged to do what they could given their limited capacity. One official referred to their approach to formalization as the “big squeeze.” The idea was to deploy every regulatory tool of the state to generate pressure from all sides to compel and/or incentivize informal operators to formalize. This meant exploring both the carrots and sticks of formalization. And although this meeting was convened in the spirit of consumer protection, it became clear throughout the course of my fieldwork that several motivations and agendas were shaping the formalization process. The results of a thematic analysis of the interview and document data indicate that state and industry

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<sup>24</sup> Cenfri permitted me to participate in this study as an observer.



actors are driven by three broad motivations: 1) Business interests; 2) Consumer Protection; and 3) Financial Inclusion.

*Business Interests: Leveling the Playing Field*

In any industry, a formal, well-regulated market is typically good for business. Microinsurance providers pushing for higher levels of formalization saw this principally as a way of “leveling the playing field” with informal operators who are seen to be acting with impunity. Informal operators are not bound in the same ways insurance companies are to the formal laws that govern traditional insurance markets. This frees informal operators up to engage in a range of practices like undercutting prices, which makes competition unfair, at least from the perspective of a formal provider. According to Louis Katzke, an insurance executive with KGA Life, the practice of misrepresentation is particularly harmful to the wider (formal) market space:

*In the policyholders’ minds, these guys [informal operators] are all regulated and legal. So I’ve seen practices where these illegal guys know that they need to be underwritten, they don’t want to, but they’ll still advertise that they’re underwritten by KGA Life. And I’m sure it happens with other insurers as well. We’ve got complaints where the claim hasn’t paid out and then we tell the FSB, we don’t know who these guys are. These guys all misrepresent themselves as legally underwritten (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

Trust in formal insurance, which is critical to establishing and maintaining a strong market presence, is eroded by these misrepresentations, with business being adversely affected (see Gibson, 2011; Endres et al., 2014; Van den Berg, 2016). The lack of enforcement exacerbates the problem:

*From a regulatory perspective, [this] lack of enforcement, lack of investigating unlegit [sic] funeral parlors, kills not only us but all the other formal insurers out there. Because without the FSB acting strictly against the guys who are operating illegally, that’s guys [potential clients] that will forever remain outside the ambit of formal insurance, which means less premiums for us. (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

While the state struggles to rein in informal operators who are perceived to be engaging in these unregulated market practices, it is able to “see” formal providers in ways it cannot see their informal counterparts. Insurance companies feel that the piece-

meal regulations that have been enacted to help curb abuses have done nothing but raise compliance costs on them. On other occasions, the state has cracked down aggressively on violations committed by insurance companies to “send a message” to industry. A rather highly publicized example was in 2013 when the FSB fined Sanlam R3 million for remunerating intermediaries with commission rates that exceeded the permissible amount (as stipulated by the Long-term Insurance Act, Section 49). John van Rooyen, a specialized funeral insurance administrator, indicated that the message sent by the state was loud and clear and actually had a chilling effect on the microinsurance sector:

*The punishment was out of context with the crime. I think the FSB was trying to make a point that the punishment will be so bad that you will not make any mistakes. I sense that this has led to a level of conservatism that I’m seeing now with underwriters...which I think [is] frustrating on the sales end. Nobody wants to make a mistake, and so we are seeing companies becoming much more conservative on taking risks in the low-income market. And it creates more opportunity for more unregulated people without the compliance to try different things to try to get away with it and we don’t see the regulator enforcing them. So we don’t see fair policing in what happens in the market (Van Rooyen, J., *The Best Funeral Society*; Fieldwork Interview; 13 November 2015).*

With informal/illegal players operating in the shadows to undercut them in the market and with regulators laying the burden of compliance disproportionately on their shoulders, formal service providers support formalization as a way for the state to be able to “see” their informal competitors so that they can be regulated accordingly.

#### *Consumer Protection: Tackling Invisible Risk*

As I would come to discover, there was a wide variety of opinions amongst government officials I interviewed regarding what they considered to be the state’s top priority regarding microinsurance regulatory reform. This split was most noticeable between officials in the FSB and those in the National Treasury. Joanne Modiba, the FSB’s point person on microinsurance, believed that protecting consumers was the state’s top priority in drafting/implementing these reforms:

**Interviewer:** *From the state’s perspective, what do you think is the primary policy objective that is driving the state’s action...that kind of supersedes everything else?*

**Respondent:** *I think for me it's systemic financial soundness. That's the main objective of the state. Financial inclusion and the others, those are secondary; it is one of the objectives, but it is not superseding...[The focus] was just for more prudent financial regulation and also to focus more on market conduct because if you look at the form of supervision and regulation, it's more prudentially based and market conduct is secondary. [But] because there were so many fraudulent activities, a lot of people [were] losing money. So I think they took a decision to focus more on market conduct, which has to be on its own (Modiba, J., FSB; Fieldwork Interview; 10 November 2015).*

As discussed above, regulatory structures are bifurcated in order for the state to protect consumers from both prudential sources of risk, as well as from what they perceive to be abusive market conduct practices by informal providers.

From this perspective, formalization is the process by which these various regulatory regimes are brought to bear on an informal funeral space the state perceives to be prudentially unsound and rife with unfair practices. Apart from standard prudential measures like minimum capital reserve requirements, and market conduct standards like licensing exams, one of the key sources of “invisible risk” for funeral insurance clients in South Africa is the abuse related to the manipulation of commissions and the so-called monetary option (which will be detailed further in Chapter 6). Katzke points out that the abuse is tied to how underwriting partnerships with informal intermediaries are structured in the first place:

*Currently, the way all these contracts, or the majority of them are set up, is that the claim will be paid to the intermediary, who then has the responsibility to pay it out to the [end] policyholder. Now, what happens in practice? In a funeral parlor environment, that funeral parlor is providing a funeral service. So let's say a policyholder comes to him, submits a claim, and we pay out the claim, the intermediary doesn't pay out the money. The policyholder is getting the funeral service conducted instead. I don't think that's fair (Katzke, L., KGA Life; Fieldwork Interview; 26 February 2016).*

The option to claim a cash payout is critical because the value of the in-kind services almost never amounts to the entitled cash value. In fact, according to current insurance statutes in force, there is a provision that requires insurance intermediaries to provide a monetary option in lieu of services. This also applies to microinsurance intermediaries. But because this key piece of information is not disclosed to the end-clients, they are

simply unaware that they are entitled to, by formal law, a cash payout. In subsequent chapters, I provide some more nuance to this practice of withholding the monetary benefit, which is, in fact, a key risk management strategy that informal funeral parlors employ to remain viable in a volatile, low-market environment. But it is revealing, though not surprising, that both state and industry see this issue from a consumer protection perspective. They argue that this practice constitutes an “invisible” risk to clients and seem to dismiss its importance for the sustainability of informal businesses.

Absent an enforcement strategy, respondents indicated that by making end-clients more aware of their rights (i.e. regarding their legal rights to a monetary option), consumer education could be used as an effective means for them to essentially protect themselves:

*Guys [clients] that have educated themselves...that gives them bargaining power, and so once they got the cash [by exercising their right to a monetary benefit] they can go scout around, look for the best place, at the best price (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

This type of framing has effectively equated formalization with greater levels of consumer protection, at least from what the state and industry consider to be fundamentally unfair and abusive informal providers.

#### *Financial Inclusion: A Two-Pronged Approach*

In contrast to the FSB’s view, Rajah (National Treasury) suggests that improving access to financial services, i.e. financial inclusion, is the state’s superseding priority.

**Interviewer:** *So from the your perspective, what would you say is the state’s policy prerogative, or the issue that frames your approach to microinsurance?*

**Respondent:** *Well, it’s access, which is a very big policy objective...the microinsurance framework isn’t primarily intended to formalize funeral parlors. The main focus of microinsurance from where I sit is to improve access. It’s going to be to lower standards, it’s going to be less investment type products and more risk type products...It’s to focus on a market that hasn’t been focused on. It’s been informal, it’s been burial societies. It’s a sector that hasn’t been looked at by the big players. So we are promoting it with those intentions in mind (Rajah, J., National Treasury; Fieldwork Interview; 9 November 2015).*

In its list of stated policy objectives, the microinsurance framework corroborates Rajah's view by citing financial inclusion as its top objective:

*Objective #1: Extend access to a variety of good-value formal insurance products appropriate to the needs of low-income households, thereby supporting financial inclusion (National Treasury, 2011; Executive Summary).*

If the FSB's focus on enforcement and compliance is the stick, National Treasury's use of the carrot is intended to draw informal insurance providers into the formal regulatory system, thereby improving access to "formal" insurance products for their low-income clients. In this respect, the state's overarching financial inclusion strategy centers on creating and facilitating a market ecosystem that makes it easier for low-income intermediaries and providers to extend access to the excluded poor. In other words, inclusion of informal insurance providers and low-income clients/households can be understood as one in the same. The subsequent policy objectives stated on the framework reveal that the state advances this inclusion agenda through a two-pronged approach:

*Objective #2: Facilitate formalised insurance provision by currently informal providers and in the process promote the formation of regulated and well capitalised insurance providers, thereby supporting the development of small businesses. This balances government's dual objectives of extending the scope of regulation to all financial service providers, and supporting job creation through economic growth by encouraging small business participation in the insurance market.*

*Objective #3: Lower barriers to entry [for currently informal providers], which should encourage broader participation in the market and promote competition amongst providers, also supporting poverty alleviation through economic growth and job creation (National Treasury, 2011; Executive Summary).*

In this framing, the attention shifts from sanctions to incentives; improved access, and thus financial inclusion, is achieved by converting informal providers into regulated entities and by lowering the barriers to entry for already established formal providers. I have demonstrated that the industry's main interest in formalization is to level the playing field with informal providers in terms of compliance costs. The incentives for informal providers to register, on the other hand, are far less clear-cut.

Nevertheless, the microinsurance framework does propose explicit measures to help ease the transition from informal to formal. This includes a grace period of three years from the time of registration for informal providers to be in full compliance with the law; the state would withhold enforcement during this period. The framework also recognizes that onerous FAIS requirements are inappropriate for the microinsurance space and thus proposes a separate fit-and-proper category be created to lower the requirements placed on (informal) financial service providers/intermediaries. For example, the reforms propose that microinsurance representatives only be required to demonstrate an ability to read, write and calculate as an entry level criteria, as opposed to the current entry level requirement that they pass a regulatory exam (see National Treasury, 2011; Section 2.5.1). Other support structures including broad-based consumer education campaigns and concessionary tax treatment were also proposed to help ease the formalization process.

Notable as well is how these financial inclusion objectives are inscribed within the language of market development (i.e. “development of small businesses,” “job creation through economic growth,” “promote competition,” etc.). This aligns with the spirit of the Charter, which affirms that “access to first-order retail financial services is fundamental to BEE and to the development of the economy as a whole” (Financial Sector Charter, 2004: Section 8.1). An analysis of these various policy documents reveals the extent to which formalization efforts are at the heart of the state’s “dual objectives” of promoting financial inclusion and market development.

#### *Clashing Motivations: Trade-offs Between Consumer Protection and Financial Inclusion*

The thematic analysis reveals how three broad motivations, i.e. business interests, consumer protection, and financial inclusion, shape the formalization process. A cursory reading of the microinsurance framework might suggest that these different motivations

are in sync. However, an analysis of the interview data suggests that these objectives may not be harmoniously aligned, and in some cases, contradict one another.

For instance, FAIS regulations, like regulatory exams, designed to protect consumers from unscrupulous and/or unqualified financial intermediaries run the risk of imposing onerous requirements onto informal providers, which may have the unintended effect of creating unnecessary barriers to market entry, thus impeding financial inclusion:

*The regulations are not promoting a fair business practice particularly for those who were previously marginalized. Prior to the FSB introducing these regulatory exams, there were over 23,000 independent brokerages in South Africa, but by December 2012, there were only about 14,300 because some people failed these exams, more than five or even ten times, where each time you have to pay R900...Even older people who have been there for ages, some of them, they couldn't cope. One guy, because of failing these exams, he committed suicide. That was in 2012 (Nxasana, M., KGA Life; Fieldwork Interview; 11 December 2015).*

Thus, while formalization is the state's response to abusive financial practices in the microinsurance sphere, blanket regulations designed to protect consumers can squeeze out the ability of small, informal businesses to develop/compete with insurance companies who can afford compliance costs. This holds true, as well, for insurance companies who may want to expand their microinsurance operations but feel that regulations are being enforced unevenly. In theory, the microinsurance framework seeks to strike a balance. In practice, however, these underlying agendas and motivations are negotiated by actors and are thus subject to power dynamics. In the following section, I examine the ways in which the formal sector, namely, state and industry actors, deploy discursive and management techniques to shape the formalization process according to their own interests.

### **Liberators and Criminals: Calibrating the Discursive Space**

Given South Africa's history, broad themes of justice and equity are deeply embedded within the country's everyday political and economic discourse. Even in otherwise tedious policy documents like the Charter, appeals to these themes are explicit;

calls for a “transformed” financial sector and an “equitable society” that extends access to financial services to an excluded group (black people) are inscribed in its preamble. As it relates to the microinsurance space, these moral discourses are deployed to legitimize a formalization agenda that aligns with the country’s broader development objectives. The resulting discursive framework imbues different formal and informal actors, as well as clients, with certain moral qualities that shape how they relate to the formalization process.

*Positive Mobilizing Narratives’: Insurance Companies as Emancipators*

In South Africa, the financial inclusion debate engages with a discourse centered on justice. The Charter, which lays out the core principles upon which the microinsurance framework is based, notes the following:

*Despite significant progress since the establishment of a democratic government in 1994, South African society remains characterised by racially based income and social services inequalities. This is not only unjust, but inhibits the country’s ability to achieve its full economic potential (Financial Sector Charter, 2004; Preamble).*

The Charter acknowledges that these inequalities continue to persist in the financial sector, which remains predominantly informal. Formalization is thus a fundamentally just process that helps reverse, or at least mitigates, systemically induced inequalities. In line with this, insurance company representatives I interviewed would often invoke a language of altruism and social justice when describing their microinsurance ventures.

*The foundation market business [Old Mutual’s microinsurance division] was always there as a part of the market that is very price sensitive, that is in so much need of access to insurance. So let’s go in there and see, grow the market as we can. Our aim is not to make money, and we haven’t made any money. That’s not our aim. Our aim is to try and see whether or not we can do the right thing, bring insurance to individuals who have not had access to insurance. It’s definitely got a strong philanthropic view around trying to make people’s lives better (Van der Westhuizen, A., Old Mutual; Fieldwork Interview; 28 September 2015).*

Of course, insurance companies are not charities. But as corporate entities looking to profit in low-income markets, they often appeal to classically neoliberal tropes of individual/consumer choice and empowerment to describe their driving motivations



and strategies. This is a discursive technique long observed by microfinance scholars who have noted how the “positive mobilizing narratives” (Mader, 2014: p.1) of microfinance have been central to their legitimization (Roy, 2010; Schwittay, 2011).

*For us, it's about equipping these people with the knowledge and the skills to be able to forward themselves in life and to make progress, which will never happen if we take a paternalistic approach. That is not our approach... We want you to be in control of your own life and your own destiny and we will facilitate the road to better financial wellness for you and your family in whatever way that might be. That's the only way we're going to uplift people, by empowering them (Kuhn, L., Metropolitan Life; Fieldwork Interview; 29 September 2015).*

This discursive framework thus casts insurance companies and the formal financial system writ large as emancipators that “democratize” access to financial services for the historically excluded. As will be discussed in the following section, the ways in which the formal system deploys technologies to selectively identify and shape insurance subjectivities, thereby inscribing new boundaries of inclusion/exclusion, are obscured from view.

#### *Informal or Illegal? Illegitimate Financial Service Providers*

By moralizing the formal financial system as fundamentally just and emancipatory, the moral discursive framework is superimposed upon the (expanding) boundaries of the formal sector; institutions within this boundary are legitimized, while those that continue to reside on the outside are invalidated. While the state recognizes that informal funeral parlors and burial societies help fulfill unmet financial needs and are themselves forms of enterprise, the discourse that underpins formalization constitutes them as illegitimate and ultimately subject to the state's discipline:

*They [informal microinsurance providers] are seen to be operating illegally. Remember, the insurance legislation [mainstream insurance law] is in place, whereby if a person conducts insurance business, they need to have an insurance license or alternatively they need to be underwritten by a licensed insurer. And they need to be registered under the FAIS legislation (Modiba, J., FSB; Fieldwork Interview; 10 November 2015).*

*...an appropriate transition period will be provided during which to reach legitimacy... Thereafter, the enforcement drive will focus specifically on any entities that still choose to operate illegally, with the power to oblige them to comply or else shut them down (National Treasury, 2011; Section 5.3).*

It is worth noting that while the term “illegal” (as opposed to “informal”) has a strong connotation of criminality, the moral force of the prevailing discourse works to obfuscate any nuance between “illegal,” “unscrupulous,” “informal,” and/or “unregulated” entities. In use, there is a slippage between these terms, which are, in effect, painted with the same broad brush:

*There’s the players who are completely unregulated. They don’t believe in underwriting, they don’t want to be regulated and this is really the headache in the industry for both insurers and legal funeral parlors out there (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

*It [the microinsurance space] is very fluid. It’s very rural. It’s very, very strong in the informal ways of doing things...it’s dealing with people who operate very differently to this traditional insurance company that’s governed by actuaries and legislation...Something that gets me often is how many unscrupulous people are in this area that just prey on these people [low-income clients] who trust quite easily. (Engelbrecht, C., Sanlam; Fieldwork Interview; 13 November 2015).*

With this slippage, particularly between the terms “informal” and “illegal” the widespread abuse that is observed in the funeral insurance market is laid at the feet of informal operators; formalization is the remedy:

*The microinsurance regulatory framework will be implemented against the backdrop of a large informal market where consumer abuse is rife. As already indicated, formalisation is therefore a core objective of the framework (National Treasury, 2011; Executive Summary).*

As institutions of this formal system, insurance companies and their microinsurance products are considered to be, by extension, safe, trustworthy alternatives to the abusive practices of informal providers. Foreclosed within this framing is any possibility that insurance companies themselves might be a source of risk and/or abuse. The moral discourse legitimizes them not only as liberators but also as agents that further the state’s objective to protect consumers. Informal operators are illegal and therefore illegitimate; their identities as small businesses, social support structures, and/or financial service providers are dismissed or otherwise ignored.

*Discursive Links to the National Development Agenda*

Scholars have noted that the developmental context of post-apartheid South Africa is one that challenges conventional distinctions between neoliberalism and the welfare state (Ferguson, 2007). Though heavily interventionist in the way the state directs the course of development, it does so in ways that “privilege the market as a central driver of economic and social life” (James, 2011: p.319). Thus in this context, the state’s financial inclusion agenda is legitimized by a market-based rather than a rights-based discourse:

*Inequalities manifest themselves in the country’s financial sector. A positive and proactive response from the sector through the implementation of BEE will further unlock the sector’s potential, promote its global competitiveness, and enhance its world-class status. Equally, the financial stability and soundness of the financial sector and its capacity to facilitate domestic and international commerce is central to the successful implementation of BEE (Financial Sector Charter, 2004; Preamble).*

The microinsurance framework, which was formulated within this political economy, embodies and enacts the market friendly discourse that underpins South Africa’s broader developmental agenda. As I have demonstrated earlier, the state’s multiple motivations and objectives in formalizing the microinsurance market are often at odds with one another. Onerous consumer protection regulations run the risk of “regulating small businesses out of the market,” for example. But within a discursive framework that privileges market rationalities, these conflicting objectives are made to cohere around the overarching goal of market development:

*The National Treasury’s broad policy agenda rests on five pillars- financial stability, consumer protection, better access to financial services, improved regulatory coordination, and comprehensiveness [meaning that all business in the financial sector should be on the regulatory radar]. These goals are mutually reinforcing (National Treasury, 2011; Introduction).*

Schwittay (2011: p.381) has argued that these legitimizing discourses have aligned the “financial inclusion assemblage”—what she defines as the collection of “subjects, technics, and rationalities that aim to develop poor-appropriate financial products and services”—with the needs and problems of the target population. Moreover, these discourses have also “constituted the poor as prudent fiscal subjects” (ibid.: p. 385). The

burden to address and mitigate risk is removed from the structures and institutions that produce risk, and is displaced onto the individual:

*Consumerism has taken off in South Africa...we do a lot of financial empowerment in the process because ultimately it's about allowing people and empowering people to make better financial decisions (Kuhn, L., Metropolitan Life; Fieldwork Interview; 29 September 2015).*

*You should have the private sector...[this country] has a very nonchalant attitude toward poor people. There is no real recourse for them if something goes wrong, they have to go to the government. Whereas if there are private solutions, then they can end up protecting themselves...when you start teaching people to ask the right questions, they start protecting themselves (Ways, C., Forum for Assistance Business (FAB); Fieldwork Interview; 5 November 2015).*

The discursive framework aligns microinsurance formalization with a national development agenda that privileges and valorizes formal market institutions. By the same token, many of the informal businesses that have historically serviced this space and engage in practices that are deemed by formal actors as “illegal” and/or “abusive” (but are actually essential survival strategies), are delegitimized as being opposed to, not just outside of, the formal financial system. Moreover, clients are transformed within this framework from rights-bearers to risk-bearers (Maurer, 1999), who should be empowered as individuals, and through improved access to the market, to address their own risk management needs. As I will show below, the discursive agenda that underpins microinsurance formalization in South Africa works hand-in-hand with management and marketing technologies to constitute these “ideal” insurance subjectivities.

### **Management Technologies: Finding and Shaping the Ideal Insurance Subject**

#### *Grafting onto the Informal Economy: Formalization through Market Access*

Despite the delay in implementation of the microinsurance framework, insurance companies have still found ways to conduct their business in low-income markets:

*Yes, progress sooner would have been great but if you have a look at the current legislation, barring the concessions and the market insurance section, the industry can sell the products...Industry has been saying, 'We need the bill to do it, we need the bill to do it!' but that's not 100% true. Because they can do it (Rajah, J., National Treasury; Fieldwork Interview; 9 November 2015).*

They have managed to do so by deploying a range of techniques, chief among them, the forging of institutional partnerships, including formal-informal partnerships. While I analyze these partnerships in more depth in Chapter 6, I turn to them briefly now to introduce these partnerships as institutional mechanisms that enable access into unregulated spaces.

The expansion of microinsurance in South Africa is rooted in its first, and perhaps most significant, innovation: group-based underwriting. Thanks in large part to an active and robust informal institutional environment, insurance companies have been able to underwrite pre-established groups, i.e. funeral parlors, burial societies, churches, and cooperatives, effectively including their members into formal insurance markets. Insurance companies have also partnered with other formal businesses that have established deep roots in low-income markets, such as popular retailers like Shoprite and Pep.

By partnering with informal institutions as well as businesses that cater to low-income clients, insurance companies have essentially grafted their operation onto existing (informal) infrastructures to lower their distribution costs. These cost savings are what enables premiums to be lowered enough to sustain operations in a highly price sensitive microinsurance market. This grafting process is far from straightforward and requires intensive negotiation:

**Interviewer:** *What have been some of the difficulties in trying to gain access through these community-based structures?*

**Respondent:** *Very difficult, it's a very lengthy process...When you're dealing with any of these traditional structures, you have to have a very clear understanding that the elders still make the final call. The shortest [time for negotiation] is probably 4-5 months from the first time that you see a community leader until you sign them up to get the scheme underwritten. You have to go through all of the layers, all of the protocols, all the leaders who then have to speak to the elders. It's very lengthy. It's not a quick sell (Van der Westhuizen, A., Old Mutual; Fieldwork Interview; 28 September 2015).*

Since state regulators cannot see informal operators the way they do insurance companies, the linkages created by formal-informal partnerships are effectively used as conduits through which state processes of formalization (i.e. enforcement, consumer protections, etc.) are channeled:

*One of the major concerns that we have is that because the FSB has been unable to find the right model themselves to regulate these entities [informal operators], they are trying to do so through the insurers because we are registered... Insurers are fed up with being held to task or being hauled over the coals (Van der Westhuizen, A., Old Mutual; Fieldwork Interview; 28 September 2015).*

In practice, this means that insurance companies can be held liable for doing business with unlicensed intermediaries; this is one of the only mechanisms through which the FSB can compel informal players to formally register their operations.

In recent years, insurance companies have explored other partnership models, including with mobile network operators (MNOs), as a way to reach low-income clients more directly. In these mobile insurance (m-insurance) ventures, defined as insurance sold through and with MNOs (Leach et al., 2015), traditional intermediaries like burial societies and funeral parlors are replaced by the MNO. The appeal of this distribution model is clear: not only can insurance companies reach low-income clients directly and en masse, but by overlaying their operations upon a mobile infrastructure that has made significant inroads into low-income market spaces, insurers are able to generate efficiency gains, which are built into the premium (Téllez, 2012). Despite these competitive price points, however, m-insurance products have thus far failed to achieve scale. The reasons for this failure will be explored more in Chapter 7, but for the purposes of the current discussion, corporate investment into m-insurance ventures highlights the on-going efforts of insurance companies to graft their operations onto existing infrastructures of BoP markets.

*Market Segmentation: Finding Ideal Clients and Ideal Risk*

Although group-based microinsurance models provide an entryway into low-income markets, they typically yield low profit margins; relationships with intermediaries can also be difficult to negotiate and maintain. An ideal course for insurance companies, then, would be to circumvent these intermediaries altogether to reach clients directly, the so-called “holy grail” of microinsurance:

*The Holy Grail around microinsurance [are] advice-based models. To do advice-based models is extremely high cost because of the regulations and the high salaries of the FAIS-qualified agents. So it's almost impossible in South Africa to do cost-effective advice-based models (Technology Service Provider; Fieldwork Interview; 10 February 2016).*

As the respondent alludes to above, such direct retail (individual policy) models are more expensive relative to group-based schemes. In order to sustain them, insurance companies have to build risk pools that are large and stable enough to cross-subsidize the riskiest clients. Microinsurers are thus highly incentivized to identify and sell policies to “ideal” clients who pay their premiums regularly in order to sustain these pools.

To first identify these clients, insurance companies rely on a widely used market research tool called the Living Standards Measure (LSM) published by the South African Audience Research Foundation (SAARF).<sup>25</sup> The LSM tool segments the market into 10 categories (10 being highest, 1 being lowest) according to certain indicators such as levels of urbanization, access to certain service provisions (e.g. running water), and ownership over certain assets (e.g. cars, houses, etc.) that are designed to measure living standards.<sup>26</sup>

Insurance companies use this tool to define their market, target their marketing strategies, and to design products appropriately. As Rangan et al. (2011) argue, the BoP is not a monolith, and must be delineated strategically (in their example, low-income vs. subsistence vs. extremely poor), in order to develop a nuanced portrait of the different needs and potential resources of each market segment; segmentation can often mean the

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<sup>25</sup> <http://www.saarf.co.za/lsm/lsm.asp>

<sup>26</sup> For example, an LSM-1 household is understood to live in a traditional hut located in a rural/peri-urban location. They have minimal access to services and minimal ownership of durable goods.

difference between the success or failure of a BoP venture. Empirically speaking, knowing into which LSM categories insurance companies invest their microinsurance products is a useful way to understand what they might consider to be an ideal type of client. By extension, the market segments that fall short of this “ideal” threshold reveal the limits of financial inclusion and microinsurance as a risk management tool for the poor.

Market segmentation also provides a colorful illustration of the type of living standards these ideal microinsurance clients might enjoy. For instance, KGA Life, which has a small direct retail division that supplements their main group-based policy business, has streamlined their operations to get as far down the LSM scale as possible:

*We're probably looking at LSM market 4-7. That's not to say we discount LSM 1-3, but our research has shown that 1-3, their household income really is low. So typically what they would do there is to insure themselves in a more informal way. So that's not to say we discount them, but we really are looking for the guys [clients] with the regular sort of income, more in the urban areas (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

To give a general picture of KGA's target microinsurance client, then, an LSM-5 household is understood to have an average monthly income of R4,550, reside in a small “matchbox” house, have access to electricity, water on the premises, and a flush toilet outside, and own a TV set, radio, stove and a fridge. Similarly, the microinsurance division at Metropolitan Life, which is one of South Africa's largest insurance companies, targets a slightly higher LSM segment (LSM 5-8). According to sales agent Lyndwill Kuhn, their approach is more explicit on the types of microinsurance clients they are looking for:

*The main focus for my team is to get as many of our advisors into work sites. Now, the moment you restrict yourself to work sites, obviously it then means you exclude a big portion of your target market because a large portion of the South African population is either informally employed or unemployed and many of them rely on state allowances... [But] work sites are ideal because you've got people with regular income every month which makes it more likely they can afford insurance and that they will pay diligently... If you want people to pay, find people who are salaried (Kuhn, L., Metropolitan Life; Fieldwork Interview; 29 September 2015).*



Market technologies like the LSM segmentation tool, function primarily to guide investment decisions, but they also “produce the poor as knowable market subjects” (Dolan and Roll, 2013: p.129). In this case, the LSM helps constitute the ideal microinsurance client as an urban/peri-urban based wage earner with a regular income drawn from the formal sector. In contrast, LSM 1-3 clients are identified as poor, rural residents who rely on irregular sources of income and are likely to adversely impact churn rates for the insurer. Thus, while microinsurance systems are celebrated as a possible means through which the poor can be financially included, they serve instead to reify the line between the insurable and uninsurable poor (see Dolan and Rajak, 2016).

What this also reveals is the extent to which risk—more precisely, the type of risk that microinsurance products are well suited to address—is constructed by formal insurers who invariably invest in products—and market segments—that are profitable in the long term. As Siegel et al. (2001: p.9) conclude, “the viability of insurance depends critically on the characteristics of the risk.” Non-ideal risks such as epidemics and other catastrophic forms of risk are outside the purview of these characteristics. Similarly, those clients who are identified to be on the lower end of the LSM scale face a greater level of risk due to the conditions of their extreme poverty, which makes it more unlikely for insurance companies to extend products that meaningfully address the risks they might face. I argue, then, that insurers offer a circumscribed risk management solution that addresses carefully constructed forms of risk. And even then, these products are primarily targeted toward ideal clients who must continue to perform as ideal clients if they wish to reap the benefits of formal insurance.

#### *Producing Ideal Clients: Disciplining Techniques*

Insurance companies not only employ market technologies to target the “right” type of clients, they utilize them as disciplining techniques in order to shape ideal insurance subjectivities. The extent to which clients are already integrated into the formal

sector matters in terms of the technologies and techniques employed. For clients who own a bank account and/or are employed in the formal sector, insurers typically collect premiums through a standing debit order at the client's bank, or in more aggressive cases, through a payroll deduction in which the employer deducts policy premiums automatically for payment to the insurer.<sup>27</sup> On the other hand, clients who are disconnected from the formal sector pose a particular sort of challenge for insurance companies, who must deploy different techniques:

*The ability to collect [premiums] is one of our biggest challenges. Now, when you put someone into a work site, it becomes much easier to collect. But when somebody is not in a work site, it becomes exponentially more difficult to reliably collect... We use mobile technology to sell, but maybe even more so, to communicate and collect, because it's going to be cheaper, you're going to be able to interact with them [clients] more regularly and more effectively (Kuhn, L., Metropolitan Life; Fieldwork Interview; 29 September 2015).*

Since the microinsurance market is typically a low-tech environment, insurance companies use low-tech methods (e.g. monthly SMS reminders), which are nevertheless effective in encouraging/reinforcing certain client behaviors that are amenable to conventional insurance practice, namely, the regular payment of premiums (Téllez, 2012; Prashad et al., 2013).

At a market-wide scale, however, consumer education is used as the primary means by which the client base is disciplined. Here, it is useful to understand consumer education through a Foucauldian lens, that is, as a governmental technique that aims to affect/guide the conduct of people, i.e. the “conduct of conduct” (Foucault, 1982: p. 341). Understood in this way, the efforts of formal stakeholders like insurance companies to “educate” consumers are, in effect, techniques to shape clients who will adopt and self-regulate “good” financial behavior. Individual companies like KGA Life thus have an incentive to invest in consumer education as good business practice:

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<sup>27</sup> These are known in South Africa as “emoluments attachment” or “garnishee” orders. To help curb abuse and crippling levels of indebtedness in low-income credit markets, the Constitutional Court ruled in September 2016 that stronger judicial oversight is now required to carry on with garnishee order. It remains to be seen how this ruling will affect the microinsurance industry (See Neves and James's 2017 article: *South Africa's social grants: Busting the myth about financial inclusion*).

*Our marketing approach on the radio is to talk less about the product... and talk more about funeral insurance and what you should be looking at if you're a policyholder... What we're trying to do is empower them with knowledge about the insurance and then tell them that they shouldn't be afraid to go to wherever they are and ask these questions and get answers and if they're not getting satisfactory answers, then well, here's a trusted viable solution in KGA (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

Moreover, section 8.4 of the Financial Sector Charter commits all South African financial institutions to annually invest a minimum of 0.2% post tax operating profits to consumer education. This fund, which is managed by the FSB, supports nation-wide financial education programs and publications. One key publication, for example, is the “Make the Most of Your Money” booklet, which is published in all the major South African languages. Designed as a remedial, easy-to-read comic book, it provides the basic foundations of personal finance such as creating and maintaining a budget, opening a bank account, saving for retirement, and buying insurance (See Appendix J). As rudimentary as such a publication might seem, the head of the FSB’s consumer education department, Alastair Petersen suggests that, rather than remediation, such an approach seeks to facilitate a paradigm shift in thinking:

*I know people tend to think of financial literacy or wellness purely in terms of formal financial products. We've got a lot of informal financial products in South Africa. So the way people think about money here is maybe different than the European way of thinking and that needs to be brought into the debate around financial education... My goal now is to get to that point where I'm not changing human behavior, but the way that they're thinking (Petersen, A., FSB; Fieldwork Interview; 10 November 2015).*

Consumer education is thus a coordinated effort between state and industry to produce “empowered” clients whose thinking is made compatible with the logical frameworks of the formal financial system.

By the same token, efforts to educate consumers about the benefits of formal financial products like microinsurance entail strategies to simultaneously delegitimize informal modes of financial practice. The insurance section of the comic booklet, for instance, includes a not-so-subtle warning for clients to avoid unregistered funeral insurers/parlors who can’t produce a license issued by the FSB (See Appendix J). Formal

insurers like KGA Life have a direct financial stake in such efforts as they face competition from informal insurers who misrepresent themselves in the market (as formally registered entities) and are able to undercut them in prices. Their radio marketing campaign can then be understood, not only as an effort to discipline the consumer through education, but also as a delegitimization strategy aimed at their competitors:

*Everything KGA Life does has to do with consumer education. We are looking for those clients that have been burned in the past by these informal operators. We want them to know that there is a difference between us and them, but it is difficult because sometimes they [the informal insurers] will say they are underwritten by KGA, you see? They will claim they are formally registered. So our radio campaign will educate the client to ask for a registration number. But unless they know to ask, they won't (Nxasana, M., KGA Life; Fieldwork Interview; 15 October 2015).*

Beyond consumer education, the very nature of commodifying risk through the sale of insurance products requires that a set of techniques and technologies be instituted to discipline clients into ideal insurance subjectivities. Following Callon and Muniesa's (2005: p.1245) rendering of markets as "calculative collective device[s] for the evaluation of goods," I argue that both actuarial logics/practices and tangible objects such as insurance contracts, brick-and-mortar insurance buildings, and sales agents, operate as "material devices [that] frame the world of possible choices" (ibid.: p.1235) and play key roles in establishing a calculable value, i.e. price, to the insurance exchange.

In particular, the contract quite literally defines/identifies the risk, establishes the terms and conditions that bind the exchange between the insurer and the client, and lays out, in detail, the expected behavior of the client in order to maintain coverage (i.e. making regular premium payments at a defined rate and interval):

*It is all right there in the contract. Clients will complain, 'Why is this cancelled, where is my money?' But we will just show them that they signed this contract, which includes all the rules. We keep track of the payments on our computer so it's very clear (Zenzile, KGA Life; Fieldwork Interview; 22 October 2015).*

The sanction, of course, for violating the terms of this contract, is the cancellation of coverage and a re-exposure to the defined risk. The legibility of these insurance contracts to their mostly financially illiterate clients is such that sales agents like Zenzile have to “translate” between formal and informal financial spheres/rationalities; they thus have key roles to play in disciplining clients to uphold their end of the contract. I will discuss the sales agents’ disciplining techniques in further detail in Chapter 7, where I take a closer look at the work of intermediaries/mediators along the microinsurance value chain.

## **Conclusion**

The aim of this chapter was to shed light on how formal institutions influence and/or shape the predominantly informal microinsurance market in South Africa. The drive to formalize—the “big squeeze” as it was often referred—and the resulting microinsurance framework policy document, provided a unique empirical setting to study the processes involved, despite the fact that official enactment of the proposed reforms had come to a standstill at the time of my fieldwork. Through thematic analysis of documents and interview data as well as an analysis of the prevailing discourse, I engaged with two broad questions that framed my inquiry: 1) What are the underlying motives that drive and shape the process of formalization? 2) How is formalization enacted in practice?

While informal actors like burial societies and funeral parlors were nominally included in the consultations over the microinsurance framework, state and industry actors dominated the process. The analysis revealed that three broad motivations framed their engagement. First, insurance companies approached formalization as an opportunity to “level the playing field” with informal providers who are seen as opportunistically exploiting the lack of regulatory enforcement to undercut compliant businesses. There is some dissonance to the idea that an insurance company with clear

competitive advantages in terms of resources and expertise could perceive themselves at a disadvantage to their informal counterparts. And while it must be acknowledged that informal operators do engage in these practices (mostly as a survival strategy), industry's interest in formalization can reasonably be read as a calculated strategy to gain a further edge on their competition in the low-income market.

Second, the state equates formalization with consumer protection. Formalization is a way for the state to “see” unregulated providers who abuse clients in order to then enforce protective regulation. I found that while the core elements of the microinsurance framework have yet to be implemented, the state channels its formalization efforts through insurers and administrators, who have managed to enter into partnerships with informal entities. It is worth noting that what is missing from this framing are the ways in which formal providers can also engage in practices that undermine consumer protection. This issue will be explored further in subsequent chapters, particularly Chapter 8.

Finally, the microinsurance framework aims to lower barriers to entry for both formal and informal microinsurance providers to enter into an evenly regulated formal market, thereby boosting access to high-quality financial services, i.e. financial inclusion. Recognizing that informal providers currently service much of the financially excluded population, the state has made the incorporation of these providers into the formal regulatory system a core part of its financial inclusion agenda. In the microinsurance sphere, concessions like lowered capital reserve requirements, relaxed “fit-and-proper” criteria, and a lighter tax dispensation are strategies to on-ramp informal providers into the regulatory fold.

By clarifying these underlying objectives, it becomes possible to see not only who is driving the formalization process, but also whose interests are being served. These competing interests, as I have demonstrated, do produce trade-offs, which have to be

negotiated (almost exclusively by state and industry actors). This calls for an analysis that accounts for the power relationships that structure these negotiations and the broader interactions between formal and informal actors/institutions, a theme that I take up in more depth in the following chapter(s). But in understanding the ways formal institutions, namely insurance companies, exert their power, this chapter examined how discourse and management technologies were deployed to constitute a market space that was more amenable to their interventions.

I highlighted, for example, how the discursive framework worked to assign moral qualities to different actors (i.e. unregulated providers as “illegal” and/or “abusive,” vs. formal insurers as “safe” and “reliable”) and aligned microinsurance formalization with South Africa’s broader market-led development agenda. Thus, the operant discourses serve to simultaneously enact and legitimize microinsurance formalization, while delegitimizing informal institutions. This discursive framework works hand-in-hand with managerial techniques and technologies that insurance companies have used to shape this space. Innovative institutional partnerships, particularly group-based underwriting and m-insurance ventures, have enabled insurance companies to penetrate and restructure this space, even as the state’s regulatory reforms have stalled.

Moreover, following Dolan and Roll (2013: p.129) who argued that “management techniques, practices, tools, and infrastructures...bring into being the markets of inclusive business,” I demonstrated how insurance companies use tools like market segmentation (i.e. Living Standards Measure) to identify and differentiate between “ideal” and uninsurable clients, thereby producing more selective boundaries of inclusion rather than expanding access across the board. Actuarial logics and tangible objects like insurance contracts—what Callon and Muniesa (2005) refer to as “material devices”—are used to structure the terms of exchange between insurer and informal provider/client and are key reference points that guide the disciplining of insurance subjectivities.

Through consumer education campaigns, state and industry actors also exert a governmental force on clients in the hopes that they will adopt behaviors that essentially self-enforce “good” financial practice, which includes fully buying-in to insurance practices and rationalities.

While I have demonstrated in this chapter that “formal” actors employ these discourses and techniques to shape the microinsurance space in their favor, I have mostly shied away from drawing any concrete conclusions regarding outcomes. In the next chapter, I explore how these various techniques, rules, discourses, and practices—collectively constituted as formal institutions—interact with the informal institutions examined in Chapter 4. As much as formal institutions work to shape this market, they do not proceed deterministically. Rather, they interact with informal infrastructures in complex ways to produce a formal-informal institutional arrangement that ultimately shapes the course of welfare/risk outcomes.



## 6—Hybrid risk management institutions: Formal and informal institutional dynamics and change

For the sake of analysis, I have examined informal and formal risk management institutions separately in order to trace their respective origins and development over time. In Chapter 4, I demonstrated how informal funeral insurance institutions, which were embodied in organizational forms like burial societies and funeral parlors, grew out of cultural practices grounded in indigenous beliefs about death, ancestors, and kinship. Chapter 5 documented the efforts of both state and industry to formalize the funeral insurance market. Even though efforts to formalize the market through state regulations have stalled, insurance companies have nevertheless employed a range of discursive and managerial techniques to penetrate and shape the informal space—a sort of formalization through the back door.

Building on these insights, this chapter examines the ways in which formal (state and industry) and informal institutions interact to regulate microinsurance providers and clients. Reflecting on the formalization process, Martin Scheepers, a spokesperson for the Association for Savings and Investment South Africa (ASISA)—the long term insurance industry’s representative lobby—acknowledges that there are limits to the state’s ability to fully formalize this space:

*The intentional goal is not to completely stop or cease or takeover the informal market. Contrary to that, it’s actually looking at how can the formal market better work with the informal market. Because the hope and prayer of ‘Oh, let’s completely clean up this informal market and make it formal...’ It’s not going to work, like I said, because you’ve got this cultural, religious history specific to South Africa. So it’s really about understanding: A) That the informal market is not going anywhere and B) How the formal market can work better with them (Scheepers, M., ASISA; Fieldwork Interview; 12 October 2015).*

What his comment signals is the need to dispense with any expectations out of modernization theory that formal institutions/practices will eventually replace informal ones. Instead, the new development reality is one in which the tensions, ambiguities, and complementarities produced by formal-informal interactions are in constant states of

negotiation and adjustment. What is the nature of this interaction? What are “the actual rules being followed” (O’Donnell, 1996: p.10) versus those that exist merely on paper? And what are the mechanisms and pathways through which institutional change is induced?

As institutional scholars have long noted, explaining how or why institutions emerge, interact, and change is fraught with empirical difficulties (Zenger et al., 2000; Helmke and Levitsky, 2003; Rodrik, 2004; Williamson, 2009). Much of the work done in this area has either been theoretical or has taken an in-depth/comparative case study approach that has examined institutions contextually (see Carey, 2000; Lauth, 2000; Helmky and Levitsky, 2006). Building on existing institutional theory, this chapter aims to contribute to this case study literature by providing a more ethnographic examination of the institutional arrangements that underpin South Africa’s microinsurance market. I focus the analysis on two main areas: 1) The ways in which formal and informal economic institutions interact in the South African microinsurance space; and 2) How formal and informal institutions change as a result of this interaction.

The analysis concludes that because the state’s regulatory authority and effectiveness is limited in the microinsurance sector, insurance companies’ engagements with organizations like burial societies and funeral parlors have resulted in uneven institutional outcomes. In situations in which insurance companies are able to effectively map their operations onto informal infrastructures, formal and informal institutions can complement one another, which enhances the effectiveness of microinsurance operations. On the other hand, when insurance companies are unable to exert leverage within a partnership, informal institutions can undermine the effectiveness of formal institutions insofar as they present a competing regulatory regime. Thus, in the absence of evenly enforced state-based regulations, I find that the effectiveness of hybrid (formal-informal) institutions depends on the relational dynamics embedded within particular

institutional arrangements. Following Helmke and Levitsky (2006), I argue that the effectiveness of formal institutions, as well as the compatibility of underlying institutional goals, helps to determine the ways in which formal and informal institutions interact.

This chapter will also explore the vectors of institutional change. Many burial societies and funeral parlors undergo fundamental changes when they partner with insurance companies. As I demonstrated in the previous chapter, it is in the interest of insurance companies (and the state) to partner with stable, predictable entities; a variety of disciplining techniques (e.g. contracts, trainings, etc.) are employed to “professionalize” and/or “formalize” informal partners. As a result, end-clients increasingly experience a shift in institutional logic, from one based upon the principles of solidarity/reciprocity to one steeped in the language of actuarial logics and business efficiency.

But the analysis also concludes that the direction of institutional change flows both ways. Recognizing that traditional insurance legislation is ineffective and/or unfeasible in microinsurance markets, insurance companies have had to innovate and adapt their techniques in order to better align with informal institutional structures. In many cases, this has entailed mirroring their operations to reflect the ways burial societies/funeral parlors typically engage their members. Understanding that institutional change flows in both directions helps to re-frame institutional interaction as a dynamic negotiation shaped by power relations, rather than one that is engineered seamlessly from the top-down.

### **Institutional Interaction and Change: Reviewing and Applying Theoretical Models**

#### *Theorizing Formal and Informal Institutional Interaction*

As institutional scholars have argued, in order to fully understand the relationship between institutions and economic/development outcomes, empirical frameworks must

account for the role of informal institutions in shaping formal ones (Helmkey and Levitsky, 2006; Boettke et al., 2008; Williamson, 2009; and Casson et al., 2010).

Comparative institutional analyses have demonstrated that informal institutions play key complementary roles in allowing formal institutions to function more efficiently or effectively (Platteau, 2000; Aoki, 2001; and North, 2005). Casson et al. (2010: p.137) argue that the moral and behavioral norms that are embedded in informal institutions (e.g. religion and caste) “determine the quality and sustainability of formal institutions...and the rules and regulations governing economic activity.” Moreover, Boettke et al. (2008) advance the idea of “institutional stickiness” to describe how for formal institutions to be effective, they must map onto existing informal institutions.

In Helmke and Levitsky’s (2006) work, which focuses on informal *political* institutions, they make an important distinction between informal institutions that have either convergent or divergent goals/outcomes with the formal institutions they interact with. In their typological framework, informal institutions complement effective formal institutions when their underlying goals are compatible (see Figure 5).

<b>A TYPOLOGY OF INFORMAL INSTITUTIONS</b>		
	<b>Effective Formal Institutions</b>	<b>Ineffective Formal Institutions</b>
<b>Compatible Goals</b>	Complementary	Substitutive
<b>Conflicting Goals</b>	Accommodating	Competing

Figure 5- Helmke and Levitsky (2006)- Informal Institutions and Democracy: Lessons from Latin America

“Complementary informal institutions ‘fill the gaps’ left by formal institutions—addressing problems or contingencies that are not explicitly dealt with in the formal rules—without violating the overarching formal rules” (Helmke and Levitsky, 2003 p.11). Under these conditions, informal institutions enhance the effective operation of formal

institutions. If, on the other hand, informal institutions have conflicting goals with effective formal institutions, they are said to be accommodating. Accommodating interactions arise when formal institutions that lead to undesired outcomes cannot be changed or broken. In these situations, informal institutions may violate the spirit, rather than letter, of the law in order to mitigate the effects of or circumvent formal rules. While they don't enhance the effectiveness of formal institutions like complementary institutions do, they help maintain their stability by reducing the desire/need for change (ibid.).

Unsurprisingly, in contexts in which formal institutions are weak/ineffective, informal institutions take a more central and prominent role. If the underlying goals are compatible, informal institutions can substitute for formal ones; they can facilitate the realization of intended outcomes even if they undermine/contradict formal institutions. If, on the other hand, the goals of informal institutions conflict with ineffective formal institutions, it is anticipated that they will compete with one another: "Competing informal institutions structure actors' incentives in ways that are incompatible with the formal rules. To follow one rule, actors must violate another" (ibid.: p.13). For example, scholars of legal pluralism—the term used to describe the existence of multiple operant legal systems within a given social field—has shown how in colonial settings, the imposition of European common law upon indigenous governance systems created a complex plurality of legal orders (Hooker, 1975; Merry, 1998; Von Benda-Beckmann, 2002). In such settings, local people's fidelity to indigenous law often meant that they were violating "official" colonial law, thereby entrenching competing institutional systems.

### *Theorizing Institutional Change*

While useful in clarifying the different modes of interaction between formal and informal institutions, as well as some of the underlying conditions that help determine

these modes, Helmke and Levitsky's framework lends itself toward a more static institutional perspective. And though they acknowledge that institutions are dynamic, not static, their framework sheds little light on the processes/mechanisms of institutional change. Tracking the source and pathways of institutional change is complicated by the fact that formal and informal institutions are comprised of different characteristics. While formal institutions are relatively easy to identify by virtue of the fact that the "official" rules (and rule-makers) are typically a matter of public record, informal institutions are much harder to track because they emerge out of a context-specific cultural history.

North (1990) points to the underlying incentives between economic/political actors—a change in "relative prices"—as key to understanding the process of institutional change. Actors/parties are in some cases incentivized to restructure the "hierarchy of rules" to improve their bargaining positions. As a result, over time, formal rules, and even certain customs and traditions, may slowly be eroded and/or replaced. Thus, in this formulation, individuals are primarily responsible for inducing change.

In addition to actors and their underlying incentives, other sources of institutional change warrant attention. If, for example, informal institutions are created by and embedded within formal structures, changes to the design of formal institutions may change underlying incentives enough to induce change in informal institutions. Not only can changes to the design of formal institutions induce change, a strengthening of the effectiveness of formal institutions can also alter informal institutions, e.g. if the state decides to enforce certain regulations more strictly than they had before (see Helmke and Levitsky, 2003). Other sources of change are exogenous to formal-informal institutional arrangements such as changes in societal/cultural attitudes or values (North, 1990) and changes to the status quo, which might lead to a re-distribution of power and resources (Knight, 1992). Since these sources tend to be rooted in socio-cultural norms and

traditions, change comes slowly for the most part, though as Mackie (1996) found in the case of foot-binding traditions in China, widely shared cultural norms can change or “tip” relatively rapidly.

These perspectives are primarily concerned with how alterations to formal institutions lead to changes in informal institutions. But as Casson et al. (2010) point out, it is also important to account for the ways in which informal, social institutions like tribal/kinship structures, gender, caste, and religion shape formal ones; far less attention has focused on this reverse relationship by comparison (see OECD, 2007; Asadullah and Chaudhury, 2010; Crost and Kambhampati, 2010; Granville and Leonard, 2010; Harriss-White, 2010; and Johnson, 2013 for a few notable exceptions). In light of this, the remainder of the chapter will apply these theoretical insights to understand how institutions interact and will analyze institutional change from both vantage points—as formal institutions affecting informal ones, and vice versa.

#### *Institutional Interaction and Change in South African Microinsurance Markets*

By most measures, South Africa is reputed to have strong governance and economic institutions relative to other developing and Sub-Saharan African (SSA) countries. According to the World Bank’s Worldwide Governance Indicators<sup>28</sup> (based on the work of Kaufmann et al. [2009]), South Africa’s political institutions score in the 50-75<sup>th</sup> percentile compared to all other countries and rank among the highest in SSA (alongside Botswana). In particular, measures of government effectiveness, regulatory quality, and rule of law placed South Africa in the 60-65<sup>th</sup> percentile relative to worldwide averages, while the bulk of SSA resides in the 25-30<sup>th</sup> percentile. South Africa’s economy is also highly formalized. Particularly in an SSA context in which informal employment accounts for a significant percentage of total employment (informal employment is estimated to comprise 66% of all non-agricultural employment in SSA [Vanek et al.,

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<sup>28</sup> <http://info.worldbank.org/governance/wgi/index.aspx#home>

2014]), South Africa's informal employment rate is much lower (22% of non-agricultural employment).<sup>29</sup> These statistical figures support the view that the South African context is one in which formal institutions are generally strong and effective.

This holds true for the country's insurance sector, which is highly capitalized and well regulated (see PWC's 2016 South African insurance industry analysis).<sup>30</sup> Adapting Helmke and Levitsky's framework, then, my analysis might anticipate that formal and informal institutions would complement one another when their goals are compatible, while informal institutions would accommodate formal institutions when their goals diverge. However, in the context of South Africa's microinsurance market, the picture that emerges is far less straightforward. As discussed at length in Chapter 5, efforts to formalize the funeral insurance market in South Africa through regulatory reform have been largely ineffective to date. In the absence of tailored microinsurance legislation, the state regulator is confronted by a challenging task. As insurance companies enter unregulated territory, the state is mandated to enforce insurance law currently on the books, regardless of its suitability to the low-income market. But as presently constituted, the Financial Services Board (FSB), which is the state body charged with enforcing these regulations, lacks the capacity to do so:

*The informal market sector is huge, massive. It's a case of how many staff members does the FSB have? Can we in the industry really expect the regulator to be on it all the time? The FSB has so much other stuff to deal with as well. That's no excuse for them not to do their work, absolutely. But it's also understanding that the regulatory mandate is so big, and it's going to get bigger with Twin Peaks...it may come across as they're not doing their job, but it's just a matter of capacity and workforce (Scheepers, M., ASISA; Fieldwork Notes; 12 October 2015).*

*In terms of the FAIS [Financial Advisory and Intermediary Services] Act, the informal funeral parlors [that offer insurance] were supposed to be underwritten by an insurer. They [the FSB] are failing to enforce that because there are still thousands of funeral parlors who are not underwritten by any insurer. The law enforcement by the FSB, I'll say that's where they are failing. They will only come in when there is a complaint (Nxasana, M., KGA Life; Fieldwork Interview; 11 December 2015).*

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<sup>29</sup> <http://www.ilo.org/global/statistics-and-databases/lang--en/index.htm>

<sup>30</sup> <http://www.pwc.co.za/insurance>



Due to this lack of enforcement capacity, the state must rely on informal providers and intermediaries to register and comply with regulations of their own accord. As Anna van der Westhuizen, an insurance executive with Old Mutual, argued, the state provides no real incentives for informal providers to agree to comply with formal law:

*Everybody understands what the stick is but nobody sees the carrot. Because now you're asking an entity that has been there pretty much before any of us existed, it's been passed down from generation to generation, now you're asking them to go ahead and register, pay a fee, get an actuarial line of products, do accounting practices, do reports once a month...you're asking them to pay money and do stuff, but what's the carrot? What is in it for them? If you currently cannot find them, why would they just pop up on your radar? (Van der Westhuizen, A., Old Mutual; Fieldwork Interview; 28 September 2015)*

As I pointed out in Chapter 5, the state struggles to “see” informal providers the way they do insurance companies. In many cases, the state essentially tries to outsource its enforcement responsibilities to insurance companies who are in closer contact with these informal entities. What has resulted, according to John Van Rooyen, a funeral insurance administrator, is an uneven regulatory environment in which some actors are regulated more stringently than others:

*The regulatory authority is becoming more arbitrary...Depending on who you're dealing with will tell you what kind of deal you're going to get...To have an arbitrary and subjective decision-making process is very concerning to me. It leads to a sense of unease (Van Rooyen, J., The Best Funeral Society; Fieldwork Interview; 13 November 2015).*

To the extent that the state has failed to draw informal providers into the ambit of its regulatory system, state institutions have limited impact on the low-income funeral insurance market. Despite the state's limited engagement, insurance companies are still penetrating and operating within this unregulated market albeit in a weakened formal institutional environment. This has led to mixed results. In some cases, insurance companies have been able to dictate the terms of engagement and impose its will. In these cases, informal institutions and structures have been re-shaped to align with and complement formal microinsurance operations. In other cases, the lack of the state's regulatory enforcement has indeed inhibited insurance companies' ability to engage with

informal intermediaries. Here, it would be reasonable to analyze institutional dynamics through a lens that assumes a weakened formal institutional capacity. Suffice it to say that in South Africa's microinsurance/funeral services market, there are some institutional arrangements in which goals are compatible and some in which the goals are in conflict. The ensuing analysis will consider both types of cases. Thus, the focus of the subsequent analysis will center on the ways in which formal and informal institutions both complement and compete with one another.

### **Complementary Informal Institutions: Enabling Formal Microinsurance Operations**

I have argued that among other things, informal institutions have developed over time to reinforce norms of solidarity and reciprocity, which are critical to the long-term sustainability of mutualist-based organizations like burial societies. But even in the most cohesive of burial societies, if they continually fail to deliver on their financial obligations—whether due to fraud, mismanagement, or bad luck—there is a more than likely chance that they would dissolve. Underwriting partnerships with formal insurance companies offer burial society administrators an institutional remedy to better manage this challenge. In this most basic of ways, then, formal institutions of risk management, i.e. microinsurance, can enhance, or complement a key function of burial societies, which allows them to continue serving their other socio-cultural roles.

In much the same way, the informal institutions inscribed within burial societies and other community-based organizations can serve to complement formal microinsurance institutions. In the following sections, I focus the analysis on two areas in which these complementary roles align with and support the goals of formal microinsurance institutions: 1) Facilitating premium and claims administration and 2) Providing governance structures that help ensure consumer trust. In both these areas, informal structures and institutions step in to enable the smooth functioning of formal

operations.

*Enabling Regularity: Informal Institutions and the Circulation of Premiums*

For insurance companies, establishing and maintaining a regular schedule of premium payments is paramount. In traditional markets, insurance companies have instituted a number of mechanisms to collect premiums while minimizing transaction costs. These include setting up salary deductions from employers and standing/debit orders that link directly to a client's bank account. The sanction for non-payment is the loss of coverage (though different providers may have varying policies with regard to grace periods). But in low-income microinsurance markets, these institutions are often ill equipped to reliably collect premiums. Most individuals and households are self-employed and earn their incomes in the informal economy. If they do have a bank account (by no means the norm) balances are typically low, which puts clients at risk of incurring overdraft penalties if they set up standing/debit orders. Moreover, given that incomes are irregular and unpredictable in this market, strict enforcement of rules that govern continuation/cancellation of policies when a client fails to make premium payments may be draconian or otherwise unviable.

Thus, McCord et al. (2006: p.197) argue that for microinsurance to succeed “the premium payment mechanism needs to find a balance between being efficient and being sensitive to the needs and capacities of clients.” The institutions embodied by burial societies help insurance companies strike this important balance. Absent the ability of insurance companies to automate the collection of premium payments (i.e. through employer deduction, direct debit, etc.), their only recourse is to engage in physical collection. Here, the options are largely limited and self-defeating: door-to-door collection is inefficient and exacts prohibitively high transaction costs, and having policyholders come into a central location (i.e. physical office) puts too high a burden on low-income individuals who may be limited in their means of transportation.

Group-based mechanisms like burial societies (referred to in the industry literature as “client aggregators”) help plug this gap; they are typically area-based and a natural forming risk-pool that allows for a more efficient means of collecting premiums. Although the rules and norms that regulate burial societies have evolved separately from their engagement with insurance companies, they nevertheless reinforce individual habits, which are conducive to the regularized collection of premiums. For instance, most burial societies require their members to meet regularly (typically once a month) to discuss administrative matters and to collect premiums. Failure to attend these meetings can result in a fine. But to the extent that burial societies are comprised of community members, neighbors, and/or kin who have personal reputations to guard, it is not so much the fine that keeps members accountable, but the mechanism of social pressure, as the following respondent discovered when her husband missed a regular payment:

*Nobody wants to show up with empty hands because people will start gossiping about you, but sometimes it can't be helped. Money is short, né? He [her husband] also got a call from the administrator to ask about it. I told him he should just leave, but he wanted to stay and get it sorted in case something happened (Respondent #59; Fieldwork Interview; 3 March 2016).*

Burial societies also provide an important intermediating function that helps to smooth out the irregularities in individual income streams.

*Sometimes our members do not pay every month but on a good month we receive about R40,000 but on bad month we receive R30,000 to R35,000. But it depends. During [peak] times, for instance January, children are going to school so people [postpone] payment of their premiums (Secretary for Baba Burial Society; UniQ Insights Interview Transcripts; 8 February 2016).*

While an insurance company may have a difficult time dealing with these fluctuating flows, the institutions that structure burial societies have historically been responsive to the variable and irregular nature of members' financial lives; their intermediation is instrumental in bridging this divide.

Moreover, in partnering with insurance companies, burial societies sign on as the master policyholder. Depending on how many members the burial society covers, it pays

a certain fixed amount to the underwriting insurance company per month. In the event that a particular individual fails to make a monthly payment, administrators retain the flexibility to cover that individuals’

shortfall, at least temporarily. According to Daniel Masego, a retired executive of one of the longest running burial societies in South Africa (The Great North Burial

Society and Funeral Services based in Soweto [Figure 6]), this flexibility



**Figure 6- The Great North Burial Society and Funeral Services in Soweto, South Africa. Photo credit: Christopher Paek**

continues to differentiate burial societies from insurance companies:

*Insurance is cold. An insurance person is a business person. But burial societies are full of warm relationships. Even if you miss payments, people will be there for you at the end of the day. They will cover for you until you can catch up. The members know each other very well, they are like families (Masego, D., The Great North Burial Society and Funeral Services; Fieldwork Interview; 13 November 2015).*

This institutionalized flexibility embodied by the burial society enables the smooth collection of premiums. While a burial society might lose some of this flexibility when they enter into a partnership with an insurance company (a dynamic I explore in more detail below), its core institutional ethos and regulatory structure continues to maintain reciprocal/solidaristic norms.

#### *Enabling Accountability, Transparency, and Recourse: Informal Institutions as Governance Structures*

In Chapter 5, I briefly touched upon elements of the FAIS Act, which came into effect in 2004. The FAIS Act requires all financial advisors and intermediaries—including burial societies and funeral parlors—to meet certain “fit-and-proper” thresholds to ensure that they were minimally qualified to provide financial services to their clients/members. Regulators and industry actors quickly realized that the compliance requirements were far too high and that widespread non-compliance emerged as a result. They responded by initiating a lengthy consultation process (October 2006-September

2008), which considered what requirements would be appropriate for the informal market.

In 2012, the Financial Services Board (FSB) issued exemptions to select financial service providers, key individuals, and representatives who were employed or mandated by an authorized financial service provider. These applied to burial societies and funeral parlors and exempted them from certain requirements (e.g. passing a regulatory examination, meeting qualifying criteria regarding experience, knowledge/skill set, and obtaining minimum educational certifications) that were deemed to be creating barriers for entry into the “formal” market. Even with these reforms, however, the state struggled to draw informal operators into the regulatory fold:

*As we’re speaking today, in order for them to be licensed for FAIS, the requirements have been relaxed so much that it’s not very difficult for a funeral parlor [or burial society] to be licensed under FAIS. But they still do not meet the requirements. This is a historical issue. You have to look at the historical background. The educational levels are not up to the required level. However, some of them are entrepreneurs; they are able to run those informal businesses. But when it comes to formalizing their businesses and to act within a regulatory environment, it’s still a challenge (Modiba, J., FSB; Fieldwork Interview; 10 November 2015).*

In short, formal regulations proved to be limited in their ability to simultaneously protect consumers from “unqualified” financial intermediaries/providers while facilitating market entry for informal operators who collectively have decades of experience servicing this market.

While the state’s steady withdrawal from this regulatory space is tied to its lack of capacity to enforce FAIS and other formal legislation, it can also be read as an implicit acknowledgement by the state that informal governance structures can be leveraged to perform key regulatory functions that formal institutions struggle to provide:

*The FAIS exemption means that burial societies do not have to fork out huge costs to become FAIS compliant. The focus now needs to be on improved governance of burial societies and professionalization of the industry (Sandra Dunn, CEO of the Insurance Sector Education and Training Authority [INSETA]; FA News Interview; 8 May 2013).<sup>31</sup>*

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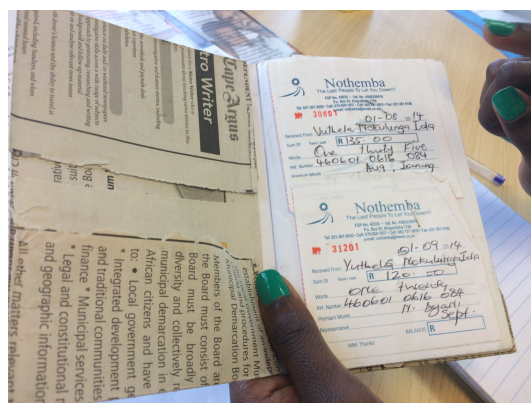
<sup>31</sup> <https://www.fanews.co.za/article/people-and-companies/12/news/1163/inseta-welcomes-fais-exemption-for-burial-societies/13555>



In the place of formal prudential and market conduct regulations, long-standing informal governance structures have continued to provide the rules in force, which regulate the interactions between financial service providers/intermediaries (i.e. burial societies and funeral parlors) and the end-clients. Most burial societies, for example, are governed by an elected or self-appointed committee typically comprised of at least a chairperson, treasurer, and secretary. Committee members are usually trusted members of the community, most often elders. Thus, in cases in which these administrators are unlicensed (i.e. not FAIS-accredited), social status/reputation stands in as the mechanism through which trust and accountability are garnered:

*If leadership misappropriates funds, people lose confidence. To build trust, you have to do the job. For the burial society to work, there has to be trust between the committee and the members. Misappropriation of funds used to be a big problem, but people have grown wiser. They realized that this is a short-term thinking. For the long-term, it is better for everyone involved to make sure the money is taken care of (Masego, D., The Great North Burial Society and Funeral Services; Fieldwork Interview; 13 November 2015).*

Additionally, as detailed in Chapter 4, the majority of burial societies are structured around a founding constitution in which the committee promises to regularly



**Figure 7- Burial Society member's record book.**  
Photo credit: Christopher Paek

share bank statements (typically at monthly burial society gatherings) to help keep finances transparent. Members' payment histories are logged by hand in individualized record books (see Figure 7). As I would come to discover over the course of my fieldwork, burial society and funeral parlor members preferred this mode

of record keeping over more modern, technological methods like computer-based accounting because record books were a long-standing practice with which they were more familiar. These measures were designed over time to institutionalize transparency,

which provided members with some basic safeguards for their money. Even as burial societies and funeral parlors have partnered with insurance companies, these informal conventions of accountability and transparency have largely remained in place; insurance companies have essentially out-sourced the generation of trust to their informal partners.

In the domain of dispute resolution, South Africa's formal institutions (i.e. legal system) offer a number of options that theoretically should provide consumers with effective backstopping in terms of recourse. But even here, the evidence suggests that formal mechanisms of recourse have their limits. Many respondents were simply unaware that such options even existed:

*Interviewer:* In the case you have a complaint or a problem with your policy, what do you do?

*Respondent:* No. Nothing. There is nothing you can do but pray to God. These guys just want the money, so they won't help you even if they are wrong.

*Interviewer:* What do you think the government should do to help?

*Respondent:* They should set up a hotline so people can call and make their complaints.

*Interviewer:* Yes, are you aware of the Ombudsman?

*Respondent:* No.

*Interviewer:* If your funeral parlor is registered and working with an insurance company and you have a problem with them, you should call the Ombudsman. Here, I will give you their phone number (Male Respondent; Johannesburg Focus Group #1; 11 January 2016).

The ombudsman referred to in the interview above was established in 1985 to help mediate disputes between policyholders and insurance providers.<sup>32</sup> Though this service has always been available to microinsurance clients free of charge, not a single respondent I interviewed was aware of this as an available option. Even if clients were aware of formal options for recourse, such as registering their disputes with a small claims court, they expressed little hope that these mechanisms would actually work for them:

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<sup>32</sup> <http://www.ombud.co.za/>



*I don't really know how to make a complaint with the court. I have heard they just write down your issue and they pass it on to someone and then you have to explain your problem again. At the end of the day, they can't do anything to solve it, so it is a waste of time in my opinion (Female respondent; Durban Focus Group #2; 15 January 2016).*

Whether due to a lack of awareness or faith in formal institutions of recourse, burial society and funeral parlor members turn to informal means in order to settle disputes:

*Councilors are members of the community that we can turn to to help arbitrate the process of distributing money or settling disputes as a result of a funeral. If the councilors can't solve it, then we can bring the matter to a chief (Male Respondent; Johannesburg Focus Group #1; 11 January 2016).*

What these respondents' comments reveal are the limits of formal state institutions, i.e. laws and courts, in their ability to secure the rights of clients who either don't trust in these institutions and/or lack the capacity/power to press their claims through their channels. In his study of the contestations and politics surrounding South Africa's land reform process, Ben Cousins asks a key question in the context of property rights: how can the rights inscribed in formal law become de facto rights in reality?

*Formally defined rights intersect and interact with other institutional frameworks, both formal and informal, in the real world contexts of the prospective rights-holders. Both centrally involve issues of power, authority, and contestation, and require us to consider law as only one source of rule-making in society (Cousins, 1997: p.4).*

Similarly, in the microinsurance space, issues of recourse, dispute resolution, and consumer rights are resolved within a "messy matrix;" multiple institutional orders are embedded within "unequal and dynamic social relations," (ibid.: p.12) and are thus in varying states of tension and cooperation. Though formal insurance laws may be a necessary component of securing the rights of microinsurance clients in the long term, they are, as yet, insufficient in a low-income market context in which levels of trust, capacity, and individual agency are low with regard to formal institutions. And though by no means do informal mechanisms guarantee fair outcomes, their presence can fill in for formal institutions that are, by and large, unavailable, illegible, or not trusted by most low-income clients. In other words, informal institutions enable microinsurance

operations by offering clients an option for recourse that is at least familiar, accessible, and somewhat effective. But as I will argue below, they can also present competing institutional systems that undermine the goals of formal institutions.

### **Competing Informal Institutions: Incompatible Regulatory Regimes**

#### *Addressing the Need for a Monetary Option Through Formal Regulation*

In Chapter 5, I made brief mention of the state's attempt to better enforce a long-standing provision: the right to a monetary option. To briefly recap, this provision allows funeral parlor clients the right to claim a cash payout rather than the in-kind services offered by their funeral parlor. Coming out of parliamentary hearings in 2003 and 2005 on the state of the informal funeral services market, subsequent studies have underscored the importance of enforcing this regulation by highlighting at least three ways in which low-income funeral insurance clients were inadequately protected or otherwise being abused (Van den Berg et al., 2016). First, without having to provide a monetary payout, funeral parlors have more flexibility to adjust the quality of the services paid out as claim, particularly if they are dealing with financial problems. Clients experience this adjustment in service quality as a broken promise:

*The undertaker didn't do what the family wanted him to do. They didn't offer a cash payout either. Our package was supposed to give us two buses [for the transport from the service to the gravesite] but we only got one. We went after to ask for a refund, but they didn't give it to us. So they were being dishonest. Maybe it happens to a lot of people, I guess it happens to everybody (Female Respondent; Johannesburg Focus Group #3; 12 January 2015).*

Second, it is quite common for clients to cover the same family member under multiple funeral insurance policies. The way many of these policies are designed, clients are given the option to include multiple people under a single policy. As an example, if four siblings of a single family fail to coordinate with one another, and they each pay premiums to separate funeral parlors to cover their parents, the situation that eventually arises is that the siblings will have to choose the best funeral parlor among the four policies to provide the service. If funeral parlors withhold the monetary option, the three

siblings whose funeral parlor was not selected simply lose out on all their premium payments. This scenario is indeed what was revealed over the course of several focus group interviews:

***Interviewer:** What happens if there are multiple policies covering one person? Would you get the money back? [group laughter]*

***Respondent:** No, these funeral parlors will never give you the money back. Once they have it, the money is gone.*

***Interviewer:** So how did your family handle this situation?*

***Respondent:** We decided to choose my sister's funeral parlor. They offered the best package. That is how we decided.*

***Interviewer:** What about your policy?*

***Respondent:** I just cancelled it.*

***Interviewer:** How long have you been paying for the policy?*

***Respondent:** Not long, maybe six months ago (Female Respondent; Durban Focus Group Interview #3; 15 January 2016).*

It was not entirely clear from the interviews why most respondents did not coordinate with their family members to avoid multiple coverage scenarios. One plausible explanation is that clients are hedging their bets in case a funeral parlor policy fails to pay out. Regardless, from the view of consumer protection advocates, the lack of a monetary option puts clients at a distinct disadvantage vis-à-vis their funeral parlors, even if clients may not be fully aware of this issue.

Finally, situations often arise in which covered beneficiaries happen to die in areas not serviced by their funeral parlor (i.e. if the beneficiary dies in a different province). In some cases, if the funeral parlor has the capacity, it will simply charge more in transportation costs to retrieve the body. But in other cases in which this option is not available, family members have no choice but to switch to a funeral parlor closer to the body. Again, if no monetary option is available, they simply lose out on all their premium payments.

The intention of the monetary option policy was to help address these gaps in consumer protection. Its preliminary inclusion into Section 53 of the Long-term Insurance Act of 1998 held that the value of the monetary option be equal to “the cost that would have been incurred by the long-term insurer” had the in-kind benefit been provided. Due to the uncertainty that this caused in the market, the Insurance Laws Amendment Act of 2008 amended the provision such that the policy must “1) Provide that the policyholder is entitled to demand that the policy benefit be provided as a sum of money in lieu of the benefit on the occurrence of the event insurance against; and 2) State the amount of the policy benefit that is to be provided as a sum of money” (Insurance Laws Amendment Act No. 27, 2008; Government Gazette, Republic of South Africa). Notably, the 2008 amendment dropped the requirement that the monetary benefit must be equal to the cost of the in-kind benefit. For those funeral parlors that did comply with this regulation, this omission gave rise to market practices in which large discrepancies between the value of the in-kind benefits and the monetary option were observed.<sup>33</sup>

While state and industry actors are quick to label these practices as market abuses, funeral parlor respondents make clear that the monetary option is withheld as a key strategy for them to limit their risk exposure:

**Interviewer:** *Do you offer your clients an option between your services and payouts in cash?*

**Respondent:** *Yes, I can give them the cash if they ask, but they always take the service.*

**Interviewer:** *I have heard that a lot of funeral parlors won't provide the cash option. Why do you offer this option when others don't offer it?*

**Respondent:** *I want to serve my clients at the end of the day. If they want something, I will deliver it. It's not just about money for me. I want to provide my clients with a good service. These other guys, some of them are thieves, you have to be careful. But a lot of funeral parlors have problems with their businesses. It would be hard for them to give money back. I think a lot*

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<sup>33</sup> The proposed Microinsurance Policy Framework sought to revert to the former position with the additional requirement that the insurer disclose the value of the monetary benefit upfront and that the face value of the in-kind benefit and the monetary option provided be the same. As previously noted, the Microinsurance Framework policy document's recommendations have not yet been implemented into law.

*of them would go out of business (Dumile, Hlubi Funeral Services; Fieldwork Interview; 16 March 2016).*

Though it was difficult, methodologically speaking, to find funeral parlor staff who openly admitted to any kind of financial difficulty, it seemed to be a widely held view within the industry that for funeral parlors to both maintain their low price points and remain solvent (or profitable), they had to retain the flexibility to adjust down on the value of their services when needed, i.e. withhold the monetary benefit option.

#### *Misaligned Goals, Competing Institutions*

Institutionally speaking, the goals of a funeral parlor are not centered on risk mitigation. Rather, as informal businesses, funeral parlors are designed to deliver services and to generate profit. The monetary option policy is thus a point of contestation that reveals how the underlying goals of formal and informal institutions can be misaligned. Despite the fact that the monetary option provision is included in formal legislation, many focus group respondents reported that they signed contracts with funeral parlors that included explicit provisions denying a monetary benefit. For example, a respondent in Johannesburg shared the contract he signed with his funeral parlor, SFS Funerals, in which the terms and conditions clearly spell out the monetary option policy: “There’s no cash payout or whatsoever when SFS Funerals is not providing a funeral service” (see Figure 8).

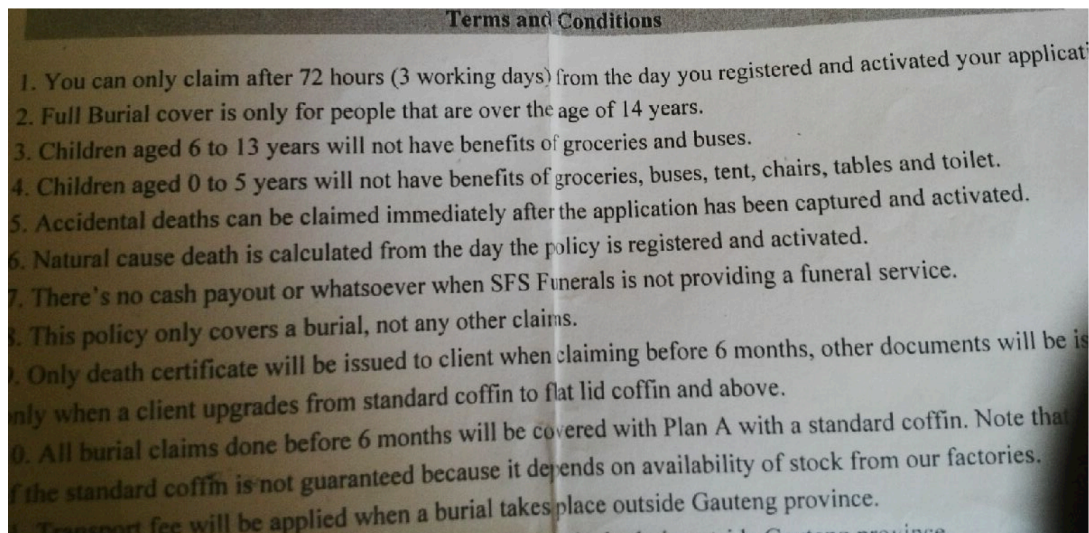


Figure 8- Contract agreement with SFS Funerals. Terms and conditions item #7 stipulates the monetary option policy. Photo credit: Christopher Paack

Regardless of if these funeral parlor contracts have any formal legal standing, they are the institutional mechanisms in force that structure the de facto relationship between funeral parlor providers and clients. Most if not all clients I interviewed were unaware that they were, in fact, entitled by formal insurance law to claim a monetary benefit. Even if they had been aware, it is unlikely that they would have the institutional means to compel funeral parlors into complying with this regulation. In fact, according to Iske Murdoch, a financial policy researcher based in the Centre for Financial Regulation and Inclusion (Cenfri), the monetary option issue presents a strong disincentive for funeral parlors to formally register their businesses:

*It's very common, and indeed necessary for informal funeral parlours not to provide this [monetary option]. Of course, informal guys don't comply with any regulation, so for them it's not even a question whether to provide a cash payout. The point is that this will be a sticky point that makes them not want to formalise, should the MI framework be implemented...Consumers also don't know that this is a right that they have or even why they would want such a right, so are not placing any pressure on providers (Murdoch, I., Cenfri; Email Correspondence; 16 February 2016).*

By remaining outside the reach of the state regulatory system, funeral parlors are able to maintain an informal institutional regime that both reflects their set of incentives and competes with unfavorable formal regulations that would hinder their goals. Unsurprisingly, the resulting outcome is one in which funeral parlor operations are

solidified while their clients are exposed to an often undetected form of risk. Given state and industry's inability to enforce the monetary option provision, the informal rules, which are in direct contravention of formal law, trump formal ones to regulate provider-client relations.

In this context, competing informal institutions should not be understood as suboptimal or necessarily abusive. Although abusive practices certainly persist in the informal insurance market (e.g. price gouging via uncapped commission rates), informal institutional regimes also enable organizations like funeral parlors to function sustainably in a low-income, volatile environment. The strict imposition of formal regulations like minimum capital requirements, monetary option benefits, and capped commissions would be severely constraining to the development of informal businesses, and would undermine efforts to include low-income households within the formal financial system. Following Rodrik (2008), I argue that a “second-best” institutional mindset is required to understand that informal governance and economic institutions can be more efficient/effective than formal institutions, particularly in contexts in which enforcing formal regulations are too costly or otherwise unfeasible (see Dixit, 2003).

### **Formal to Informal, Informal to Formal: The Two-Way Flows of Institutional Change**

#### *Top-Down Change: The Professionalization of Burial Societies*

Informal institutions that complement and enable formal microinsurance operations are put under pressure to change in ways that more efficiently aligns with the needs of a profit-driven bureaucracy. For burial societies, in particular, which are primarily designed according to the principles of solidarity and reciprocity, engagements with insurance companies can induce fundamental shifts in core institutional logics. In terms of operational practices, for instance, I have shown in Chapter 5 how insurance companies utilize a range of discourses and managerial technologies to shape their



informal partners. Pieter Murray, a sales executive at Assupol who manages a portfolio full of underwriting partnerships with burial societies, quite literally gives informal operators the hard tools to become more efficient and “business like”:

*These businesses were started by entrepreneurs and handed down. They don't have a lot of corporate governance; most are community-based. Simple things like record keeping are not very sophisticated as they do it by hand. So it's hard to draw them into a formal regulated market. But to bridge that gap, we provide them with systems, computers, data software, training, what have you, so they can use it. We see it as a partnership in taking that business to the next level. And it's a part of our corporate social responsibility (Murray, P., Assupol; Fieldwork Interview; 18 November 2015).*

Self-interest, not just altruism, motivates insurance companies to retrofit burial societies/funeral parlors with these technologies and managerial techniques. The collection of quality data, in particular, is a strong incentive for insurers who want to price premiums more accurately or who may want to use the data in order to access individual clients directly, effectively circumventing intermediaries altogether.

The pricing of premiums is also a key point of convergence and contestation between formal and informal institutions. What was remarkable to observe in the field was the extent to which monthly dues for burial societies were largely uniform regardless of size, membership characteristics (e.g. age, health, gender, etc.), or even region. This is reflected in the analysis of my survey data (N=55), which yielded a mean of R146 in monthly burial society dues expenditures, a mode of R150, and relatively low levels of dispersion from the mean (standard deviation=56), with the exception of a few outliers (See Figure 9).



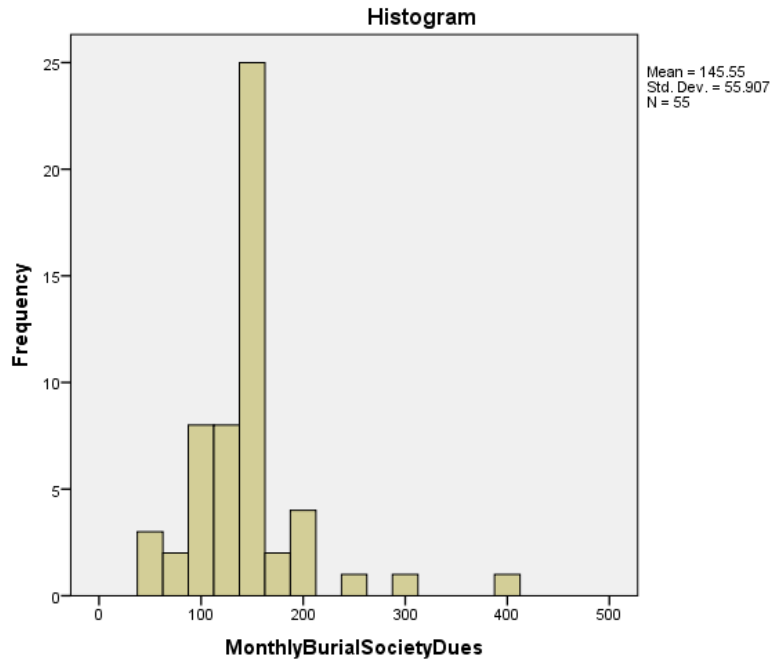


Figure 9- Frequency Distribution of Monthly Burial Society dues (in Rands)

The reason for this conformity is because informal providers typically do not employ risk-based pricing. Instead, it is the market that sets the price:

*I can promise you there's no actuarial science behind it. What you get...there are two phenomena. You get the guys who just want to be in the same playing fields, so they will never be over or above. You also definitely get the guys who come in and want to have the quick bite and undercut all these other parlors. I've seen that more than once (Katzke, L., KGA Life; Fieldwork Interview; 26 February 2016).*

For burial societies that can't adjust down on services like funeral parlors can, market-based pricing opens them up to the risk of insolvency and/or covariate shock (e.g. many members dying at the same time), particularly if they make their monthly dues too low or if they remove too many safeguard restrictions. But, of course, what compels burial societies to maintain lower monthly dues and relax certain rules in the first place is to better align with members' livelihood strategies and volatilities. For their parts, members exhibited a basic understanding and acceptance of the limits of burial societies as financial institutions:

*There's a replacement of money if many people die at one time. They will raise the money for a few months from R100 to R130 or something like that. In my opinion, the money will never be finished. Yes, it does get chowed [depleted], but the society will not run out. In our burial society,*

*we have a treasurer who brings last month's statement and current statement. We all have the right to check how much money is going in and out. Some months are less and other times they are more, because things happen in life né? In the Christmas time, people are traveling home; usually there are road accidents. So sometimes we have to pay more to the burial society to cover* (Female Respondent; Johannesburg Focus Group #4; 12 January 2016).

In other words, in exchange for a more flexible, collectivist form of risk mitigation, members seem to implicitly shoulder at least some risk.

But as burial societies more closely integrate with insurance companies, they increasingly adopt rules and practices that align with corporate interests. Informal operators like burial society administrators and committees are essentially co-opted by insurance companies to restructure premium regimes and schedules to approximate actuarial frameworks. As a result, the client experiences a shift in institutional logic and form. The switch to premium-based models has led to fewer regular meetings and opportunities to build social bonds with fellow burial society members. And crucially, the new model relies more on individual members' ability to maintain regular payments; the risk is thus shifted from the collective to the individual.

Moreover, the flexibility, which is characteristic of most burial societies, gives way to a much stricter, actuarially inspired regime enforced by administrators/committees. Whereas previously, burial societies could be counted on to find ways to make things work if there were problems with a payment, the new rules imposed by underwriting arrangements are far less forgiving when it comes to income volatility. Mpumelelo Nxasana, a former burial society administrator himself, explains how when a burial society enters into a partnership with an underwriting insurer, the first thing that needs to be re-negotiated is the premiums/claims ratio:

*When they [burial societies] come to KGA...[I] will look and see there is something like 30 lives assured. That's [a liability of] R177,000 and they're only paying premiums of R120. You realize that these premiums are too low. Then [I] tell them, I can do this for R200* (Nxasana, M., KGA Life; Fieldwork Interview; 11 December 2015).

If burial society administrators are unwilling or unable to raise premium rates, they

typically negotiate by lowering the sums assured instead. Nxasana also pointed out that administrators who opt to underwrite their burial societies were now technically required to comply with regulations that governed financial intermediaries (i.e. fit and proper requirements under the FAIS Act), although enforcement was rarely carried out.<sup>34</sup> The general point to be highlighted here is that the formal system exerts various pressures on burial societies to adjust their practices to align closer with risk-based, bureaucratic norms and logics. In the following chapter, I will further explore the role of burial society administrators in negotiating the tensions between maintaining social and cultural norms while acceding to financial practices that are increasingly shaped by their insurance company partners.

*Sparkling Innovation: How Informal Institutions Affect Formal Institutions*

As noted earlier, institutional scholars have found that the success of formal institutions depends in part on their ability to “map” onto existing informal institutions and structures (Boettke et al., 2008; Williamson, 2009). These findings are not lost on industry actors who have had extensive experience working in the informal funeral market:

*Our informal market is so culturally embedded...How they purchase insurance products, specifically funeral products, is very different to you and I. It's so culturally embedded in the sense that they look at their church pastors who hold such a powerful influence in those communities, and they shape how the informal market purchases insurance. It's so important to understand the context of these communities (Scheepers, M., ASISA; Fieldwork Notes; 12 October 2015).*

As Van der Westhuizen explained, insurance companies must be mindful of and navigate the various and intersecting social institutions that govern their target market, particularly as it pertains to group-based policies:

*You have to, first and foremost, when you're dealing with any of these traditional structures, you have to have a very clear understanding that the elders still make the final call on these things,*

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<sup>34</sup> The Microinsurance Bill would have lowered FAIS requirements for informal operators like burial society administrators. With lack of enforcement on the current law, many informal operators are de facto unregulated.

*and you have to be very respectful. When you look at your demographic, you have to be very certain, because some of the demographic also don't even allow a female to talk to men at all...and so for argument's sake if you do find a man from the right clan and all of that, you also have to make sure he's the right age because if he's too young, they also won't take your advice. There's just so many difficulties about access, it's not just normal retail business (Van der Westhuizen, A., Old Mutual; Fieldwork Notes; 28 September 2015).*

For larger insurance companies like Old Mutual, recognition of the social complexities of the low-income space is instituted to some extent into their hiring practices. As I will demonstrate in the following chapter, insurance companies employ sales agents who are from the communities that microinsurers are targeting in order to leverage their intuitive understanding of social relations and their affective forms of labor. Through this labor, insurance companies are enabled to better navigate an unfamiliar institutional terrain.

Moreover, the effort to work with and, at times, circumvent these social institutions has sparked a number of innovations in the way traditional insurance companies operate. These innovations have ranged from small token gestures (e.g. record books, see Figure 7) to fundamental changes in the way insurance business is conducted. For example, as a smaller retail funeral insurance company, KGA Life is highly attuned to the way their clients' expectations have been shaped by informal institutions, and adjust their services to mirror them. Burial societies, for instance, are essentially structured as an informal savings mechanism; members pay in regularly, but they expect some kind of pay out at a future date. Burial society members who are new to insurance seem to have some difficulty reconciling their previous experiences with the concept of sum-assured cover as interview respondents make clear:

*Insurance companies in South Africa still struggle to structure their policies in a manner that fits the way these burial societies are structured. These new insurance clients, they will come in and pay their premiums every month, but if they cancel their policies, they will now expect to get their money back, you see? We have explained it to them, we have even signed the contract, but some will still ask for their money (Nxasana, M., Old Mutual; Fieldwork Interview; 11 December 2015).*

*I will stay with the stokvel and the burial societies. These insurance companies are a scam. You pay them and if you cancel, they just keep all your money. It is for white businesses; they will scam you to keep your money. What if they lose your paper on purpose? With the stokvel you*

*can keep track of your money (Respondent #16; Group Interview #1; 21 November 2015).*

Recognizing this pervading sentiment in their target market, KGA Life opted to innovate by offering an “Xmas Box Funeral Plan” (see Figure 10). This product essentially added a savings component to the baseline insurance product; for a slight increase in premiums per month, clients were paid back a dividend or “bonus,” of R1000 in cash at the end of every year. This was a popular product not only because it gave clients a sense that they were getting something back for their premiums, but it also



**Figure 10- KGA Life's Xmax Box Funeral Plan Promotional Brochure**

provided them with a useful lump sum of cash during a Christmas season in which they needed to buy presents for family and friends. It also aligned with a mental framework that had been shaped for years by the rhythms of burial society membership. Innovations like these have helped insurance companies map their operations onto the existing informal institutional landscape.

Finally, in terms of the formal regulatory space, the resilience and sheer scope of informal infrastructures have made it impossible for the state to turn a blind eye. Thus, the challenge that continues to confront the state is to craft a framework that balances the needs of both informal and formal insurance providers:

*What is the regulatory framework that's going to allow the formal and informal players to work better together? It's really going to take the formal players [having a] better understanding of the informal market because I think, to be quite honest, a lot of the formal players...they think they know exactly about what's happening in the informal market. I think that there's a lot more education that needs to take place. And I think a lot more willingness needs to happen among the informal market to meet formal players halfway. How we go doing that, I think is the responsibility of the policymaker and the regulator (Scheepers, M., ASISA; Fieldwork Notes; 12 October 2015).*

To date, the state's approach has been to codify informal institutional arrangements into

its existing regulatory frameworks, i.e. classifying funeral parlors as “assistance businesses” and burial societies as “friendly societies,” and crafting legislation to recognize them under formal law. But as I have demonstrated here and in previous chapters, this codification has largely been confined to *de jure* rather than *de facto* regulation. But given how essential and embedded these informal structures have become within South African microinsurance value chains, the state continues to work toward modifying formal institutional frameworks that would provide stronger incentives for informal providers to register themselves into the state’s regulatory system.

## **Conclusion**

This chapter has examined the ways in which formal and informal institutions interact in order to regulate the South African microinsurance market. While Helmke and Levitsky’s (2006) work focuses on informal *political* institutions, the typological framework they developed to study this interaction has nevertheless been useful in my analysis of economic institutions. Given the limited capacity of the state to enforce microinsurance regulations, I find that formal institutions (both of state and industry) have mixed degrees of effectiveness in this space. Moreover, the ways in which these institutions interact depend on whether their underlying goals are compatible or at odds with one another.

In the case of burial societies that have been underwritten by insurance companies, for example, I find that informal economic and governance institutions complement formal regulatory structures that have largely struggled to align with the livelihood patterns of the poor. By intermediating the circulation of premiums/claims, burial societies essentially help to smooth and regularize volatile income flows that insurance companies have difficulty accommodating on their own. Burial societies’ mechanisms to safeguard accountability and transparency are also valuable institutions that help maintain a minimum threshold of trust; onerous consumer protection/market

conduct regulations alone cannot secure this without forcing informal providers out of the market. Thus, informal institutions serve to enable formal microinsurance operations to deliver risk mitigating financial services to low-income households.

On the other hand, informal institutions can also undermine the effectiveness of formal institutions if underlying goals are misaligned. In such cases, informal regulatory regimes can compete or contradict formal ones. In the example I presented, funeral parlors are in the regular practice of withholding a monetary benefit option to their clients, often including these provisions explicitly into contracts (which may or may not be sanctioned by the state). Despite the fact that these policies directly contravene formal regulations that mandate assistance businesses (funeral parlors) to provide a monetary option, I found that it was the funeral parlor contracts that held sway in this space. While regulators and industry actors were quick to label such practices abusive, such practices are often necessary for informal operators to continue providing services.

The different ways in which formal and informal institutions interact raise interesting questions about the underlying factors/conditions that determine whether an informal institution complements or competes with formal ones (or some other form of interaction). While this chapter has identified a number of these factors, namely the effectiveness/ineffectiveness of formal institutions and the compatibility of institutional goals, it has not taken into account the role of individual actors in determining the nature of these interactions. Nor has it given a full treatment of issues related to power. As Cousins (1997: p.4) has argued, formal and informal institutions interact within a “terrain of struggle,” in which individual actors have to make sense of and negotiate between the various regulatory systems inscribed in both law and practice. These negotiations are ultimately shaped by power relations. Thus, the focus of my next chapter will be on the role of individual agency within processes of institutional interaction and change, and on the power dynamics that mediate between actors and institutional structures.

Finally, while the analysis in this chapter gives equal weight to the regulatory effects of both formal and informal institutions, it highlights the critical role that informal institutions play in enabling or inhibiting the development of microinsurance markets. These insights offer a critique to design inspired perspectives embedded within new institutional economics (NIE) frameworks, which assume that institutions can be “crafted” to induce desired outcomes (Ostrom, 1990; De Soto, 2000; Acemoglu et al., 2001; Rodrik, 2004). For as much as formal institutions have exerted pressure on informal structures to become more aligned with a business, rather than reciprocal/solidaristic ethos, informal, social institutions have sparked innovative changes to standard insurance practice, and have carved out a niche within the formal regulatory structures of the state. In other words, the currents of institutional change flow both ways. Thus, in the context of South African microinsurance market, institutional (and welfare) outcomes are not engineered, but rather result from a dynamic, negotiated process between institutions that interact in a myriad of complementary and competing ways.



## 7—The gatekeepers: The role of mediators and intermediaries in sustaining microinsurance markets

The previous chapters have examined formal and informal institutions (and their interactions) in the abstract, as sets of norms, rules, organizations, logics, customs, and traditions that blend together in dynamic ways. What has been missing thus far is an accounting of individual actors and the ways in which they navigate, respond to, and shape the institutional terrain. How do they figure into institutional dynamics? In what ways are different actors constrained and/or empowered by institutions? And what role, if any, do individuals play in inducing institutional change? These questions of individual agency form the basis of inquiry for the following two chapters. While Chapter 8 will focus on the experiences of microinsurance clients and burial society/funeral parlor members, this chapter will consider the role of providers, more specifically, microinsurance brokers.

In this discussion, I return to Frances Cleaver's notion of "institutional bricolage," which captures the ways in which new/old, formal and informal institutional forms are grafted onto one another:

*Bricolage consists of the adaptive processes by which people imbue configurations of rules, traditions, norms, and relationships with meaning and authority. In so doing, they modify old arrangements and invent new ones but innovations are always linked authoritatively to acceptable ways of doing things. These refurbished arrangements are everyday responses to changing circumstances. Institutional bricolage implies more than simply making up and making do...institutions must be legitimized and imbued with authority to have any purchase on the job to be done and to ensure over time and space (Cleaver, 2012: p.34).*

In keeping with this metaphor, this chapter conceptualizes brokers as bricoleurs who "piece together" risk management institutions into new forms, which are re-purposed toward new ends. These bricoleurs reside at the intersections between formal and informal spheres and are thus ideal subjects of the empirical gaze.

This chapter will also build on some of the insights produced by a vast anthropological and sociological literature on brokers and intermediaries/mediators,

which has shed light on the ways in which they enable and produce coherence between institutional spheres. Deborah James has argued, for instance, that transitional settings such as post-apartheid South Africa provide fertile conceptual and empirical grounds for “the return of the broker” (James, 2011). By “return,” James is alluding here to the disappearance of the broker as a relevant point of analysis in the structural and post-structural traditions, particularly Marxist-inspired scholarship, which locates power primarily in the post-colonial state (James, 2011; Lindquist, 2015). These accounts stress how structural and governmental power shapes/constrains individual subjectivities, all but sidelining questions of agency (Lindquist, 2015).

However, with the rise of neoliberalism, which has challenged state-focused, structuralist analyses of power, James has noted a revival of interest in the figure of the broker—and processes of mediation more broadly—as critical nodes along the shifting fault lines that delineate institutional spheres (i.e. state/market, formal and informal economic/governance systems, etc.). Following the work of Bruno Latour, Mosse and Lewis argue that these brokers are critical insofar as they “translate” between otherwise disparate registers, work that “permits the negotiation of common meanings and definitions and the mutual enrollment and co-optation into individual and collective objectives and activities” (Mosse and Lewis, 2006: p14).

This chapter builds upon these perspectives to explore how brokers sustain microinsurance operations through this work of translation. The analysis shifts away from a focus on the structural and institutional underpinnings of microinsurance markets to highlight how mediators function within the interstices of disparate institutional/regulatory systems. More specifically, the chapter will bring to light the various practices and strategies these actors deploy to essentially bring heterogeneous frameworks, ways of thinking, and systems together to produce a coherent microinsurance value chain.

Building loosely upon Latour's (2005) distinction between mediators and intermediaries (i.e. mediators as "translators" versus intermediaries as "dumb pipes"), I identify four human and non-human mediators/intermediaries that operate along this formal-informal value chain: 1) Insurance agents; 2) Mobile network operators; 3) Funeral parlor operators; and 4) Burial society administrators. The chapter is designed as a comparative case study; the different cases help to clarify not only how different actors are constrained and/or enabled by emergent institutional forms, but also how they effect change upon the institutions they mediate. By contrasting insurance agents with mobile network operators, for example, I highlight how the mediator's work of translation is critical in cohering disparate actors and frameworks, producing the trust upon which consumer decision-making is based. Moreover, comparing the cases of the funeral parlor operator and the burial society administrator highlights how social identities and institutional logics are remade in relation to their respective positions along the value chain and their control over the "critical junctures," (Wolf, 1956: 1075) which hold this chain together.

While I construct and analyze these case studies separately, there is, in practice, much overlap in the way these different actors and institutional forms interact. In the final section of the chapter, I aim to bring these threads back together to examine the linkages between these disparate (inter)mediations and how they animate processes of inclusion into formal microinsurance markets. The analysis reveals that while mediation works to produce and maintain "coherent representations of social realities" (Mosse and Lewis, 2006: p.16) that make it possible for heterogeneous systems to come together, it also produces/entrenches power inequalities at different scales, complicating the notion that favorable risk outcomes are distributed equitably. I argue that this divergence of outcomes can be understood as a function of divergent forms of mediation that are shaped by these power relations; different types mediators and intermediaries inhabit

differential positions of power, which matters in terms of how evenly or unevenly the benefits of financial inclusion are distributed. Risk and welfare outcomes must be understood within the context of these power dynamics.

### **Insurance (Double) Agents and the Hard Work of Translation**

*Lindelwa, Old Mutual Agent: Affective Techniques and Emotional Labor*

In market contexts in which insurance is not well known or understood, sales agents play a critical role in making insurance products legible to local ways of understanding. For instance, in China where there is a strong cultural taboo against thinking and talking about premature death, Chan (2012) found that sales agents had to frame life insurance as a novel money management instrument that appealed to the prevailing cultural ethos of saving for “yanglao” (retirement). Only then, she discovered, were life insurance products able to be sold. In this context, a seemingly insurmountable cultural barrier for the sale of life insurance was circumvented through the work of a mediator. Thus, Chan describes the process of building insurance markets as a “cultural project” in which “practice and meaning are constructed and reconstructed through interactions, negotiations, collaborations, and contestations” (Chan, 2012: p.174). The insurance agent is central to this project.

In South Africa, the subject of death does not seem to constitute the same kind of taboo as it does in China. In fact, it often took me aback just how candid respondents were when it came to very personal and painful accounts of death. Rather, the challenge for insurance companies in the South African context has more to do with building trust, as many insurers discovered when they first opened retail operations in townships. For example, an executive with KGA Life recounted that when they opened their branch in Khayelitsha, it took over six months before anyone bought a policy:

*What we found through really living the hard way was that people have been burned in this industry before...What they [the clients] want to see is whether you're still there six months down the line and the claims are paid out. And then that word of mouth element follows*

*through to the market...We're now seeing the dividends of having that sort of longer-term approach, purely built on trust (Katzke, L., KGA Life; Fieldwork Interview; 21 September 2015).*

What this executive is speaking to is the wider context of mistrust in which clients live their daily lives. This environment is typically characterized by high crime rates, lack of formal legal recourse, a lack of consumer advocacy and education, and high levels of unemployment. Generally speaking, clients themselves have been defrauded, or have known neighbors and family members who have been defrauded, by fly-by-night funeral service providers, corrupt burial societies, and/or other scammers who have eroded trust throughout the market environment. It is through this lens of mistrust that low-income clients perceive and interpret formal insurance products.

Insurance agents, who are typically recruited from the communities they service, are key figures in the production of trust. Building this trust goes beyond simply speaking the same language as or sharing the same ethnic identity with their clients. Rather, it is better captured in Chan's notion of a cultural project, an intimate process in which affective techniques are mobilized to forge a social relationship that is simultaneously and inextricably tied to a formal economic one. This dovetails with a broader anthropological literature that has recognized how affect and social ties are constitutive of financial practice and consumption in what Illouz (2007: p.23) refers to as "emotional capitalism" (see also Kar, 2013). In Golomski's (2015: p.80) view, commercial insurance can thus be understood as a "compassion technology."

Lindelwa, a Khayelitsha resident, is an insurance agent with Old Mutual, one of South Africa's largest insurance companies. She has been selling policies for nearly 15 years, and the biggest change she's witnessed in that time is that new clients are coming to the office to buy policies, rather than her having to go into the community to pitch new clients. Lindelwa explained that this is the result of a growing recognition of the value of insurance among low-income households and a budding trust in formal

insurance companies like Old Mutual. She also expressed a love for her job and engaged a discourse of altruism to explain why:

*I explain to them [clients] that all of this is not for me but it is for them...People have put their trust in me. And you see, many of them are from Eastern Cape, I tell them, even if you go to Umtata [Mthatha], if you see an Old Mutual, they will take care of you like I did because they will have your portfolio. It's all about trust. At the end of the day, I just want them to get the good results (Lindelwa, Old Mutual; Fieldwork Interview; 13 October 2015).*

Despite some of the presuppositions held by many client respondents—that insurance companies were cold, calculating entities who cancelled policies for any slight infraction—Lindelwa presented a more empathetic face for an otherwise faceless insurance company. The individual trust she was able to earn from clients was then generalized to the Old Mutual brand writ large.

Although technically trained as a certified insurance agent and compliant with all the formal regulations governing financial intermediaries, Lindelwa opted instead to employ a more relational, informal approach to her many clients:

*If a client has a problem with a policy, I tell them just come it's ok, we can sort it. Each and every client I give a business card...and then now with WhatsApp [a personal messaging service], Sho! [laughs]...it's always, 'Please check this, please fix that.' Even if I'm off, weekends, time with friends. Then some of them, they think I'll do everything for them. They will phone me 'Sisi please, deduct [the premium] now! There is money in the bank, please deduct now!' [laughs] (Lindelwa, Old Mutual; Fieldwork Interview; 13 October 2015).*

Lindelwa inhabits the social identity of a member of her local community who has all the right connections to help her neighbors. And while she clearly derives much value and a sense of purpose in this care component of her work, the burden is placed squarely on her to be personally available to more than 700 policyholders under her portfolio.

*Zenzile, KGA Life Agent: Disciplining the Clients*

These affective, personal techniques not only secure trust for microinsurance products and specific brands, they enlist clients into the normative scripts put forward by the formal insurance system. Mosse and Lewis (2006: p.13) have referred to this process as “the mutual enrollment and the interlocking” of disparate interests/frameworks to

make real, or produce “project realities,” in this case, formal microinsurance markets. In other words, not only do agents have to be fluent with the cultural norms and languages of their clients, they have to discipline clients into complying with the unfamiliar logics and practices of insurance. In so doing, these heterogeneous spheres are made to cohere, thereby enabling microinsurance transactions.

Zenzile, a sales agent with KGA Life, expressed how the disciplinary aspect of his job requires as much of his attention as does building trust with his clients:

*We have to educate the clients about the products that we have, and how it works...We give them the number where they can call us, or they must come to the branches, because there are terms and conditions they must understand, you see? We have a Facebook page too so they can ask their questions...but still, clients, they always come back with complaints, every time. And we will have to explain it again (Zenzile, KGA Life; Fieldwork Interview; 22 October 2015).*

According to Zenzile, grievances are often related to unresolved disparities that persist in clients’ minds between formal microinsurance and the informal risk management systems to which they are more accustomed. One of the most common and recurring complaints, for example, suggests that many of Zenzile’s clients do not fully grasp the concept of insurance itself. In burial societies, members contribute money into a collective pool that is essentially held as a trust. The mental model that would be the most proximate is that of a savings account. Insurance, on the other hand, operates according to actuarial principles; if the defined event does not come to pass, there is no payout and the client loses out on the premium payments. Zenzile explained that many clients who opt to cancel their contracts expect to have their premium payments returned. Part of Zenzile’s job was to explain why this was not the case and to deal with the complaints and accusations of theft that would inevitably arise.

Another common misunderstanding arises when a policy lapses due to non-payment; clients often had the expectation that they simply had to pay their next installment for the policy to come back into effect. While KGA Life and other insurance companies have built in non-payment grace periods into their microinsurance products,

they typically expire after only 1-2 months, at which point, the policy is voided entirely. To regain coverage, a client would have to sign a new contract, go through another waiting period, and most likely pay another joining fee. In contrast, while burial societies do suspend coverage for non-payment, most restore it immediately after payment resumes. Most of Zenzile's clients assumed insurance worked the same way:

*The ones who come in to complain are the ones who are not paying their policies. They will ask, 'Why has my policy been cancelled?' Some of them come and lie and say, you never said anything like that. But there is a binding contract that [they] signed. I even explained it to [them], the terms and conditions, but you must show them the paper so they can't say you are lying (Zenzile, KGA Life; Fieldwork Interview; 22 October 2015).*

Here, Zenzile points to the important distinction between transparency and legibility. While contracts are the most efficient way to establish the ground rules between two parties, they do not ensure that actors are operating on a level playing field in terms of understanding those rules. Mediators like Zenzile are critical in bridging this gap between transparency and legibility:

*I have to explain it again and again to them [the clients]. In person. They are not used to it. Many of them, they don't understand what they sign, they just want the funeral service, né? But even if they sign the paper, I have to explain it to them, the terms and conditions, because that is the legislation. The FAIS Act (Zenzile, KGA Life; Fieldwork Interview; 22 October 2015).*

Insurance agents like Lindelwa and Zenzile are thus counted on to deploy their emotional, affective labor while simultaneously upholding the rigorous standards set forth by formal insurance practice and regulation. This puts these mediators under a tremendous burden. In his own study of South African insurance brokers, Erik Bähre referred to the agent's position through the imagery of a Janus-faced character in that brokers were caught between the expectations of social relations and the disciplinary power of the state: "The costs that insurance companies tried to limit were translated into financial risk for the brokers, who ended up doing unpaid labour for the insurance company"(Bähre, 2012: p.155). This is certainly true in Lindelwa's case as her inhabited social role as a "community-fixer" blurred the lines between her professional and



personal life. Moreover, the task fell squarely on Zenzile to discipline his clients and to confront their grievances. These cases demonstrate how retail insurance operations rely heavily on these mediators' ability to translate between, and cohere, incongruent systems of thought and practice. It is through these affective and disciplinary mechanisms that trust is produced and microinsurance operations are enabled.

### **Dumb Pipes: Mobile-based Platforms as Non-Human Intermediaries**

#### *Mobile Insurance in South Africa: A Brief Overview*

As a direct contrast to the active work of insurance agents in the production of trust, mobile-insurance (m-insurance) products are distributed through what Latour might identify as a passive, non-human intermediary: the mobile platform. In South Africa, like in many other developing countries, mobile penetration is deep; mobile phone subscriptions per capita stand at an impressive 1.65 (or, 165 mobile cellular subscriptions per 100 people).<sup>35</sup> As discussed briefly in Chapter 5, South African insurance companies have partnered with mobile network operators (MNOs) to leverage their distribution networks and to gain a foothold into the lower end of this market. By overlaying their operations upon a mobile infrastructure, insurance companies have been able to generate efficiency gains across the entire microinsurance value chain from product design, marketing and sales all the way to enrollment and claims administration (Téllez, 2012). These efficiency gains translate directly into lower premium rates that compare quite favorably against traditional microinsurance products (See Appendix K).

A variety of m-insurance products have made it to market in recent years; they can roughly be categorized into two broad types: low-touch and high-touch models. As an example, MicroEnsure, a technology service provider (TSP), champions the low-touch approach.<sup>36</sup> Their philosophy is to leverage mobile and electronic platforms

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<sup>35</sup> [http://data.worldbank.org/indicator/IT.CEL.SETS?year\\_high\\_desc=false](http://data.worldbank.org/indicator/IT.CEL.SETS?year_high_desc=false)

<sup>36</sup> <https://microensure.com/>

maximally in order to eliminate the need for a human sales agent altogether. The goal here is to provide end-to-end insurance services including marketing, enrollment, claims administration, and communication, all through a mobile device. BIMA's philosophy, on the other hand, is that mobile technology should be used to supplement, not replace, human agents.<sup>37</sup> Their products are thus high-touch in the sense that clients interface with both mobile-based and human intermediaries.

Given South Africa's established microinsurance market and its deep mobile penetration, the compelling business case for both insurance companies and MNOs propelled a flurry of early investment into m-insurance deployments. Surprisingly, despite what would seem to be a bevy of structural advantages and a convincing business rationale, several reports, as well as the findings of my own fieldwork, concluded that the majority of m-insurance products in South Africa failed to achieve scale (see Smith et al., 2010; Téllez and Zetterli, 2014). While there are certainly regulatory and market factors that contributed to this failure, I focus here on the inability of the intermediating entity (the mobile platform) to produce trust as a key reason why m-insurance has failed to take root.

Any entity in South Africa that provides financial services and/or advice in an official capacity must comply with fit-and-proper regulations as stipulated by the 2002 Financial Advisory and Intermediary Services (FAIS) Act. This regulation imposes a prohibitive compliance cost on high-touch m-insurance models like BIMA's. In order to circumvent FAIS in the low-income segments of the market, insurance companies have opted to sell m-insurance products "passively" rather than "actively," meaning that sales agents are not trained nor permitted to advise the clients on the use of these products. In effect, this has led to a bifurcation of the market whereby the lower-income segment of the South African market is served by non-advice, low-touch m-insurance products while

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<sup>37</sup> <http://www.bimamobile.com/>

the middle-higher income segments are served by FAIS-accredited agents (Endres et al., 2014).

*Client Perspectives: The Failure to Build Trust*

Like with traditional microinsurance products, it is important to understand clients' perceptions and experiences of m-insurance within the wider context of mistrust and precarity in which they live. Kingsley Masemola, who heads up Old Mutual's Mobile Customer Solutions division, admits that this context poses significant obstacles for the wide scale take up of m-insurance products, particularly when the security of sensitive personal information cannot be assured:

*What drives the mistrust is that there are tons of syndicates in South Africa. So every single day you get an SMS with 'You've won this competition, you've won that competition.' An ID number is sacred here. An ID number is your credit score. So for me to give you an ID number is a real decision. Everything is based on your ID number and your mobile phone in South Africa, so people are penetrating that information and using it for the wrong reason. There's the major problem (Masemola, K.; Old Mutual; Fieldwork Interview; 28 January 2016).*

Moreover, it became clear from the interviews that clients were interpreting m-insurance through a lens developed and used over time to guard against fraud. For example, many clients rejected m-insurance by citing their personal experiences with the phone scams Kingsley referred to in his comment:

*I trust the phone, but I don't trust the people behind the phone. I have seen too many scams on the phone. If I can't see people eye to eye, then I don't know what kind of people they are. Corruption is at every level (Respondent #40; Fieldwork Interview; 4 February 2016).*

Fears of theft, stemming from the high crime environment, made clients reluctant to use a phone to conduct sensitive financial transactions like insurance:

*In Khayelitsba, phones are not safe, and they can be stolen or lost (Respondent #52; Fieldwork Interview; 1 March 2016).*

Clients' experience with fly-by-nighters (informal operators who literally vanish in the night) led many clients to reject the concept of a "mobile" based insurance product, fearing that their premium payments would easily disappear without a paper trail or an office to anchor their claims:

*How can everything be stored on a phone? I need papers to confirm that the contract is real (Respondent #52; Fieldwork Interview; 1 March 2016).*

Many respondents indicated that even if they had a friend or relative who had successfully made a claim via an m-insurance product, they would still reject the product, suggesting that mistrust is not only pervasive, but resilient as well:

*Even if my neighbor has it, I don't care. They could be colluding with the scammers (Respondent #35; Group Interview #3; 20 January 2016).*

It should be noted that, to the extent that this perspective is widespread, any word-of-mouth marketing opportunities, which is typically critical for the success of any microinsurance product, are limited.

Based on clients' responses, it seemed that the very concept of m-insurance produced a dissonance that could not be overcome:

*I have never done the m-insurance, but I would feel strange to do it. I don't think I will try. How can you mix money with the phone? (Respondent #4; Fieldwork Interview; 6 November 2015).*

Without an agent to educate clients on how these products worked, these dissonances and fundamental misunderstandings persisted. Moreover, respondents repeatedly invoked a language of materiality to explain why the idea of conducting insurance business through the mobile phone was seen to be an outlandish one. There were constant references to their need for tangibility in the form of "papers," contracts, cash, and human beings they could see "eye to eye." Most important within this material imaginary was the need for a concrete office that could not "run away in the night." The vast majority of respondents indicated that without an office, they would never trust an insurance product. The office was perceived to be a safe space, an "island of trust" (Bähre, 2007a: p.139) for their money in a context in which their money is generally not secure.

This conceptualization of the office as a safe space helps to put into some perspective why an m-insurance product, which is designed to deal with clients on an

individual basis, is struggling to take hold among a client base that is currently structured into groups, where agents, burial society/funeral parlor administrators, peers and family members play key roles in mediating information and building trust. Without these mediating entities, the understandings and perceptions of m-insurance are filtered/interpreted through a lens shaped by the precarious environment in which clients live.

There are a number of insights that can be gleaned from these findings. First, of course, is to highlight the critical role mediation plays in translating unfamiliar financial products like m-insurance into local socio-cultural contexts. In contrast to insurance agents who deploy affective and disciplinary mechanisms to help bridge the gap between the formal insurance system and a market space plagued by fraud and mistrust, the passivity of mobile-based intermediation failed to build any sort of coherence between the two spheres. Second, to understand why m-insurance markets failed to fully materialize in South Africa, a broader frame is required to capture the multitude of factors that contributed to driving client mistrust—too often, industry assessments attribute failure to relatively narrow issues related to product design or marketing. While the broader issues of crime, fraud, and unemployment are obviously outside the purview of insurance companies to solve, understanding that a large portion of the potential client base copes within such environments might explain why they are seemingly willing to pay a higher premium to deal with insurance sales staff face to face.

In the on-going debate between low-touch and high-touch approaches to m-insurance, these findings seem to suggest that the latter is required in the South African context, at least for a time. The case of m-insurance is reminiscent of the financial industry's experience with introducing ATMs in South African townships. Initial reports suggested that there was widespread mistrust among residents. It took concerted time and effort—bank tellers would walk through each step with individual customers again

and again—for clients to eventually trust ATMs enough to deposit their hard earned cash. Examples like this demonstrate that trust in m-insurance products can eventually be earned, but that an initial investment in time and financial resources may be required to do so. In other words, efficiency, convenience, and price are necessary but not sufficient factors in building a successful m-insurance market. Mediation is also required.

### **The Opportunistic Entrepreneur: Funeral Parlor Operators as Critical Junctures**

In the event of a funeral, a value chain is activated. Service providers, from the most informal (e.g. family and friends volunteering to cook for the guests) to the formal insurers, emerge to meet the needs of the bereaved family. Within this value chain, only the funeral parlor can deliver the actual administration of the funeral and the handling of the body. They also provide a range of other services that are highly valued by the families including dealing with formal procedures of the state (i.e. death certificates), the police if murder is suspected, and the hospital (Roth, 2001). While other services and providers can be interchanged or omitted, the parlor is thus indispensable (see Appendix L). This puts funeral parlors in a very powerful position relative to their clients, as well as to the insurance companies that underwrite them.



**Figure 11. An informal funeral parlor in Khayelitsha, South Africa.  
Photo credit: Christopher Paek**

While there is quite a bit of range in terms of how “formal” funeral parlors can be, I found in my fieldwork that those that operate in the low-income space are mostly informal (see Figure 11 for an example). These funeral parlors typically split their business into two distinct operations: 1) Funeral services and administration and 2) Finance/accounting (i.e. informal insurance). In this latter function, funeral parlors offer

packages that resemble premium-based policies, with a crucial difference that they pay out in in-kind services rather than cash. For example, Gcilishe-Taliwe, an informal funeral parlor operating in Gugulethu, offers three plans:

- **Plan A-** Joining Fee: R200; Monthly Premium: R190; Benefit: Flat lid, storage, grave tent and chairs, hearse, and a family car for transport (Covers the Principal plus 5 people).
- **Plan B-** Joining Fee: R200; Monthly Premium: R250; Benefit: 3-tier coffin, storage, grave tent and chairs, hearse, and a family car for transport (Covers the Principal plus 5 people).
- **Plan C-** Joining Fee: R250; Monthly Premium: R290; Benefit: Casket, storage, grave tent and chairs, hearse, a family car for transport, and a 5-liter juice (Covers the Principal plus 8 people).

As discussed in Chapter 6, when insurance companies underwrite these books, the funeral parlor, not the end-client, is the master policyholder, placing funeral parlors at the center of a potentially lucrative circulation of cash. Controlling the flow of this circulation is critical to the financial stability of these operations. Funeral parlor operators who mediate this flow thus have strong incentives to maintain their positions as gatekeepers.

Despite the obvious disparities in power and resources between insurance companies and funeral parlors, the latter effectively leverages their mediating position to regulate the terms of access:

*It is a very one-sided relationship. The funeral parlors, and even the burial societies, are very jealous of the relationships that they have with the individuals of the community because it's a community structure in so many instances, so they guard that information jealously. They are not in favor of simply throwing the doors open and allowing the insurer and the sales individuals to just have free range and access to their end members (Van der Westhuizen, A., Old Mutual; Fieldwork Interview; 28 September 2015).*

In addition to their insider position within social networks, a key mechanism of control is related to how information is guarded and dispensed. In the informal insurance space, formally trained actuaries struggle to price policies in such a data-poor environment. Insurers lack even the most basic information about the end-clients like names, ID numbers, phone numbers, and addresses, which tend to change constantly (Cenfri, 2013). Unable to pool these groups themselves, insurers are thus reliant on their community-based partners like funeral parlors to provide and update key client data. For funeral parlors, exclusive control of this data is one of the key advantages of remaining informal:

*Agent: Their biggest concern [of formalization] is the fact that they would have to comply with providing now all contact info of those policyholders.*

*Interviewer: And the fear is that there will be a run-around?*

*Agent: Yes. And they feel that they won't have leverage anymore, and their reason for existence and their business property is essentially down the drain (Katzke, L., KGA Life; Fieldwork Interview; 26 February 2016).*

Through this control of information, then, funeral parlors exert an inertial force that preserves a status quo in which they secure the benefits of underwriting while making it more difficult for insurance companies to circumvent them, thereby cutting them out of the lucrative circulation of premiums and benefits.

Funeral parlors also deploy a range of strategies to maintain control over their end members thus entrenching their position of relative power. For instance, when a covered member of a group dies, insurers process the claim made by the funeral parlor (the policyholder) and pay out the benefit on the understanding that they will disburse the cash to the end member. In most cases, however, these claims are typically kept by the funeral parlor to boost the cash flow of its operation. As Mpumelelo Nxasana (an agent with KGA Life) explained, there are also more serious cases of fraud in which these monetary benefits are embezzled:



*I know a guy in my same clan. Today, he runs a funeral parlor. He's got a double story house, it's an 18 bedroom house. And that guy used to work in construction as a laborer. Then you ask yourself, where did he get the money? There are thousands of those guys. Funeral parlors are the most unscrupulous in the industry. They run away with murder (Nxasana, M., KGA Life; Fieldwork Interview; 11 December 2015).*

The way funeral parlors are able to maintain this scheme is by paying out through in-kind services, rather than cash. Despite being promised a list of benefits and services, client respondents indicate that funeral parlors are known to fall short on their commitments when the day of the funeral actually arrives:

*The funeral parlor promises all these things, but when the death comes, it's not the same thing. There were no stretchers, the convoy got stuck and the body was just sitting in the sun. This was a very painful experience. A neighbor of mine had to pull out R20,000 in cash because the box [casket] they wanted was more expensive than they promised (Female Respondent; Durban Focus Group Interview #1; 14 January 2016).*

Unsurprisingly, since none of the respondents I interviewed were even aware that insurance companies underwrote their funeral parlor policies, they were also unaware that they were entitled (by formal law) to a monetary option in lieu of the in-kind services they typically received. Without this key disclosure, funeral parlors are free to scale-down the value of their services depending on their cash-flow constraints at any given time. The most common adjustment I encountered in the interview data, for example, was related to the quality of the coffin. Even though clients may be promised a high-quality casket if they selected a more expensive package (e.g. 'Plan C' in the Gcilishe-Taliwe example), they may receive a much lower quality box (e.g. 'Plan A' flat lid). In these cases, funeral parlors will often claim that they are out-of-stock or that clients had misunderstood the benefits package. Since the funeral must be performed, and because clients are reticent to forgo years of premium payments by switching funeral parlors, clients express how very little in terms of recourse can be relied upon when these situations arise.

Moreover, respondents explained away the failure of funeral parlors to live up to their promises as simply a matter of poor service delivery, rather than attributing it to the

information asymmetries that enable funeral parlors to capture the financial benefits of insurance payouts. In contrast to insurance companies, funeral parlors benefit from their long-standing roots in the community and enjoy what Frances Cleaver refers to as the “legitimacy bestowed by tradition, the moral command of what went before over the present” (Cleaver, 2001: p.30 citing Giddens, 1984). In other words, there is a level of impunity with which funeral parlors and other community-based institutions are allowed to operate; social sanction is rare and a “this is the way it’s always been done” mentality is pervasive:

*Why don't we black people complain [when we are abused by funeral parlors]? We always keep quiet. Maybe we're just scared. I think we should stand up as a community. We should speak the truth (Female Respondent; Durban Focus Group Interview #3; 15 January 2016).*

Sydel Silverman elaborates on Eric Wolf’s notion of brokers as “critical junctures” who “connect the local system to the larger whole” (Wolf, 1956: p.1075). She argues that mediators guard these junctures with a “near-exclusivity,” which puts them in dominant positions to control the terms of exchange between the systems they mediate (Silverman, 1965). Funeral parlor operators control the junctures of information flow. They subvert efforts by insurance companies to circumvent them by withholding key data about their members and they operate with an obscurity that keeps their clients in the dark regarding their rights (i.e. to a monetary benefit option). Moreover, in engaging with insurance companies, the social identities of these funeral parlor administrators are remade from service providers into more opportunistic entrepreneurs. In adopting this role, the intent and design of formal insurance is distorted and a power inequality between funeral parlors and their clients further entrenched.

### **Burial Societies Administrators: Relics in the Modern Financial Services Era?**

#### *Hybrid Burial Societies: Negotiation and Re-education*

In contrast to funeral parlor operators, burial society administrators do not have exclusive control over critical junctures along the microinsurance value chain. Although

they are underwritten much like funeral parlors are (i.e. on a group basis in which burial societies, not the individual end-members, are the master policyholders), burial societies are not able to substitute cash value for in-kind services and thus do not command the same kind of leverage. Nevertheless, the emergence of microinsurance as a viable institutional option has opened up a variety of new ways to manage burial societies. The managerial decisions made by administrators and/or executive committees, and the ways in which they negotiate with insurance companies, impact how burial societies ultimately function and evolve as institutions.

As outlined in Chapter 4, burial societies can be categorized into three broad typologies: traditional, hybrid, and commercial. In hybrid burial societies, mediation is required to bind together the social and cultural dimensions of a traditional society with the financial administrative techniques of underwriting insurance companies. Menzi Sonani, an administrator for a hybrid burial society of approximately 250 members, approached KGA Life to have his burial society underwritten. He explained that his primary motivation was driven by financial concerns:

*We are a small burial service. But companies like KGA, Old Mutual, Metropolitan are big né? So if you're underwritten by them, it's much better. We are safer than if we underwrite ourselves. This is a business, we must have money at the end of the day... Things are changing. We need to change as well (Sonani, M., Burial Society Administrator; Fieldwork Interview; 2 November 2015).*

Burial societies' steady transition into premium-based models enabled them to expand in scale. These expansions, along with an overall improved access to bank accounts, helped instill more of a business-like ethos into the operation of burial societies over time. This invited competitive impulses that drove administrators to offer increasingly generous and flexible terms, exposing burial societies to unmanageable levels of financial risk (Thomson and Posel, 2002; DGRV, 2003). Financial risk is tied to reputational risk; if burial societies fail to deliver on their commitments, word of mouth, which is so critical to their sustained success, would quickly sour and ultimately sink their

operations. Moreover, burial societies—and informal mechanisms in general (Dercon, 2005)—are especially vulnerable to what economists refer to as covariate shocks, which can cause an unexpectedly high number of deaths in a short timespan (e.g. HIV/AIDS). With smaller burial societies, of course, this risk is much higher. Insurance provides a critical backstopping that mitigates the risk of covariate shock, and by extension, reputational risk.

As discussed in the previous chapter, partnerships with insurance companies entail fundamental changes for burial societies. Though by no means inevitable, a pressure does mount on burial societies, and by extension, burial society administrators, to adopt practices that serve the interests of their underwriting partners. Nxasana, who has had experience on both sides of this relationship (as a formal burial society administrator and a current insurance sales executive), explains how burial society administrators are enlisted into this transition process:

*What we [insurance companies] are looking for are the small brokerages that are doing well, because then we know 'Aha, these guys are reliable.' We want to work with burial societies who will be compliant so we want to be with the burial society leaders who are responsible. Some run it like a business and are very disciplined. These are the guys we are looking for (Nxasana, M., KGA Life; Fieldwork Interview; 11 December 2015).*

By adopting practices preferred by insurance companies, burial societies lose out on some of the flexibility that makes them such valuable sources of financial support in the informal space. If, for instance, a standalone burial society were to be running short on funds, administrators can either scale-down payouts or ask members to temporarily contribute more per month until funds were replenished. The risk of insolvency is shouldered collectively in such cases. But a partnership with an underwriter typically entails a permanent increase in monthly premiums that must regularly (and contractually) be met to ensure coverage. This gives administrators less flexibility to adjust payment schedules if and when unplanned contingencies arise, and puts more pressure on

individual members of burial societies to make their monthly payments on time. The risk is shifted away from the collective and more toward the individual member.

Adjustments to long-standing burial society practices correspond with the need to “re-educate” end-members on the new logics upon which their burial society would be run from that point forward:

*When they [burial societies] are forced to be underwritten...the committee must now go and address their general membership and explain to them why these changes are happening. You also educate them in terms of what is now required, what is possible, what is not possible (Nxasana, M., KGA Life; Fieldwork Interview; 11 December 2015).*

Administrators are thus central to these twin processes of negotiation, whereby the terms of underwriting are established, and “re-education,” whereby clients are read into the negotiated script.

For burial societies, the alternative to partnering with an insurance company, of course, is to carry on as imperfect, yet flexible, pooling mechanisms with limited scope. But given the new institutional landscape, which consists of microinsurers, underwritten burial societies, funeral parlor operators, and other forms of insurance brokerages, traditional burial societies are facing high levels of competition. Daniel Masego who retired after nearly 40 years of working for The Great North Burial Society and Funeral Services has observed a noticeable generational shift in attitudes toward burial societies:

*In the last 10 years, there has been an exodus of people leaving the burial societies because insurance companies are coming in and providing higher benefits...there are problems with the younger generation. They always see it [burial society] as a society for the elderly. They don't want to come in here, they want to go elsewhere (Masego, D., The Great North Burial Society and Funeral Services; Fieldwork Interview; 13 November 2015).*

Masego's sentiments notwithstanding, burial societies continue to be important social institutions that are deeply embedded within communal networks and relations. But as insurance companies assume more management of their financial functions, the pressure on burial societies to become more efficient and financially sound has produced a tension with their social functions. As mediators, administrators have to strike a balance

between maintaining the informal institutional mechanisms that cultivate norms of solidarity/reciprocity while working to remold burial societies into the more passive, frictionless distribution mechanisms favored by formal institutions and actors.

*Nominal Transparency: Obscurity as a Form of Control*

In contrast to romanticized accounts of solidarity/mutual-aid based institutions (i.e. burial societies), several ethnographic studies have revealed that they are often laden with uneven power hierarchies and ambivalent social relations (see Bähre, 2007b). In Erik Bähre's ethnography of South African funeral insurance markets, for instance, he relays his observations of a model partnership between an insurance company, African Life, and the Zion Christian Church (ZCC), one of South Africa's largest churches. Through this partnership, congregants joined church-based burial societies, which were administered by a company (the Kganya Group) with close ties to the ZCC. What is notable about Bähre's account is his description of the type of control ZCC exercised over its members: "Members are not allowed to speak with outsiders about the church and are required to follow a strong disciplinary regime with regards to clothing, abstention from alcohol, and participation in meetings and other church events" (Bähre, 2012: p.157). He concludes that while the various funeral schemes offered much value to ZCC's congregation, they also "strengthen[ed] the hierarchies in this centrally led church" (ibid.: p.157).

Although burial societies typically institute various accountability and transparency measures, key facets that have the most direct impact on burial society members are obscured from view:

*There are many problems with burial societies...Sometimes, even the premiums go up and there is no explanation. I don't know why they go up, but if they do, you are not in a position to question it. You can't question the committee because it is a done and dusted deal. There is nothing you can do (Respondent #56; Fieldwork Interview, 1 March 2016).*

Aside from arbitrary premium increases, the most commonly recurring complaint among

members was the murky issue of fines. As discussed in previous chapters, many burial societies have a variety of rules designed to discipline the group and build solidarity. Small fines are assessed for a variety of minor infractions—e.g. violation of dress code, tardiness/absence from meetings, etc.—though it is rarely, if ever, disclosed where these fees end up:

***Respondent:** I am no longer in my burial society because I did not want to be fined.*

***Interviewer:** What were the fines for?*

***Respondent:** Every burial society is different. You are penalized if you do not wear the burial society uniform or if you arrive late for meetings. They will find a reason for a fine [laughs]. But the burial society committee will never disclose what happens to these penalty fee monies with the burial society. Maybe to buy coffee for the meetings? I don't know (Respondent #66; Group Interview #5; 17 March 2016).*

Even in more serious issues of mismanagement, options for recourse are limited and/or constrained:

*Losing your money to a burial society is a very passionate issue and it can cause you a lot of stress. People do not speak against burial societies or the committee because the committee is normally people who are relatives of people you are familiar with because they come from the same rural home area in the Eastern Cape (Nxusani, G.; Group Interview #5; Fieldwork Interview, 17 March, 2016).*

The power imbalance not only exists between the executives and the members, but can also be present within governing structures. Jabu Mshweli resigned her post as treasurer of a large burial society in Nceduluntu (approximately 500 members), because of a dispute with other committee members who were, in Jabu's opinion, misappropriating funds (e.g. using burial society funds for dinners at restaurants, expensive car services, etc.):

*The chairman of the burial society is the parlor owner. He unfortunately has the habit of making anonymous decisions...So when I queried our behavior, as management, that of lacking to lead by example, relating to the purpose and objective of the burial society, the chair and the one lady sidelined me. They no longer informed me when we had to go to town to make a withdrawal. Instead, they would get the uneducated lady to give the second signature. I was thus prevented from doing my duties, but it was only recently that I decided to officially pull out (Mshweli, J.; Treasurer; UniQ Insights Interview Transcripts; 7 February 2016).*

In this particular case, the chairman had a great deal of power within the committee

because he also operated a funeral parlor, which he attached to the society. But each burial society comes with its own set of power dynamics that shape the way terms are negotiated with insurance companies and the way information, discipline, and benefits are distributed.

It would be an overstatement to conclude that burial society administrators are deliberate actors who disseminate and withhold information in calculated ways. Rather, it would be more accurate to characterize their tactics as maintaining a strategic opacity, which allows them to dictate the distribution of benefits and flow of information from the shadows. Thus, transparency and accountability structures do not guarantee transparency and accountability. The administrators and committees make decisions on issues that presumably matter most to members—cash payouts, premium levels, fiscal management, and fees—in obscurity. Operating in opaque ways allows them to maintain control of their members and entrench their position within the social field.

### **Mediation as Bricolage: Individual Agency and Institutional Change/Stasis**

In practice, the various brokers and institutions, analyzed separately above, are linked in layered ways across the microinsurance value chain. Against the grain of some of the expectations of mainstream financial inclusion thinking, my findings suggest that increased access to formal microinsurance did not result in the wide-scale abandonment of informal institutions. While I explore the reasons for this further in Chapter 8, my research corroborates Collins et al.'s (2009) findings that clients largely retain their membership with burial societies and/or funeral parlors even while holding a formal funeral insurance policy. The picture that emerges is one in which new and old, formal and informal institutional forms are grafted onto one another (i.e. Frances Cleaver's notion of institutional bricolage) to fulfill financial objectives. Formal financial services like microinsurance do not displace informal ones, but are adapted into an expanded



institutional ecosystem; existing (informal) institutions are simultaneously re-purposed toward new ends.

The mediators and intermediaries discussed above are thus bricoleurs who are integral to this process of piecing together and re-purposing various institutions. For instance, insurance agents like Lindelwa and Zenzile are expected to tap into their own social networks to sell group policies to burial societies and funeral parlors. This is a process fraught with complications. Recalling the case of an insurance broker named Bantu, Bähre (2012) found that such expectations intensified the tensions in his social network:

*He, like other brokers I interviewed, complained vehemently about the unexpected social pressures that his job brought about. He was forced to mobilize his social network aggressively to make a living. He visited his neighbours in East London, sold policies to members of his church, and—to the same end—attended as many funerals as he could” (ibid.: p.155).*

The labor required to weave informal networks and institutions together with the formal microinsurance system exacts a heavy toll on sales agents. As microinsurance has steadily become more and more ubiquitous over time, however, the laborious process of initiating group-based underwriting has become more of a two-way street:

*[Regulators] think that what’s happening is an insurer goes out, finds an intermediary or a broker, contracts with them and then gives them a mandate...And that’s not what’s happening...it’s actually in reverse. They [clients] actually go with a mandate to the funeral parlor...and that funeral parlor then goes to the insurers and says ‘I’ve got a mandate to come and ask for underwriting.’ And then we give it. (Katzjee, L., KGA Life; Fieldwork Interview, 26 February 2016).*

In this telling, the “mandate” does not originate with insurance companies, but rather emerges from the needs of the policyholder. As I have demonstrated, these needs can be manifold. Funeral parlor operators like Gcilishe-Taliwe may seek out formal underwriters to pass themselves off as legitimate and reliable businesses. Other funeral parlors may be more interested in capturing the cash value of insurance policies and are thus motivated by financial self-interest. Burial society administrators like Menzi might initiate a partnership with insurance companies out of prudential concerns.

Whatever the case might be, bringing to light the underlying motivations of these individual actors—or bricoleurs—helps to clarify the linkage between agency and the ways in which institutions function. Whether formal-informal underwriting partnerships evolve into extractive, exploitative, and/or emancipatory institutional forms, depends in part on whose agenda is being empowered. If, for instance, the governance structures of a particular burial society are sufficiently robust and enforced, administrators may have less ability and/or inclination to misappropriate insurance claims. Funeral parlor operators, on the other hand, are in a stronger position to exploit the regulatory lacuna that exists in the cracks between formal and informal institutional regimes. They are thus empowered to capture the cash value of the insurance exchange, leading to an institutional form that is more likely to exploit than to distribute benefits equitably.

Just as these actors can induce institutional change to serve their interests, they can also exert inertial forces to maintain an institutional arrangement that benefits them. Both burial societies and funeral parlors operate opaquely, keeping the nature of their relationship with insurers hidden from view of the end members. In effect, their operations are simultaneously shrouded and legitimated by the socio-cultural norms embedded into daily practice—the “right way of doing things”—that people rarely question. This is a form of social capital inherited to them through their position within the social hierarchy. Through mediation, they are able to mobilize and convert this social capital into financial capital, which they either pass through to their members or keep as profit for themselves. In any case, by remaining opaque, they are able to control the flow of information in order to maintain a status quo that entrenches their position as essential mediators between insurance companies and the end-clients.

Moreover, a focus on these bricoleurs also highlights how processes of mediation are embedded within existing social/power hierarchies and dynamics. Mediators and intermediaries, as well as end-clients, inhabit social positions that powerfully determine

how they experience associational life. As the emergence of the formal microinsurance system recalibrates the institutional space, new incentives and opportunities are produced along the value chain, which strengthens social positions for some and erodes them for others. In this recalibration, social identities are remade. Wanted or not, individuals who are hired and trained as insurance agents gain a reputation in their communities as valuable resources who can help in dealing with all manner of financial problems. While this new role filled Lindelwa and Zenzile with a sense of pride and purpose, Bähre is quick to point out that the personal reputation of agents like Bantu are also put at risk:

*Half his day he spent driving people around and helping them with financial problems, such as difficulties with bank accounts or insurance companies. Most of the time these had nothing to do with his work. But if he refused to help, he felt that his neighbours and clients would start to gossip about him, making it very difficult to sell policies. He told me that he was growing tired of these requests (Bähre, 2012: p.155).*

Informal providers also undergo key transformations in their social identities. While funeral parlors were always community-based businesses, they were businesses more in the mold of service providers; their objective was not necessarily to maximize profit, but rather to fill an important unmet need. Partnering with insurance companies enabled them to adopt a more entrepreneurial identity that no longer centered on improving service provision (the implications of which will be made clear in Chapter 8), but on capturing maximum value from the insurance side of their businesses. Likewise, burial society administrators who were once beholden to their members to help coordinate financial, social as well as cultural functions on their behalf, are pressed in their partnerships with insurance companies to abandon these solidarity principles in favor of ones that would turn them more into passive, frictionless pipes of exchange that better serve the logics of insurance. In comparison to the funeral insurance operators who at least maintain control over critical junctures, burial society administrators' agency seems much more constrained within this new institutional landscape.

Finally, I argue that risk and welfare outcomes must be assessed in light of these shifting social positions and identities. The expansion of formal microinsurance markets does not result in an equitable, broad-based distribution of benefits, but rather, produces/entrenches power hierarchies along which risks and benefits are then distributed. I have demonstrated, for example, how funeral parlors leverage information asymmetries to capture much of the cash value of insurance payouts without their clients' knowledge. Burial society members assume more individual financial risk as their burial societies undergo a shift from solidarity-based institutions to market-based ones. Even clients who are able to mitigate the risk of funeral expenses through individual policies confront new risks; their general lack of familiarity, maneuverability and/or trust with formal insurance practice is its own form of risk that clients seek to hedge by retaining their membership in burial societies and funeral parlors. Microinsurance produces new pockets of opportunity for some, and creates new forms of risk for others. Thus, while mediators and intermediaries enable microinsurance, they also direct how its benefits, as well as new forms of risk, are distributed.

## **Conclusion**

This chapter has pivoted attention away from the institutions that underpin South Africa's microinsurance market to focus on how individual actors relate to institutional processes and change. In describing institutional dynamics through the fluid concept of bricolage—the process of piecing together “existing institutions, styles of thinking and sanctioned social relationships” in order to adapt them toward new ends—Cleaver (2002: p.16) raises important questions regarding the nature of bricoleurs. To what extent are agents purposeful, empowered engineers who craft institutional arrangements? Or are agents entirely constrained by both formal and socially embedded institutions?

To explore these questions, the chapter focused its analysis on intermediaries and

mediators who operate at the interstices of the formal-informal microinsurance value chain. The chapter compared four cases in turn: the insurance sales agent, the mobile platform, the funeral parlor operator, and the burial society administrator. The analysis drew out the ways in which the formal and informal spheres are made to cohere through the embodied work of translation. The focus on individual agents clarifies the ways in which social hierarchies affect distributional outcomes and the terms by which individuals engage with institutions. Within this interaction, the analysis reveals that the social identities of the various mediators are reshaped according to their positions along the value chain.

Insurance agents who are recruited from the communities they service, embody and speak to the cultural/traditional norms of their clients, and simultaneously enact the logics of insurance practice and regulation. In effect, their ability to speak both affectively (through discourses of care and altruism) and authoritatively (through the technical language of insurance) allow them to cohere formal and informal institutional spheres and to translate between otherwise incompatible registers. They adopt dual identities of “community-fixer” and “professional agent” to build trust with clients and to transmute an ethos of personalized care and empathy to otherwise faceless, calculating insurance companies. They are thus mediators who generate trust and enable the penetration of an illegible microinsurance system through an affective (often free) form of labor, which as I have demonstrated, places significant individual pressure on these agents.

This case was contrasted with that of the MNO, a passive non-human intermediary. Unlike agents who actively translate between formal and informal systems, MNOs serve as “dumb pipes” that passively transport value between the insurance companies and the client. The failure of these m-insurance products can be explained, in some measure, by the inability of the mobile intermediary to build trust with targeted m-insurance clients. Without this crucial work of mediation, clients interpreted m-insurance

through a lens developed to guard against fraud (i.e. phone scams). The findings indicated support for more expensive high-touch microinsurance models in that even low-income clients seemed willing to pay higher premiums for face-to-face interactions.

On the informal provider side, funeral parlor operators command exclusive control over “critical junctures” along the microinsurance value chain. By jealously controlling the flow of information, and thus a lucrative circulation of cash (i.e. premiums and claims payments), funeral parlor operators adopt dual identities, that of local service provider and of opportunistic entrepreneur. In their mediating role, they are able to capture much of the benefits of formal insurance provision that would have otherwise flowed to their clients. The act of translation, in this case, is one of distortion. The power inequality that existed between funeral parlor operators and their clients is thus entrenched and reproduced.

Burial societies administrators, while not controlling critical junctures like funeral parlors do, play a central role in negotiating terms with insurance companies and repurposing burial societies to fit the logics of the insurance system. As a result, they can become more regimented and inflexible with their members; administrators and the executive committees are tasked with enforcing this transition. But as I have demonstrated, relations between the executives and members are fraught with ambiguity and ambivalence. Here as well, internal power dynamics shape distributional outcomes. The gradual shift undertaken by burial societies in South Africa, from small, solidarity-based mutual aid schemes to large, premium-based risk pools underwritten by insurance companies facilitated a move towards “businessification,” which administrators were well-positioned within the social hierarchy to exploit.

Seen through the prism of these brokers, and the processes of (inter)mediation they enable, the mainstream narratives of financial inclusion find some important nuance. While inclusion entails opportunities for some, other individuals and institutions

experience dislocation and change. As Deborah James noted, brokers re-emerge in transitional conditions “to create and perpetuate such conditions, and indeed embod[y] the contradictions which ensue” (James, 2011: p.19). Thus, the spirit of this analysis urges a movement beyond the normative objectives of formal financial services to a more empirical approach attuned to the ways in which these objectives and practices are translated through the figure of the broker.

More specifically, mediation should not be understood as a neutral process that simply enables the formalization and/or financialization of informal spaces, but rather, as a political exercise that re-constitutes and/or entrenches existing power inequalities. As critical scholars have argued, “the empowering, beneficial, and harmonious sheen” of financial inclusion discourse often obscures the ways in which inclusion itself “can also be an exercise of control and power” (Schwittay, 2011: p.395 citing Kothari, 2001). By recognizing that mediators and intermediaries occupy different social positions and embody conflicting incentives and possible biases, it becomes possible to acknowledge the ways in which inclusion into formal financial systems produces disparate outcomes for various actors and stakeholders along the value chain.

## 8—Empowered or constrained? Client perspectives and experiences of microinsurance

As several commentators have noted, the broad appeal of microcredit among development policymakers and practitioners has to do with the way it aligns neatly with neoliberal prescriptions for poverty alleviation (see Rankin, 2002; Roy, 2010; Schwittay, 2011; Roodman, 2012). In these articulations, poverty is presented as a function of finance, and the burden falls upon individual subjects to climb out of poverty by better managing their personal finances. Mader (2014) argues that success stories are central to the power of microcredit's normative agenda:

*While stories and mobilising narratives always matter in finance, in the case of microfinance their importance is even more pronounced, in part thanks to the many colourful and uplifting stories surrounding microfinance. Microfinance has been anchored in the public imagination through narratives of empowerment thanks to credit (ibid.: p.6).*

Similarly, microinsurance markets in South Africa have been built upon these “positive mobilising narratives,” (ibid.: p.1) which center the figure of an empowered risk subject. While insurance companies utilize a language of care and support in their marketing materials to cultivate a sense of empathy with their target clients, they also reinforce the idea that individuals are ultimately responsible for meeting the financial, as well as cultural burden of burying their kin. A funeral insurance brochure put out by Hollard, one of South Africa's largest insurance companies, captures these sentiments succinctly:

*At Hollard we understand the importance of family and friends coming together for the burial of someone close. We appreciate that you want to provide generously [and say your farewells with dignity]. You need the freedom to mourn without worrying about money (Hollard Funeral Plan Brochure).*

What accounts like these emphasize, both explicitly and implicitly, are how formal financial services expand choice and opportunity to clients, in other words, strengthen individual agency. There is also an emancipatory quality to this narrative; the formal system “frees” poor people from the constraints and inadequacies of their informal solutions. But as I have demonstrated in previous chapters, microinsurance



systems have not displaced informal mechanisms. Rather, formal and informal institutions form hybrid arrangements that regulate behaviors in new ways. When confronted by a risk event—in this case, the death of a loved one—how do individual clients navigate this emergent institutional terrain? In what ways are they constrained and/or empowered?

This chapter examines how microinsurance clients experience and navigate an institutional space produced through the interaction between the formal insurance system and the informal norms, customs, and mechanisms that are deeply embedded in the daily lives of the poor. While I draw heavily on data collected through several one-on-one and focus group interviews I conducted with clients, I anchor the substantive analysis of this chapter on two illustrative cases that reveal, in their differences, key insights that challenge some of the sweeping assumptions at the heart of normative microinsurance frameworks.

I open the chapter with a brief account of a traditional Xhosa funeral (the funeral of Feziwe Patricia Sibiya), which I attended during my fieldwork. An ethnographic perspective helps to situate the performance of funeral rituals within the proper contextual frame. It brings into sharper focus the underlying social institutions that regulate the ways in which individuals respond to the challenges brought on by the death of a family member.

I then present the case of a Zulu woman named Jabulile Lwazi who provided a detailed account of her experiences as she planned a funeral for her late husband. In many ways, Jabulile's story is emblematic of the ideal case scenario upon which the microinsurance value proposition rests. She utilized her funeral policy effectively to mitigate the financial risk of her husband's death and successfully yielded value not only from formal institutions, but from informal ones as well. Her story, and many just like it,

add empirical grist to the founding mythologies of microfinance and further equate formalization with empowerment/poverty alleviation.

Her case is contrasted with that of Goodwill Nxusani, who unfortunately experienced bereavement twice over the course of my fieldwork: first of his grandmother (Feziwe Sibiya), who died in November 2015, and then of his father-in-law who died a couple months later. Although Goodwill was also able to benefit from his formal funeral policy, the many difficulties he had to confront as he juggled various financial, social, and cultural obligations were strikingly different from Jabulile's relatively straightforward experience. What were the factors that made these experiences so different? To answer this question, I attempt to retrace the ways in which clients like Jabulile and Goodwill navigated the microinsurance value chain, from the way they utilized burial societies and funeral parlors to their experiences with the insurance claims process. Taken together, I assess welfare/risk outcomes relative to the question of agency, that is, whether access to microinsurance empowers individual clients like Jabulile and Goodwill to effectively protect themselves against financial risk and to meet the various obligations that a funeral entails.

My findings indicate that higher levels of income play a crucial role not only in yielding maximum monetary value from the value chain, but also in accessing higher quality sources of information that lead into a sort of virtuous cycle that pays out monetary and non-monetary dividends. For those of low income, on the other hand, their experience is more characteristic of a poverty trap, in which lower quality information leads to inefficient engagement with institutional arrangements. Since I have identified income as a determinant factor, I corroborate Jabulile and Goodwill's accounts with data I obtained from client interviews, which have been delineated based on reported income. The analysis provokes critical questions about how an individual's socio-economic position affects how clients engage with microinsurance markets. I argue

that the relationship between individual agency and the wider institutional ecosystem must be understood through a political economy lens, in that power relations shape the contours of the institutional landscape and play a determining role in the set of options and benefits available to clients.

### **Burying Feziwe: A Xhosa Funeral in the Western Cape**

*Burying the person 'well' or performing umkhabho and umbuyiso 'properly' can be very healing. It is healing because the focus is not just on the beast that is slaughtered, but the focus is that as a family or clan. You gather there for two days and in the course of the gathering there is talk, there is team building, and when the following day the neighbourhood arrives, elderly people and wise women stand up and address you, and they sort of praise you by being grateful to those who made you who you are. In that sense the spirit of the ancestor is honoured and you feel encouraged and strengthened. Even the poor will benefit out of the meal and the ancestor will smile, wherever they are, because they will see their son enjoys people. I think that is the philosophy behind it (Van Heerden, 2002: p.9 citing personal communications with A. Mbete, May 21, 2001).*

The funeral for Feziwe Patricia Sibiyi was held on 12 December 2015 and gathered nearly 400 people in a large community center in Delft, an impoverished township on the outskirts of Cape Town. In a clear departure from the norm among the Xhosa living in Cape Town, Feziwe had made it clear to her family before she died that she wanted to be buried in the Western Cape where she had lived almost all her life. Many of her relatives from the Eastern Cape made the journey to Delft to pay their final respects. The rest of the attendees were members of Feziwe's church.

The funeral ceremony was an elaborate, highly synchronized affair. Overall, the mood in the hall was festive; whenever a moment of sadness settled into the crowd, celebratory music, singing, and clapping spontaneously emerged to drown it out. Attendees exhibited a collective familiarity with the subtle rhythms of the proceedings—with very little prompting from the officiants, the congregation seemed to know intuitively when to stand, when to sing, when to dance, when to sit, and when to wail. In these ritualistic displays, clearly delineated and defined gender roles were evident; while well-dressed men adorned the head stage, delivered the eulogies/speeches, and

“officiated” the ceremony, the women were generally the ones to lead the performative displays of celebration and mourning. It felt scripted, as if everyone in the hall had been to his or her fair share of funerals in the past and were settling into familiar roles.

It was also clear that community members used these occasions to be seen. Displays of social status were inscribed in the bright array of suits and garments, hair weaves, hats, and freshly manicured nails, which were dotted throughout the hall. Disapproving glances were reserved for those who seemed to cross a subtle line between dressing well and dressing flashy. At the center of attention though was a heavy-set, powerful looking man who was shaking hands and conversing with several people who approached him throughout the ceremony. Later, I would find out from Goodwill that this was his uncle, Feziwe’s eldest son. According to Goodwill, the costs of the funeral were split between him and his younger brother who was also on the front stage. During his eulogy, the elder son made brief mention of a conflict he had with his brother, which, to his relief, had apparently been resolved in time for the funeral. I asked Goodwill if he knew what this conflict was about:

*It was over the money. They agreed 50-50, but then he [the older brother] wanted a bigger funeral. His brother doesn’t have the money, so there was a disagreement, but at the end of the day, they were able to sort it (Nxusani, G.; Informal Conversation; 12 December 2015).*

In this setting, it was apparent that it was social pressure as much as it was cultural/traditional obligation, which compelled the two sons to pay for a funeral of this size. The habituated rhythms and patterns of social interactions on display were strong indications that certain expectations had to be met. It was as if the entire choreography of the ceremony—the structured and regulated ways in which attendees engaged in these rituals of bereavement—depended on the hosts’ ability to meet a certain material threshold. Failure to do so would reflect poorly on their social standing within the community. Moreover, as sons, the expectation was even higher that they would send their mother off in a dignified, socially accepted manner.

After the ceremony in the community center, which lasted nearly three-and-a-half hours, the funeral party packed into buses and made its way to a large, yet non-descript mass cemetery on the edge of Khayelitsha. It was on this route that I observed the unabashedly commercial presence of insurance companies and funeral parlors:

*Outside the community center, the funeral parlor, called Geilishe-Taliwe has their banner erected. Old Mutual's logo is also visible...At the burial site, there are about 7 funerals happening simultaneously. Many are really loud, some even have what looks like marching bands with coordinated uniforms. They all have their own logos and color schemes, which are clearly displayed as advertisement/marketing. During the burial itself, people are handing out brochures. This happened as they were lowering the body into the ground. This didn't seem to strike the attendants as strange or rude at all. It felt natural. It seems as if this type of behavior has been accepted as normal to people who must have grown up attending funerals just like this all their lives (Fieldwork Notes; Funeral of Feziwe Patricia Sibiyi; 12 December 2015).*



**Figure 12- Burial Ceremony for Feziwe Sibiyi. Tent Displaying Logo for Geilishe Taliwe Funeral Parlor and Old Mutual. Photo Credit: Christopher Paek**

Since this form of marketing places a high premium on reputation, funeral parlors are compelled to put on lavish displays during funeral ceremonies to draw attention to their services (e.g. marching bands). Meanwhile, the brands of insurance companies like Old Mutual, Metropolitan, Hollard, Assupol, and African Life were plastered on banners, tents, and even vehicles—visual evidence that the work of market penetration had successfully grafted microinsurance onto informal infrastructures. Those who were attending Feziwe's funeral would be the clients of tomorrow.

After the burial, and the attendant ceremonies, the guests were ushered into a large gathering area underneath massive tents rented out by the funeral parlor. Women who had been cooking since the early morning hours were serving food to the guests—these were the “helping hands” of Feziwe's burial society. Here as well, familiar rhythms regulated social interactions, and it seemed that everyone played some prescribed role

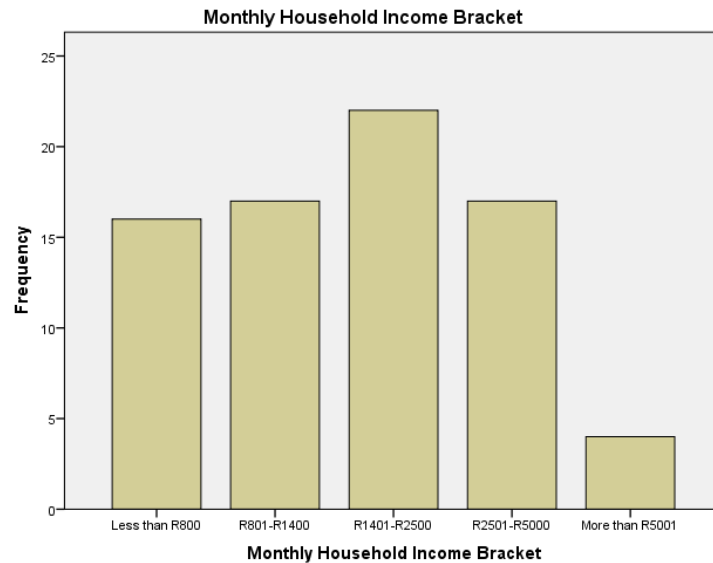
without the need for instruction. In those waning moments, it struck me that this was the culmination of a process that began years ago when Feziwe had joined a burial society. It is likely that she herself had been the helping hands at several funerals over the course of her life. The tents, the buses, the burial equipment, the chairs, the mahogany casket, and the community center in Delft were provided by a funeral parlor that was underwritten by one of the largest insurance companies in the country.

Through the mediation of actors, and of formal and informal institutions, the intimate cultural practices of this funeral were effectively linked with the global financial system. But by no means is the path from insurance office to cemetery a straight one. Clients of different profiles and socio-economic backgrounds engage with the institutional space in a variety of ways and according to their means. Why are some empowered and others not? I turn now to the case of Jabulile Lwazi who took primary responsibility in planning a funeral for her husband. Her case highlights how institutions can work in concert to produce ideal risk outcomes, provided that clients know how to use leverage to maximize value.

### **The Case of Jabulile Lwazi: An Ideal Microinsurance Client**

#### *A Worthy Send-off: Jabulile Buries her Husband*

Jabulile Lwazi—a mother of six and a grandmother of nine—strikes a formidable first impression. Her calm, self-assured manner of speech and her richly layered attire speak to her standing as the matriarch of a well-respected Zulu family. She is reputed to be a pillar of her community in Umlazi, a large township located just south of Durban, and it was clear through her demeanor and poise that she wanted for very little. She has steady work as a medical researcher and her reported monthly income is approximately R6,500. In my sample, only 4 respondents (5.3%) reported a monthly household income in the same vicinity as Jabulile's (See Figure 13).



**Figure 13- Reported Monthly Income (N=76)**

While this level of income positions her comfortably in the middle-to-upper class relative to other members of her community in Umlazi, Jabulile is still considered an archetypal microinsurance client. According to the South African Audience Research Foundation (SAARF),<sup>38</sup> she falls in between 5-6 on the Life Standard Measure (LSM), which is the core microinsurance market demographic for individual policies (i.e. direct retail funeral insurance). SAARF also provides a colorful sketch of what an LSM 5-6 household might look like: 1) An average household income of R4,550-R6,895 per month; 2) Small to medium sized townhouse in an urban/peri-urban setting; 3) Access to electricity, water, and flush toilets inside the home; and 4) Possession of assets such as TV sets, a refrigerator, and a stove. A key distinction between an LSM-5 and LSM-6 household is that more than 30% of LSM-5 households reported that they made personal use of the South African Social Security Agency (SASSA) card, which means they qualify for state-based financial aid. In contrast, nearly half of LSM-6 households reported having a savings account, suggesting that they are more self-sufficient financially. Jabulile likely belongs to this latter grouping.

<sup>38</sup> <http://www.saarf.co.za/lsm/lsm.asp>

Unlike most people in her community, she avoided joining burial societies and did not take out a policy with a funeral parlor:

*These burial society guys, there's too many meetings [laughs]. And if you don't go, they will give you the fine. I have this insurance, the money is not important so I didn't join. But I still go to their funerals to help. They know me, so I knew that they would come for the helping hands (Lwazi, J.; Fieldwork Interview; 15 January 2016).*

This is something the other respondents in Jabulile's income bracket had in common. All but one opted not to join a burial society/funeral parlor and there seemed to be a shared recognition that formal insurance providers were a safer option for their money:

**Interviewer:** *Why did you choose for funeral insurance cover over the burial societies?*

**Respondent:** *I have heard several stories of burial societies folding up and their members losing their monies. I don't want to waste my money on burial societies. I have had a positive experience with the bank insurance [FNB's funeral insurance policy]. Their premium is reasonable and affordable and all my dependents qualify for cover (Respondent #74; Group Interview #5; 17 March 2016).*

Jabulile held a total of three policies with three different insurance providers—Old Mutual, Standard Bank, and the First National Bank (FNB)—and paid monthly premiums of R209, R90, and R280, respectively, for 6 straight years. This adds up to approximately 9% of her monthly income (R579) going toward premium payments, and roughly R42,000 in total over the course of 6 years. Together, these policies covered herself, her husband, her six children, and her mother-in-law.

In September 2014, her husband of 42 years died unexpectedly. Since he was the male head of household, Zulu funeral tradition dictated that elaborate preparations be made, including the slaughter of a cow, sheep and a goat. The livestock used for these ceremonial requirements cost R11,800. On the recommendation of a family friend, she found a funeral parlor and opted for their most expensive package—R29,000—which provided her with a high-quality mahogany casket, buses for transportation, and burial administration. To round off expenses, she also paid for a tent and cold room (R2,000),



food for the guests (R11,000) and the graveyard plot (R4,500). The total expenses for the funeral came out to R58,300 (See Table 1).

Funeral Expense	How it was paid	Services Rendered	Amount Paid
Funeral Parlor Package	Insurance Benefit (Old Mutual, Standard Bank, and First National Bank)	Mahogany casket, 2 buses for transportation, hearse, and funeral administration	R29,000
Livestock	Insurance Benefit	Cow, sheep and goat for funeral ritual purposes and food	R11,800
Food	Insurance Benefit	Food for guests	R11,000
Graveyard Plot	Insurance Benefit	Municipal fee for graveyard plot "rent"	R4,500
Miscellaneous	Insurance Benefit	Tent and cold room	R2,000
<b>Total:</b>			<b>R58,300</b>

**Table 1- A financial profile of Jabulile's funeral expenses**

The costs of the funeral were covered in full by her three insurance policies.

After she submitted her claim, these policies paid out within 24 hours to an accumulated amount of just over R70,000. She was pleased with the fact that she received this money hassle free:

*I had no problem with insurance, they were very fast to pay me the money. I have told all my friends that you must have insurance because it will pay for everything (Lwazi, J.; Fieldwork Interview; 15 January 2016).*

On top of her insurance payout, she received monetary and in-kind contributions from friends and family, despite the fact that she wasn't part of a burial society. In other words, her standing within the community was strong enough to leverage the benefits of reciprocity without being bound to the ambivalent, often times fraught social relations entailed in burial society membership. In the end, the combination of the insurance payouts and contributions from friends and family covered the costs of the funeral and left Jabulile with an excess amount of nearly R20,000. Suffice it to say, Jabulile was pleased with the outcome:

*He [her husband] was the head of our house and we have been together for 42 years so it was very important that we did a funeral that respected him and our tradition...I was very, very happy (Lwazi, J.; Fieldwork Interview; 15 January 2016).*

*Pulling all the Strings: The Empowered Microinsurance Client*

As Jabulile navigated her way from submitting claims to dealing with the funeral parlor, she had two key advantages working in her favor: her steady stream of income and her reputation in the local community. In particular, these afforded her a degree of agency to engage with funeral parlors on stronger terms. One complication she had to overcome, for example, was that her husband died unexpectedly while visiting relatives in Mpumalanga, which is about 65 km to the northwest of Umlazi. She immediately coordinated with the funeral parlor (in Umlazi) to retrieve the body from a hospital in Mpumalanga and then store the body in a cold room until funeral arrangements could be made. Even though she was not a premium-paying member of this funeral parlor, they were willing to perform this service on a deferred payment. They were well aware of Jabulile's social standing and took her at her word that she would be able to pay once she received her insurance payout.

If the majority of responses to my client interviews are any indication, this level of courtesy and trust extended by the funeral parlor to Jabulile is quite rare. As discussed in previous chapters, funeral parlors leverage their relative positions of power to dictate the terms by which they engage with clients. When funeral parlors demand payment of unexpected or unpaid charges, clients are typically in no position to contest:

*If you are short on the money, parlors will hold the body until they receive the full payment. I had to borrow the R1000 from my relatives for them to fetch the body. They don't tell you these things. They promise all these nice things at first, but all the things they promise don't happen the way they say (Female Respondent; Durban Focus Group #1; 14 January 2016).*

Using their leverage to demand payment should not necessarily be interpreted as abusive practice, however. From the funeral parlors' perspective, operating in a low and volatile income space means that they have to deal with clients who are regularly short on cash.

Where to draw the line in terms of how much flexibility to extend is a balancing act that funeral parlors struggle to maintain:

*I started this business bankrupt and built it up little by little. In this business, something will always go wrong. You have to be flexible. I am ok with letting people pay later, but I have seen with other funeral parlors who have been taken advantage by clients who don't pay. Flexibility is good because it makes it better for word of mouth. But at the end of the day, I run a business and I have to be paid (Dumile, Hlubi Funeral Parlor; Fieldwork Interview; 16 March 2016).*

Regardless of whether funeral parlors are motivated by self-preservation or are looking to exploit vulnerable clients, they usually demand payment upfront for any services they provide. This is a constant source of friction in already stressed situations in which death comes unexpectedly or in which kin are forced to turn to expensive moneylenders (i.e. “mashonisas”) to obtain the necessary lump sums of cash. Jabulile was never faced with this dilemma.

By virtue of the fact that she opted not to hold a funeral parlor policy, Jabulile was not bound to any particular funeral parlor. As a result, she had more leverage to dictate terms in her favor:

*I was very satisfied with the funeral...I gave them [the funeral parlor] very specific instructions and they did everything properly. I told the funeral parlor everything I wanted. They delivered everything on time and it was a beautiful ceremony (Lwazi, J.; Fieldwork Interview; 15 January 2016).*

Unlike premium paying members, Jabulile could threaten to switch to a different provider if the funeral parlor gave her any problems. She was, in other words, an empowered consumer; the R70,000 she received in insurance benefits afforded her the leverage to negotiate with the funeral parlor on her own terms.

#### *Making the Leap: Disembedding from the Informal, Embedding into the Formal*

Underpinning Jabulile's empowerment as a client is her fundamental trust that formal microinsurance would deliver the promised benefit. This trust is by no means a given, even among those who have taken out a policy. Forgoing burial society membership and informal insurance through funeral parlors is a clear indication that

clients trust insurance enough to rely on it exclusively to cover the costs of a funeral. For those like Jabulile who are financially more secure, this trust goes beyond product and provider and extends to the formal regulatory system writ large:

*Interviewer: What would you do if you didn't get paid out by the insurance company? How would you pay for the funeral?*

*Respondent: I don't know. I never think about this. [laughs]*

*Interviewer: You're not worried about something going wrong?*

*Respondent: To be honest, not really. We have the contract so everything is straight. I know that I never miss the payments so these insurance guys have to follow the contract.*

*Interviewer: Ok. But if something did go wrong, what do you think you would do?*

*Respondent: Then I just have to take it to the small claims court and show the contract. As long as there is this contract, I am not worried about the payment (Respondent #7; Fieldwork Interview; 6 November 2015).*

Here the female respondent (identified as having a monthly income of more than R5000) reveals a faith in formal institutions (i.e. contracts) and measures for recourse (i.e. the courts/legal system). The ideal microinsurance client is thus institutionalized; he or she has access to, familiarity with, and trust in the formal institutional sphere. All this combined translates into a form of agency that allows clients to extract better value from their institutional options. In other words, fluency with formal institutions begets trust, trust begets agency, and agency ultimately begets value for “ideal” microinsurance clients like Jabulile who are able to fulfill their socio-cultural obligations without falling into a spiral of debt.

By relying solely on her formal insurance policies, Jabulile removed herself from the social institutions that regulate interpersonal relations within burial societies:

*I didn't do everything by tradition. Some of them are not necessary in my view. I picked the traditions that were important to me. I don't care what people say. It is true that if you don't respect traditions, people will start rumors about you, but I don't care. When my mother passed away, I wore a black scarf to honor my Zulu traditions, but I didn't do other things because it was not so important to me (Lwazi, J.; Fieldwork Interview; 15 January 2016).*

As reflected in this comment, she felt she had the freedom to be selective about which

traditions she wanted to follow and which to disregard. Her attitude evinced very little concern for community gossip and reproach—the social sanctions that constrain most burial society members. In other words, Jabulile’s exclusive engagement with microinsurance corresponded with her being disembedded from informal institutional systems and the various constraints that they entail.

She would have been unable to make this leap without trust in the formal institutions and mechanisms of recourse. Over time, her embeddedness into the formal/financial institutional sphere crystallized into a habitus that enabled her to maneuver more fluidly within the system, while concurrently disembedding from the informal/social institutional sphere:

*I don't know why we blacks stick with burial societies and funeral parlors to be perfectly honest. Maybe it's because certain people see financial companies as 'white businesses' and funeral parlors as 'black business,' I don't know. But I think people are changing slowly (Lwazi, J.; Funeral Interview; 15 January 2016).*

In many ways, then, Jabulile came to represent the idealized narrative of an empowered, “modern” microinsurance client who detaches from “suboptimal” informal mechanisms and embraces formal financial services. What this account misses, however, is how clients like Jabulile may be empowered to begin with. Her income was robust and stable enough to make monthly premium payments. Her high standing within the community was such that gossip and social expectation exerted relatively little pressure. Access to microinsurance simply enhanced a degree of agency that she possessed already. But how do formal financial services, i.e. microinsurance, affect those who do not have the same kinds of financial and social capital at Jabulile’s disposal? Is agency enhanced when there is a lack of agency to begin with? In the next section, I explore these questions by considering the case of Goodwill Nxusani.

### **The Case of Goodwill Nxusani: Drowning in Debt and (Still) Vulnerable to Risk**

*Three Days Without Food: Goodwill Buries his Father-in-Law*

In contrast to Jabulile's account, Goodwill Nxusani's story offers a glimpse into how socially and economically disempowered individuals navigate the institutional terrain to help cope with the expenses of a funeral. In his little corner of Khayelitsha, Goodwill is a well-recognized community leader. He lives in a small shack made of corrugated iron with his wife and three children. He supports his family, as well as his mother who lives in the Eastern Cape, by running a makeshift video arcade out of his home, which earns him R800 per month. He also receives a child income grant from the state (R990 per month), and performs odd jobs that earn him a variable income of about R200 per month. In total, he earns a monthly income of approximately R2,000, right around average for my sample and between LSM 1-2 on the SAARF scale.<sup>39</sup>

In late January 2016, just a month after his grandmother's funeral, Goodwill received the unfortunate news that his father-in-law had also died. As the only income-earning household in the immediate family, Goodwill bore most of the financial burden of paying for the funeral. Two factors drove up the costs: 1) His father-in-law was the head of his family, which meant that livestock would have to be slaughtered; and 2) While he died near Cape Town, he was originally from Queenstown in the Eastern Cape, which meant that transportation would have been arranged to repatriate the body. Combined with the expenses (see Table 2), Goodwill was faced with a total cost of R42,040.

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<sup>39</sup> LSM 2 households are characterized by squatter hut shacks, communal access to water, and minimal ownership of durables. 42.5% have a SASSA Grant card indicating heavy reliance on the state.

Funeral Expense	How it was paid	Services Rendered	Amount Paid
Undertaker #1- Western Cape	Assupol Benefit	Transfer of the body to the mortuary, mortuary facility and services for 2 weeks, and coffin	R6,280
Transportation	Negotiated a monthly installment plan with his cousin. This was provided on a discounted rate	Goodwill's cousin provided the transportation to the Eastern Cape including the hearse	R10,500
Undertaker #2- Eastern Cape	Assupol Benefit	Services related to the actual funeral in the Eastern Cape including the provision of tents, chairs, bakkies for people transport, toilets and funeral administration	R4,500
Pastor Fee	Assupol Benefit/ Personal Savings	Led the funeral ceremony and burial	R1,500
Food	Assupol Benefit	Food for guests	R5,000
Slaughtered Sheep	Assupol Benefit/ Personal Savings	Food for guests	R1,000
Slaughtered Cow	Negotiated a monthly installment plan	Cow slaughtered for ceremonial/ritual purposes and for food	R6,000
Post Funeral Tradition	Personal Income	Drinking 'umqombothi' as part of the "Moving Darkness in the family" ritual. This occurred on 27 February 2016, nearly a month after the funeral itself	R260
Second Cow	Personal Income	The slaughtering of the second cow is so that the soul of the deceased male can be accompanied to their eternal home.	R7,000
<b>Total:</b>			R42,040

Table 2- A financial profile of Goodwill's funeral expenses

Neither Goodwill nor his wife was part of any burial society or funeral parlor, which made them relatively rare exceptions. Goodwill explained that he had lost trust in

informal service providers after hearing about the case of Chitibhunga, a large burial society that took all its members premiums and disappeared over night. Although he did not entirely trust formal insurance providers either, he turned to Assupol, a medium-sized South African insurance company, about 6 months before his father-in-law had died. Although premium payments (R170) were difficult to meet every month, his diligence ultimately did pay off in the form of a R14,000 payout. This lump sum of money was significant as it paid for certain large expenses that needed immediate payment, particularly mortuary services and funeral administration costs. For other large expenses (i.e. livestock and transportation), Goodwill was forced to exhaust his savings and to negotiate monthly installment plans. After two weeks of making the arrangements, Goodwill and his family made the long 950 km return journey to Queenstown, where 300-400 people attended the funeral.

Although Goodwill considers himself lucky to have had a formal policy with Assupol, the fact remained that he was still in debt by almost R30,000. In my final visit with him before the conclusion of my fieldwork, he confided in me that he and his wife had not eaten in three days in order to make the first payment installment on the cow. Despite this, he never once considered scaling down on any expense; his father-in-law's body had to be returned home to be with the ancestors, he explained, and a cow had to be slaughtered so that his soul could be accompanied on his journey into the afterlife. Goodwill felt that if these basic obligations were not met, he would be the subject of much gossip within his community. He also feared that his father-in-law's soul would not be at rest. Past incidents of fraud (i.e the case of Chitibhunga) contributed to his lack of trust in informal institutions like burial societies and funeral parlors, stripping him and his wife of a key source of financial support.

Moreover, his low, irregular income prevented him from taking out multiple policies or a policy with a higher payout. It is likely that without the R990 he received



from the state through the child income grant, Goodwill would have had to cancel his insurance policy with Assupol. Unlike Jabulile, whose income enabled her to fully leverage formal insurance's value proposition, Goodwill was unable to extract the same kind of value from his set of institutional options. Although it is clear from Goodwill's case that having access to microinsurance helped mitigate his financial burden somewhat, the larger point remains that it was not enough to confront, in any meaningful way, his general state of economic vulnerability and insecurity.

*All You Can Do is Trust God: Institutional Constraints on Client Agency*

Clients like Jabulile have leverage over informal businesses like funeral parlors because they have been empowered to exercise choice, i.e. they can take their patronage elsewhere if they are unsatisfied with a service. But even they are bound in the sense that funeral parlors are the only service providers who are equipped to handle the bodies of the deceased. The body is thus a site of contestation; any party who controls it ultimately controls the terms of exchange. Low-income clients like Goodwill are bound not only materially, that is, through the funeral parlors' control of the body, but structurally as well:

*I was paying my funeral parlor for 6 years, but when my sister died in her home, her nephews called the hospital and a different funeral parlor picked up the body. They charged me R2000 to release the body to my parlor. They are criminals! (Female Respondent; Johannesburg Focus Group #2; 11 January 2016).*

Typically, when clients face these situations, their best form of recourse would be to simply switch providers. However, clients are constrained from even this basic course of action:

**Interviewer:** *When you heard about these abuses, why didn't you just leave for another funeral parlor?*

**Respondent:** *It is because we have been paying them for a very long time. If we leave, we would lose the money that we have paid and it would be for nothing. I don't want to start all over again with a waiting period (Female Respondent; Durban Focus Group #2; 15 January 2016).*

The value proposition of premium-based insurance models rests on reliable service delivery at the time of claim. Absent this basic guarantee, the premium structure itself, as well as other rules such as waiting periods, become institutional constraints on agency.

While there are a number of these factors in the informal space that constrain an individual's ability to make optimal risk management decisions, the formal institutional sphere also presents a set of constraints that limits access to desirable options. Unlike burial societies and funeral parlors, formal entities are governed strictly by contractual law. And in contrast to informal operators, formal insurers are compelled by regulation to operate with as much transparency as will guarantee a baseline of consumer protection. All terms and conditions that outline an insurer's (as well as client's) obligations are provided in contracts signed by all parties; the Financial Advisory and Intermediary Services (FAIS) Act governs information disclosure by sales agents at the point of sale.

There is, however, an important distinction that should be made between transparency and legibility. While clients generally understand the broad strokes of an insurance transaction, such as monthly premium obligations and how much they can expect to receive in claims, it became clear from the interviews that transparency measures like contracts and verbal disclosures did not translate into detailed comprehension. Contracts are written in dense legal language (almost exclusively English) that is difficult to understand, and sales agents disclose the bare minimum information required by FAIS:

**Respondent:** *I had the Hollard-Kaiser Chiefs plan. I cancelled the policy after they did not pay out because my son was not covered.*

**Interviewer:** *Why didn't they pay out?*

**Respondent:** *They told me that he was not covered because he was in prison and he died in a particular way. See, they bring out the contract and they show it to you. This is where the problem is. They will show you that you signed it and there is nothing you can say. If you don't read the contract, you will run into problems (Female Respondent; Johannesburg Focus Group*

#3; 12 January 2015).

When insurance companies fail to pay out a claim for any number of reasons (i.e. lapsed policies, exclusions, etc.), many respondents, particularly those who are new to insurance, feel that they had been cheated despite what was written in the contract:

*We are tired of insurance. Stokvels are better because it is better to give your money to one person to keep. I have paid one insurance company [AVBOB] for 3 years and I missed one payment and they say I must start over again with a new waiting period and a new initiation fee. I said no and I lost my coverage and they kept all my payments. Where does my money go? Insurance companies are tsotsis [thieves] (Respondent #16; Group Interview #1; 21 November 2015).*

This sentiment reveals an inherent tension between informal norms of coverage and formal contractual arrangements; it would seem that clients are bringing their expectations of the former to bear on latter.

When there is a legitimate grievance, clients face another seemingly insurmountable hurdle: how to navigate the formal legal system. Here especially, it is instructive to consider microinsurance provision within the broader frame of social exclusion. Due to the historical marginalization of poor South Africans by the formal system writ large, there is little familiarity with and faith in formal channels of recourse:

*In general, people don't know their rights... We have tried to go to the police but they will just refer us to the small claims court. It is difficult to deal with new faces who don't understand your whole situation. We must tell the same story over and over and they will maybe inform the rep, but it ends there. Police are not trained for this or they are corrupt (Male Respondent; Johannesburg Focus Group #1; 11 January 2016).*

If something were to go wrong with their formal insurance claims, then, clients are simply resigned to the loss:

*You can have insurance, but ultimately all you can do is trust God (Respondent #46; Group Interview #4; 23 February 2016).*

#### *Seeing is Believing: Fluency as a Limited Form of Agency*

When death comes, the best a microinsurance client can hope for is that formal and informal institutions, which have been designed over time to address this particular vulnerability, will work in concert to mitigate the expenses of the funeral. As I've shown,

this outcome is far from certain; clients must navigate an unfamiliar institutional terrain shaped by more powerful economic actors who control the flow of information and, by extension, the distribution of benefits. Client agency is thus heavily constrained and access to the most ideal options is often curtailed by structural limitations. This does not mean, however, that low-income clients like Goodwill are completely devoid of agency and recourse. Like all social actors, they operate within a particular milieu and react to the circumstances placed immediately in front of them.

Though never fully immune from potential abuse, clients do take measures to protect themselves and mitigate the risk of fraud. One of the main mechanisms employed is word-of-mouth information sharing. In my sample, nearly all respondents joined a burial society and/or funeral parlor through the recommendation of trusted family members and neighbors; trust is therefore paramount in these exchanges. Though word-of-mouth can function as a form of sanction on misbehaving funeral parlors, it only offers partial protection from abuse:

*I did not really do any research. When funeral parlors do funerals, sometimes everything looks perfect. So you go with that service. It is only when you yourself go through the process where you see everything that goes wrong (Male Respondent; Johannesburg Focus Group #2; 11 January 2016).*

For many, then, seeing is the only way to believing. In this regard, tangibility holds much currency in terms of building trust as was demonstrated by the failure of mobile-insurance products to scale. Physical objects and structures like office spaces, display caskets, paper contracts, and cash payouts, hold symbolic value that signal legitimacy and trustworthiness, which clients rely on to anchor their decision-making:



**Figure 14- Front Office Display at KGA Life.**  
Photo Credit: Christopher Paek

*I don't trust agents, but it helps that there is a physical office. I can be assured that these people*

*are not crooks. I like to see that other people come in to do business with KGA [insurance company] (Respondent #6; Fieldwork Interview; 6 November 2015).*

When problems do inevitably arise, options for recourse are limited as discussed above. However, the contrast between the options in the informal as opposed to formal spheres reveals the varying degrees of fluency with which clients navigate these spaces to air their grievances. This fluency matters insofar as client agency is concerned; if clients are unable to speak the language, any form of negotiation or contestation is effectively foreclosed. This is particularly relevant when clients confront insurance companies to dispute a claim:

*As long as you pay, you'll have no problem. But once you have a problem with a payment that's when you have a problem. They'll bring in a manager who only speaks English and you won't feel confident with your English. Then they'll point to the computer and your chance to explain your situation will be gone. (Male Respondent, Johannesburg Focus Group #2; 11 January 2016)*

It is not just fluency with language that clients struggle with, but with the broader realm of formalism. Material symbols like the office, computers, and contracts confer legitimacy and signal the “professional” ways of doing business. They bestow an “epistemic privilege” (Blowfield and Dolan, 2014) upon microinsurance that leaves little room for negotiation or contestation from clients who may or may not have a legitimate grievance.

In short, what this speaks to is a general unfamiliarity among poorer clients with formal norms, rules, and options for recourse. The formal institutional environment is illegible to many low-income clients, even if they manage to gain some nominal level of access. And while the informal space presents its own set of constraints, there is at least some fluency for clients in terms of how institutions work to regulate this domain:

*In the informal ones, location based, they can speak. They'll all sit down and come up with a solution. The advantage of a burial society is that you can still speak with them if you have a problem (Female Respondent; Johannesburg Focus Group #4; 12 January, 2016).*

If burial society and funeral parlor members cannot get their problems resolved through

direct negotiation, there are trusted figures within their communities like area councilors to whom they can appeal to arbitrate their case:

*Members of the burial society often have the burial society executive's phone numbers. Burial societies are often formed by people from the same rural area and by virtue of this, there is accountability – and as a last resort, if there is a grievance then people can report the matter to the king (Respondent #35; Fieldwork Interview; 20 January 2016).*

Despite the hierarchal constraints that structure informal interactions, clients have some fluency and thus a small measure of agency in the way they can negotiate and contest the terms of their engagement. The lack of fluency in the formal institutional sphere, by contrast, is an impediment for low-income clients to fully trust microinsurance and formal mechanisms of recourse.

### **Virtuous Cycles versus Poverty Traps: Comparing the Cases of Jabulile and Goodwill**

#### *Positive Feedback Loop: Developing Fluency in the Formal Institutional Sphere*

Juxtaposing Goodwill's account to that of Jabulile's reveals the ways in which class, social status, and income shape how individuals experience the institutional environment. The extent to which a client has agency to begin with matters in terms of how he or she might derive value from microinsurance. Jabulile's status, for instance, made it easier for her to bear the costs of social reproach. Her decision-making was not based on the fear of social sanction but upon quality sources of information that helped her navigate the formal bureaucracies of microinsurance:

**Interviewer:** *How did you hear about these insurance policies?*

**Jabulile:** *I think I first heard some radio adverts about the Old Mutual funeral plan. But my work colleague was the one to tell me about it. She had a good experience with it so that is what convinced me in the end (Lwazi, J.; Fieldwork Interview; 15 January 2016).*

After pulling out her first policy with Old Mutual, she learned that FNB—the bank she held a checking and savings account with—also offered an array of insurance products, including funeral insurance. By then, she was convinced enough about the value proposition of insurance to pull out a second policy to supplement the first.

Finally, she signed up for a third policy with Standard Bank, which was designed to cover older beneficiaries; she used this to cover herself, her husband and her mother-in-law. At this point, Jabulile was fully enmeshed within the wider formal financial system. She held a checking account, interest-bearing savings account and three insurance policies; premiums were paid through automatic debit withdrawals that helped integrate her banking and insurance practices into a more streamlined personal finance experience.

As long as these formal financial services continued to meet her needs, her assimilation into formal institutional systems only deepened. Because her peers were mostly clients of formal financial services as well, Jabulile was often surrounded by people who shared reliable information and feedback that enhanced her own experiences. Once embedded into the formal system, a virtuous cycle was initiated (see Appendix B). Her income level was high and stable enough that she was confident in making regular premium payments to three different insurance providers. She not only had ready access to FAIS accredited insurance agents and bank tellers, but her confidence in the system was buttressed by peers who successfully navigated the formal bureaucracy to receive their claims. In turn, her own positive experience with funeral insurance led her to become a purveyor of information that perpetuated this virtuous cycle for others:

***Jabulile:** I was very happy with the insurance. I convinced three of my friends to also take out policies with FNB.*

***Interviewer:** And how did they respond?*

***Jabulile:** At first they were not convinced. Black people fear forms and yet they are signing contracts with these funeral parlor guys. I told them it is the same thing...Previously, the agents were the ones who scared everyone. They were very aggressive. They are the ones to kill this business. But now, I think it's different. So I told them this business is straight, not like the funeral parlors (Lwazi, J.; Fieldwork Interview; 15 January 2016).*

Ultimately, the risk and welfare outcomes in Jabulile's case speak for themselves. Her insurance policies covered all her funeral expenses, and she had a sizable amount left

over to use as discretionary income. Especially compared to Goodwill's R30,000 debt, this reads like a case of the rich getting richer. And not only was she fully insured against a significant risk event, she was insured efficiently. Her case highlights how income, while clearly significant in affecting the terms by which a client engages with microinsurance, is not the only factor in terms of securing benefits. Developing trust was essential for her to make the full leap from the informal to formal sphere. To this end, Jabulile was exposed to sources of information that guided her through a formal system governed by an unfamiliar set of norms, rules and expectations. Eventually, maneuvering within this environment became second nature—a cultivated habitus—allowing her to more efficiently deploy her resources. Beyond simply receiving an insurance payout, Jabulile was fully incorporated into a formal financial system that was working effectively for her.

*Poverty Penalty: Are the Poor Over-Insured?*

In contrast, Goodwill and other low-income clients operate in a low-trust environment. Seen through this lens, potential victims of fraud are understandably defensive and share information that often assumes the worst-case scenario. In previous chapters, I have described the ways in which informal operators work to maintain the institutional status quo by controlling the flow of information. In part, they are able to do so by appealing to practices that have been legitimated through time and tradition. Left in the dark, burial society and funeral parlor members adopt a habituated helplessness that accepts the status quo as “the way it’s always been done” and thus forecloses the possibility of recourse. In the place of reliable information, salacious rumors abound, making it exceedingly difficult to tell truth apart from speculative gossip:

*There are vultures out there in this economy...People kill each other to make their own business. There are stories of nurses at hospitals will inject something into your loved one. And when they die, they will write an obscure forensic term or something on the death chart. And they are in league with funeral parlors who will get the business (Male Respondent; Johannesburg Focus Group #2; 11 January 2016).*



As far-fetched as this may sound, I quickly discovered that this rumor and many sordid ones like it were widely spread and assumed to be true. Whether these stories are true or not is not as important as recognizing how quickly (mis)information spreads throughout the community and becomes accepted as truth. Trust in institutions is eroded as a result and, as I have shown, rampant levels of mistrust in this space have led people to reject some formal insurance products (i.e. mobile insurance), as well as informal entities (i.e. Goodwill's rejection of burial societies/funeral parlors), out of hand.

In this environment, it is difficult for clients to differentiate reliable information from unsubstantiated rumor. This makes them vulnerable to exploitation and abuse, particularly when dealing with funeral parlors. Savvy operators can exploit this information asymmetry in a variety of ways, especially when clients are in an emotionally compromised state of mind:

*If there is a problem with the funeral, someone has just passed away, so it's difficult to think straight. In my experience, funeral parlors don't really keep their promises. Even if things are wrong, you just end up paying for it. They'll say R600 for the machine [to lower the body into the ground]. All you're thinking about is the standard of the funeral and your guests. This is all that is in your mind (Female Respondent; Durban Focus Group #2; 15 January 2016).*

Many poor clients respond by obtaining multiple policies from different sources, essentially utilizing diversification as a strategy to reduce their exposure to the risk of a policy failing to pay out:

**Interviewer:** *Why are you in a burial society if you already have two policies [with Old Mutual and Hollard]?*

**Respondent:** *I am afraid that something will go wrong and they will not pay the money when something happens. What if the insurance will not pay? We must have the funeral. With a burial society at least I know there will be a funeral and helping hands (Respondent #19, Group Interview #1; 21 November 2015).*

The elderly, in particular, are often covered by multiple policies taken out by their family members. A common scenario that occurs is that when a covered member dies, their next-of-kin must decide which funeral package offers the best benefits. The others,

who may have been paying premiums to their funeral parlor for years, get nothing in return due to the lack of a monetary benefit option in many funeral parlor policies:

*You just lose out though if you go with a different funeral parlor. They tell you that it is not a cash policy, so you just lose out. Nothing happens. All of that money is theirs. It happens all the time (Female Respondent, Durban Focus Group #1; 14 January 2016).*

A strong argument could be made, then, that many funeral insurance clients are actually *over-insured*, or at least insured inefficiently. In a way, it is the aptly termed “poverty penalty” (Caplovitz, 1964) asserting itself in another form. Rather than higher premium rates, the penalty comes from poor clients over-insuring themselves as a result of their fundamental mistrust of institutions and exposure to unreliable information. Thus, I argue that this behavior should not be understood as irrational in the economic sense, but as a plausible, context-driven response. Clients who choose to diversify are guarding themselves against fraud and/or unforeseen bureaucratic complications that might lead to non-payment.

Moreover, these insights help to explain why, as financial inclusion theory might expect, microinsurance clients do not simply abandon “less efficient” informal mechanisms like burial societies, but rather supplement these mechanisms with formal services. If unexposed to the type of information Jabulile enjoyed, a full leap to formal insurance—and all its relatively unfamiliar institutions of payments, claims, and recourse—constitutes a formidable risk in itself; abandoning burial societies and funeral parlors altogether means that microinsurance clients risk getting nothing at all if they fail to make a premium payment or if a claim does not pay out for any reason. Due to the social and cultural imperatives placed on funerals, this is an outcome that clients will try to avoid at even prohibitive cost to themselves. In this regard, Goodwill can be considered a bit of an outlier. While most of his peers understood the risks of being exploited by burial societies/funeral parlors, they chose not to rely solely on insurance companies. This decision could be based on a variety of reasons: lack of trust, lack of

literacy, or perhaps even lack of reliable income from which to make premium payments. Faced with similar constraints, Goodwill's decision to rely only on his Assupol policy can be read as an act of faith.

Whatever the case may be, a careful reading of comments made by interview respondents suggests that they do not necessarily understand their own behavior as risk diversification. Instead, many seem to have mentally assigned different functions to the various institutional forms:

***Interviewer:** Why so many policies?*

***Respondent:** One policy [with the funeral parlor] is for the coffin, but in that one, there's no one that will help me. The other policy [formal insurance] provides the cash, which can be used for the expensive things. The "street" society is to get help from people who can work [cook] on the funeral day. What's nice with the burial society is the helping hands. Money from insurance will be used so that everyone can eat. What else? I spend the money for clothes and hair [laughs] (Female Respondent; Johannesburg Focus Group 3; 12 January 2015).*

Constrained as they are, low-income microinsurance clients like Goodwill are a far cry from the empowered individuals who allocate resources rationally and efficiently with their newfound access to formal financial services. Instead, they are bricoleurs in their own right, operating within data-poor, low-trust environments. They do the best they can to adapt to and piece together institutional arrangements—including microinsurance—to meet their risk management needs.

## **Conclusion**

The danger for any normative framework is in the way it can privilege a single narrative at the expense of alternative outcomes. The mobilizing discourses of microfinance and microinsurance emphasize the empowered individual and his/her ability to master risk. This chapter has pushed back against this narrative by considering the underlying conditions that must first be present in order for this empowered risk subject to emerge. The analysis found that for the poorest clients in particular, access to formal financial services alone is insufficient to mitigate their vulnerability to risk. In fact,

I argue that it is their condition of vulnerability in the first place that prevents them from fully actualizing the benefits that microinsurance can bring.

Despite the fact that Jabulile and Goodwill are both microinsurance clients, they inhabit altogether different social and economic realities, which determine much in terms of how they benefit from their respective engagements with microinsurance. Such a disparity is reminiscent of Marguerite Robinson's analysis of microcredit and the ways in which it reifies a line between the "economically active" and the unproductive poor (Robinson, 2001). In much the same way, while Jabulile represents an ideal insurance subject, Goodwill must be disciplined and transformed into one.

But what makes Jabulile "ideal"? She had a steady and high enough income stream that she could afford years of monthly premium payments. This enabled her to select insurance plans, which yielded higher payouts; I estimated that her premium-to-claims ratio was superior to that of Goodwill's by about 50%. She was formally banked, making it easier for insurance companies to set up automatic debit orders. She developed fluency with the formal institutional environment, such that she had confidence enough in contracts, claims administration bureaucracies, and courts to rely solely on microinsurance to cover the cost of her husband's funeral. These attributes, i.e. reliable income, trust in and fluency with formal institutions, framed her engagement with microinsurance and embedded her within a virtuous cycle that eventually produced an ideal welfare outcome. She was empowered to negotiate with the institutional environment on her terms and avoided falling into debilitating debt.

In contrast, Goodwill and the majority of clients in my sample were mired in what might be described as a poverty trap. They operate and make decisions in an environment fraught with mistrust and poor quality information. They lack the fluency and/or confidence to rely on formal mechanisms of recourse. As a result, sufficient trust in formal institutions was not cultivated. Clients thus hedged their risk by retaining

membership in their burial societies and funeral parlors. It was a common occurrence that a single family member could be covered by multiple formal and informal policies, an inefficient use of limited financial resources. And unlike Jabulile who was largely disembedded from the social structures/institutions that regulate this space, poorer clients like Goodwill were still compelled to abide strictly by prescribed social norms in order to avoid relational forms of sanction.

While poor clients like Goodwill manage to exert a limited, largely reactionary form of agency, they must ultimately navigate an institutional terrain that is shaped by and designed for more powerful, better-positioned economic actors. Their scope for agency is thus heavily constrained, not only by other actors and institutional structures, but also by the very nature of their poverty. To see the world through Goodwill's eyes is to take institutions, both formal and informal, with a heavy dose of skepticism. Though these institutions have evolved separately to help mitigate his exposure to risk, their interactions create conditions by which the costs and benefits of engagement with risk management institutions are distributed on unequal terms. The potential for these clients to protect themselves from risk is thus highly circumscribed.

## 9—Conclusion

I heard many stories over the course of my fieldwork. But of all of them, the story of how Goodwill and his wife went without food for three days because of funeral related expenses remained with me long after I left South Africa. While Goodwill had mentioned this to me in passing—barely a side note as if it was an entirely normal state of affairs—I have found myself mulling over its significance from a multitude of angles. First and foremost, it reveals how seriously Xhosa households take their responsibilities to bury their kin in a dignified way. While the quantitative results do indeed suggest that the death of a family member looms as a front-of-mind risk event for survey respondents, it was Goodwill's story that drove home just how intense and highly-prioritized this concern was in their day-to-day worldview.

Second, his story highlights both the potential and limits of microinsurance as a viable risk management instrument in the lives of the poor. On the surface, the funeral insurance policy he held with Assupol worked as it was designed; after only 6 months of paying premiums (R1,020), he received a monetary payout of R14,000, which helped defray the crippling costs of the funeral (R42,040). By all indications, Goodwill was pleased with this outcome. But on closer examination, many factors had to go exactly right for this ideal outcome to emerge. It was entirely possible that the risk event (the death of a covered beneficiary) might have occurred outside the coverage timeframe. Another possibility was that Goodwill could have missed a premium payment or two due to unexpected expenditures or disruptions to his income flow. Had any of these very plausible scenarios materialized, Goodwill would have been left worse off than if he had not obtained a policy at all.

Of course, the risk of non-payment is one that all insurance clients must assume upon signing their contracts. But the lingering question I was left with was whether the heightened level of risk for Goodwill and the millions of other low-income

microinsurance policyholders was ultimately tenable. Was this simply introducing a new risk, while claiming to address another? This question encapsulates an important wedge in the debates over financial inclusion and inclusive markets for development. While improved access to markets is celebrated in the mainstream literature as an unqualified positive goal, the incursion of market institutions into low-income spaces has also restructured informal infrastructures. If we account for the power imbalances that exist between private corporations and these community-based structures, it becomes possible to pose more critical questions regarding the terms of this restructuring. Does inclusion produce unintended, yet adverse outcomes for the risk management institutions that have long served low-income communities? What does this mean for these communities?

I have demonstrated how in the South African microinsurance market, insurance companies do indeed resort to a number of discursive and managerial techniques to restructure and repurpose informal institutions to facilitate their operations. But I also showed how such efforts do not proceed deterministically. Individual actors mediate the interactions between formal and informal institutions. And since these actors are embedded within situated social and power hierarchies, processes of formalization flow through these complex relational webs, which affects and alters institutional and regulatory outcomes. Formalization is by no means inevitable.

The objective of this thesis has been to move beyond the valorizing narratives of the financial inclusion agenda and the structurally determinist critiques that characterize the two sides of the financial inclusion/microinsurance debate. It has focused instead on the underlying institutional dynamics that ultimately shape welfare outcomes. By giving equal attention to both formal and informal institutions, I moved the analysis away from top-down “institutional design” perspectives and re-centered it on more fluid, relational conceptions of institutional interactionism (i.e. bricolage) underpinned by a political

economy framework. Within this frame, the crucial role of actors, i.e. gatekeepers/mediators/intermediaries, and their power relations, come into a much clearer focus. Formal and informal actors simultaneously respond to and shape institutional arrangements. In other words, individual agency is mutually constitutive of, rather than external to, processes of institutional change and development.

Both the theoretical and empirical frameworks that give structure to this thesis are centered on this complex interplay between institutions, actors, and the underlying power dynamics that give shape to the social field. Bringing together structure and agency under the same analytical frame required that I adopt an ethnographic sensibility attuned to the different social positions occupied by key actors along the microinsurance value chain. In a sense, then, the ethnographic approach I undertook was multi-polar in the way it gravitated toward different clusters of actors—formal actors like insurance sales agents and state regulators/policymakers; informal actors like funeral parlor operators and burial society administrators; and of course, microinsurance clients. From these various vantage points, I was able to express the different ways these actors experienced and responded to the emergent set of opportunities, constraints, and incentives produced by institutional arrangements. In the following sections, I provide an overview of my core arguments and insights, discuss their theoretical and empirical implications, and conclude with final remarks regarding key contributions made by this thesis to the existing literature and directions for future research.

### **Institutions and Agency: A Brief Summation of Key Arguments and Insights**

The substantive portion of the thesis was divided into two broad segments. In the first (Chapters 4-6), I focused the analysis on the ways in which formal and informal institutions operate and interact in the microinsurance space. I began by looking at the development of informal institutions (as embodied by burial societies) within the context of South Africa's unique socio-political history. I traced the evolution of burial societies



alongside the unfolding patterns of labor migration, which have historically been shaped by the forces of colonization and apartheid. By helping labor migrants coordinate in bringing bodies back to their ancestral homelands, burial societies bridged a gap between the broader developments of South Africa's modernizing society with the traditional/cultural legacies that continue to hold sway over indigenous groups like the amaXhosa. The resilience of burial societies in the face of dramatic social and political upheaval is a testament to both their adaptability as an institutional form, and to their enduring importance within communities. Beyond fulfilling economic functions, i.e. pooling financial resources to help members meet the costs of a funeral ceremony, they play important social roles, such as constituting notions of "neighborhoods" (Bähre, 2007a) and reinforcing norms of solidarity and reciprocity. Thus, a burial society is not just an informal pooling scheme, but the embodiment of economic, social, and cultural institutions that regulates collective behavior toward a more effective and cohesive mutualism.

I analyzed formal institutions within a much more recent historical frame. The rapid expansion of the microinsurance market in South Africa quickly exposed traditional insurance regulations as inappropriate for the low-income space. The ensuing "drive to formalize" reveals how formal actors like insurance companies and regulators fundamentally view informal systems/practices as inefficient and/or abusive. Yet despite a consensus between industry and state that a standalone microinsurance regulatory framework was needed, reform legislation has stalled due to broader policy priorities that have taken precedence. In the absence of this regulatory framework, insurance companies have essentially had to improvise within this unregulated space; Frances Cleaver's notion of bricolage captures nicely the ways in which insurance companies have drawn on and re-purposed existing institutions (i.e. through group-based underwriting partnerships with burial societies and funeral parlors) to achieve their access

objectives and to shape a space that is more amenable to their intervention. They have deployed management technologies like the Living Standards Measure (LSM) and insurance contracts to identify and discipline “ideal” microinsurance clients who comply with formally regulated (and approved) financial practices. Moreover, I argued that consumer education campaigns could be read as governmental techniques that essentially trained clients to self-enforce these practices. These management technologies and techniques work hand-in-hand with the discursive agendas inscribed in state policy documents like the microinsurance regulatory framework, which work to legitimize formalization processes, while simultaneously delegitimizing informal institutions. Thus, rather than advancing a financial inclusion agenda that heralds a broadly expanded access to the formal financial system, the drive to formalize has created new boundaries of inclusion and exclusion, reifying, rather than erasing, the line between ideal and uninsurable clients. In the case of microinsurance, the benefits of financial inclusion are mainly reserved for those who can and do comply with formal institutional norms, rules, and practices.

As I have demonstrated, the techniques deployed by state and industry actors have had discernable impacts on the institutional landscape. Where formal institutions have been effective in overlaying their operations onto local, community-based infrastructures, informal institutions have been shown to play key complementary roles in smoothing the circulation of premium and claims payments as well as providing pragmatic, context-appropriate mechanisms that safeguard at least some measure of accountability and transparency. But in many ways, the re-purposing of burial societies towards these new ends has shifted their core institutional logics away from mutualism toward logics that privilege the aims of profit. To the extent that this shift is fully realized, burial societies can become extractive institutional forms that dis-embed their

members from the traditional protections of reciprocity-based networks, and connect them to the new protections of the modern financial system.

I have also shown that when the underlying institutional goals are misaligned, informal regulatory systems can compete with and/or undermine their formal counterparts. A good example of this is the case of funeral parlor contracts, which while having no legal standing, are nevertheless the *de facto* rules in force that often contravene formal insurance law. These incompatibilities may be inevitable since many informal institutions have evolved precisely to respond to the volatilities of these unregulated spaces; they are often necessary components that allow businesses like funeral parlors to survive. Whether these practices are “abusive” (as formal actors label them) or are “second-best” institutional approaches (Dixit, 2003; Grindle, 2004; Rodrik, 2000) that are more survivalist in nature, they have compelled state and industry players to adapt their own practices to work with or around them, and to make concessions that are reflected in formal regulatory reforms. Thus, while formal institutions induce change to informal infrastructures, informal institutions can also spark changes to formal insurance practice and regulation, though to a lesser extent due to the disparities in power/resources between formal and informal actors.

In the second segment (Chapters 7-8), I shifted attention onto questions of individual agency by examining in closer detail both microinsurance providers and clients. As North (1990) argued, institutions impose “pervasive” constraints upon individual choice sets. What these constraints ultimately mean for agency continues to be an animating topic of inquiry for social science research. In my own study, I understood agency as the extent to which actors were empowered to shape the underlying institutions that regulate their actions. In applying this lens to microinsurance providers, particularly the intermediaries and mediators who facilitate the distribution of microinsurance products, it became clear that agency was largely a product of an actor’s

ability to maintain control over “critical junctures” (Wolf, 1956: p.1075) along a shifting institutional landscape. As insurance companies enter largely (formally) unregulated spaces and restructure the social infrastructures and relational networks, certain actors (e.g. funeral parlor operators) are better positioned than others to secure the benefits of the newly formed formal-informal partnerships. So long as these actors continue to accrue benefits from the prevailing institutional arrangements, they act to maintain the status quo. By contrast, actors who do not enjoy the same kind of control over critical junctures (e.g. burial society administrators) are largely reactive, rather than proactive in shaping institutional arrangements; their agency is thus much more constrained. Accounting for individual agency in this way is key to understanding how the benefits of microinsurance ultimately flow to the client. Since mediators play an important role in building coherence between formal and informal institutional systems, they also affect how benefits are distributed.

Since microinsurance clients are limited in their ability to affect change to underlying institutional arrangements, their agency in this respect is heavily constrained. But in their case, the more relevant question regarding agency may refer back to the very founding mythologies of microfinance writ large. That is, has improved access to formal microinsurance empowered poor people to better protect themselves from risk? By comparing Jabulile and Goodwill’s experiences with microinsurance, I found that the answer is somewhat tautological: empowerment is a precondition of empowerment. Jabulile’s social and financial status gave her access to more quality sources of information that translated into an easy fluency with formal institutions. She was an ideal microinsurance client in the sense that her income was both sufficient and regular, which enabled her to obtain policies that had superior rand-for-rand value. And because her policy provided substantial cover, she was empowered in her negotiations with service providers like funeral parlors. In other words, microinsurance helped flip the power

dynamics in her favor. In Goodwill's experience, by contrast, several factors had to break his way for him to receive a payout that, in the end, turned out to be insufficient to cover his liability. He was constrained not only by an institutional environment he did not trust, but by the very nature of his poverty. Goodwill was not empowered by microinsurance because he was not empowered to begin with.

### **Empirical/Theoretical Reflections and Implications**

#### *On Risk and Insurance*

Anthropologist Jane Guyer asks, "What is 'risk' as a transacted 'thing'? From whom and to whom is it transferred? Since mitigation can only ever be partial, where is the excess located in relation to a theory of ownership?" (Guyer, 2009: p.215 citing Maurer, 1999). Implicit within Guyer's line of questioning is the notion that risk, as a "transacted thing" is not eliminated or mitigated against entirely, but something that is transferred from one entity to another. This conceptualization of risk is a subtle yet significant departure from the fundamental economic case for microinsurance as a poverty reduction tool (Siegel et al., 2001; Churchill, 2006); insurance is understood here as a technology to "master" or eliminate risk altogether, and in so doing, remove a key driver of persistent poverty (Dercon et al., 2009). But in reflecting on Goodwill's experience with microinsurance, I am struck most of all by the stark dissonance that exists between his enduring state of precarity and his expressed satisfaction with his Assupol funeral insurance policy. If successfully receiving an insurance claim of R14,000 is the market instrument performing as it should, then his three days without food reveal the limits of the market in confronting the wider, more structural vulnerabilities that keep Goodwill in poverty.

Perhaps, as I suggested to him, it was not worth the trouble. Perhaps it was more important to eat than to pay for a funeral. He responded by shaking his head and stating nonchalantly (again, in passing): "No, we must have the funeral. This is the way we bury

our dead.” What his comment reveals is that beneath all the rhetoric of financial inclusion and the ennobling objective of helping the poor manage their risk, microinsurance markets in South Africa are ultimately built upon the *value* insurance companies are able to see and to extract from the cultural/traditional *values* that people hold dear; insurance is the mechanism that transforms “values” into “value.” Thus, as François Ewald has argued:

*The insurer's activity is not just a matter of passively registering the existence of risks, and then offering guarantees against them. He 'produces risks'...It is characteristic of insurance that it constitutes a certain type of objectivity, giving certain familiar events a kind of reality, which alters their nature. By objectivizing certain events as risks, insurance can invert their meanings: it can make what was previously an obstacle into a possibility. Insurance assigns a new mode of existence to previously dreaded events; it creates value (Ewald, 1991: p.199-200).*

But what is lost in this transformation of values into value? In the spirit of Guyer's inquiry, I attend to this question by posing another: From where and to where are microinsurance clients being transferred? Whether it be motivated by a desire to strengthen consumer protection or to eliminate informal competitors, it is the explicit and discursive aim of the microinsurance formalization agenda in South Africa to dislodge and replace “inefficient” and/or “abusive” informal mechanisms. Insurance creates new “abstract mutualities” in which human interests are grouped together not on the basis of interpersonal relationships, but rather on principles of “contractual justice” (ibid.: p.203-207). In other words, microinsurance clients are brought into a new sort of collective, from one based on local, intimate, and familiar relationships to one that is global, dispersed, and impersonal.

In this movement, Ewald observes that insurance “combines a maximum of socialization with a maximum of individualization” (ibid: p.203), by which he means that individuals are “freed” or disembedded from what Douglas (1994) referred to as the “old protections,”—e.g. the social, cultural, and financial institutions embodied by burial societies—which constrain individuals in accordance with the communal rules, duties,

conventions, hierarchies, etc. in force. This corresponds with an individualization of risk as clients like Goodwill and Jabulile assume the responsibilities (and risks) delineated by an insurance contract. And although their risks are shared across what is now an anonymous and “abstract” collective, access to this form of risk mitigation hinges on their ability to perform as an ideal insurance subject should—a performance Jabulile was in a much stronger position than Goodwill to execute.

*On Financial Inclusion and Formal-Informal Institutional Dynamics*

To the extent that inclusion into formal insurance markets is successful and comprehensive, it removes individuals like Goodwill from an informal institutional environment with which he is familiar, and incorporates him into a formal sphere lacking in the “old protections.” But as this thesis has demonstrated, inclusion into formal insurance markets is neither comprehensive nor complete. The current state of the South African funeral and microinsurance market is far more complex and contested. Formal microinsurance institutions do not simply dislodge existing infrastructures, but rather interact with informal institutions and practices that have deep roots in cultural histories and even in the supernatural realm of the afterlife and ancestors. I argue that risk and welfare outcomes must be assessed through the prism of these interactions, which are mutually constitutive of social/power hierarchies.

Empirically, by focusing attention on the underlying institutional dynamics that underpin South Africa’s microinsurance market, the thesis has signaled the importance of process rather than outcomes. While mainstream financial inclusion/inclusive market frameworks are mainly concerned with removing barriers to access (World Bank, 2014; Beck et al., 2009; Cull et al., 2014) and creating “enabling environments” for the development of more inclusive financial markets (Honohan and Beck, 2007; DFID-SDC, 2008), achieving expanded inclusion is, in and of itself, the end goal/outcome. Critiques of these frameworks have rightly raised important questions about the possible

adverse effects, or the so-called “dark side” of inclusion (Meagher, 2015: p.839)—and the ways in which market-led development interventions like microfinance and Bottom-of-the-Pyramid (BoP) ventures re-shape informal infrastructures according to their needs and objectives (Cross and Street, 2009; Dolan and Johnstone-Louis, 2011; Schwittay, 2011; Dolan and Roll, 2013). But as I have argued, these critiques are somewhat deterministic and one-sided in the way they understand the formal-informal dynamic.

In my own study, I attempted to move beyond structurally deterministic accounts of unimpeded formalization, and focused more on how processes of negotiation and contestation—in a word, politics—produced institutional/regulatory outcomes. And as I have shown, regulatory outcomes can span a number of possibilities. Informal burial societies can become more regimented, abandoning flexible mechanisms that have long accommodated members with volatile incomes. Funeral parlor operations can become more opaque as they seek to consolidate their control over the circulation of premium and claims payments. Yet another possibility is that burial societies and funeral parlors can elect to fully register their operations with the state and comply with formal regulations.

In light of these various outcomes, one of the key insights of this study is that institutional (and welfare) outcomes are not engineered, but rather result from a dynamic, negotiated process between institutions and actors. Formal and informal institutions interact in a myriad of complementary and competing ways. Even if state policymakers and regulators managed to craft tailored legislation suited to the informal market, their ability to enforce it hinges on its perceived legitimacy and ability to garner trust, which require constant engagement and negotiation. And while microinsurance systems do restructure and re-purpose informal infrastructures according to their needs, they must also adapt to long established local practices and rules, which have served as the de facto institutional mechanisms regulating the informal space.



Implicit within financial inclusion/inclusive markets discourse is the assumption that newly included actors would passively accept the legitimacy of formal institutions. Instead, what I found was that informal providers and microinsurance clients behaved more like “bricoleurs” (Cleaver, 2012) by drawing upon and piecing together both formal and informal institutions to address their risk management needs. Financial inclusion did not result in the replacement of informal institutions, but rather produced new formal-informal institutional arrangements, which actors actively pieced together and learned to navigate.

#### *On Mediators and Power*

An institutional approach also allowed me to account more fully for power, not just in the way formal entities wielded it to shape the funeral insurance market, but also in the way local power hierarchies structure the unregulated, informal space, and effected change in formal institutions, in turn. Recognizing that the informal institutional space was full of complex power hierarchies, I was prompted to treat this area of my research with a greater degree of specificity. In this regard, it was productive, both empirically and theoretically, to bring to bear the anthropological/sociological work done on mediators/brokers. As it relates to my analysis of formal-informal institutional dynamics, this scholarship directed my attention to the crucial role of mediators (i.e. insurance sales agents, funeral parlor operators, burial society administrators, and mobile network operators, etc.) in forging institutional cohesion through their work of “translation,” (Mosse and Lewis, 2006) that is, negotiating between and cohering disparate frameworks (i.e. knowledge systems, ways of thinking and behaving, formal-informal institutional spheres etc.). Since mediators are social actors embedded within existing networks and hierarchies, by extension, it became possible to examine institutional processes through the prism of these relational power structures.

James (2011: p.1) adds that brokers do not merely negotiate between the spheres they mediate, but also “embody and bring into being socio-economic positions and identities.” Examples from my study were insurance sales agents like Lindelwa and Zenzile who adopted and deployed their social as well as professional identities in order to simultaneously generate trust with their clients (through affective forms of labor) and to discipline them into being more reliable insurance subjectivities. Moreover, in their study of development brokers in post-colonial West Africa, Bierschenk et al. (2002: p.2) observed that in the context of marked power differentials and heterogeneous governance systems, mediators “were not confined to the role of transmission belts” and had agency to act according to their own self-interest:

*They had no qualms about deviating and amplifying the function prescribed by the colonial infrastructure, and influenced the orientation of colonial policy and practice in keeping with their own interests or based on their own systems of political conceptions (ibid.: p.2).*

I found that as the formal microinsurance system recalibrates the space, new incentives and opportunities are produced along the formal-informal value chain, which some actors are in better positions than others to leverage for their own self-interest. Funeral parlor operators like Dumile of Hlubi Funeral Services have started to shift their operations away from the more limited opportunities of an informal service provider to more profitable, entrepreneurial models that rely heavily on commissions paid out by insurance companies. Meanwhile, long-time burial society administrators like Daniel Masego speak with some resignation about the declining relevance of burial societies as they enter into partnerships with underwriters. The critical roles they once played in instituting and enforcing rules designed to foster solidarity, reciprocity, and cohesion, are increasingly confined to performing intermediary services for insurance companies.

I have argued that these differential outcomes can be explained by the power inequalities embedded within the social field; access to and control over the “critical junctures” along the microinsurance value chain are by no means equal and determine

much in the way actors can respond to new opportunities and constraints. Contrary, then, to the rosy view that expanded access to the formal financial market results in a broad-based, equitable distribution of benefits, financial inclusion can instead entrench existing power inequalities, which ultimately distorts how benefits (and risks) are ultimately distributed. Thus, an institutional analysis of microinsurance markets with an empirical focus on mediators/intermediaries, has helped to reveal the underlying political economy of risk and insurance. But what does this imply for microinsurance clients?

For the poor in South Africa, burying a beloved family member requires them to navigate this hybridized (formal-informal) institutional space, which is shaped by relations of power. Positive welfare and risk management outcomes in this endeavor are not determined as a function of greater access to or inclusion within the formal insurance system necessarily, but more by the constant negotiation of institutional structures and individual agents. A key implication here is that access to formal financial services may be necessary, but in no way sufficient for the poor to secure the benefits of financial inclusion. While for “ideal” clients like Jabulile—who has the resources, experience, and familiarity with formal institutional environments—simple access may be sufficient, Goodwill’s relative lack of fluency with formal institutions puts him at greater risk of non-payment, or exploitation by more powerful market actors. In other words, he has become a risk-bearer (Maurer, 1999)—or perhaps more accurately, the bearer of risks produced by markets—minus the tools, resources, or knowledge he needs to effectively manage these “new” risks. From this I argue that it is not so much that microinsurance empowers poor individuals like Goodwill, but it is empowered individuals like Jabulile who are in any sort of position to reliably benefit from microinsurance.

### **Concluding Remarks**

The main contributions of this thesis have been produced by bringing together the theoretical literature on institutions and the empirical research on financial inclusion

and microinsurance. Through an institutional lens, financial inclusion narratives and frameworks that fixate on expanding access to excluded individuals have been shown to be overly narrow. A wider frame that encompasses, and even centers informal institutions, has helped move beyond financial inclusion as an end in and of itself, to more critical insights about what this inclusion means for microinsurance clients as well as their networks, norms, infrastructures, and traditions. Moreover, the thesis has pushed back against more deterministic critiques that have mainly been concerned with the power of formal market actors and institutions in calibrating the social field. As I have argued, informal institutions continue to affect regulatory outcomes despite a formalization agenda that has worked to delegitimize them. Institutional theory has provided a way to analyze these formal and informal risk management institutions within the same frame.

The empirical insights of this study on microinsurance have also contributed to institutional theory. My focus on mediators/intermediaries and the crucial roles they play in cohering formal microinsurance systems with local socio-cultural institutions demonstrates that individual actors are integral to processes of institutional development and change. New Institutional Economics (NIE) perspectives are primarily concerned with “getting institutions right” particularly as it relates to igniting economic growth (Casson et al., 2010 referring to Acemoglu et al., 2002; Glaeser et al., 2004; Acemoglu & Johnson, 2005; Aghion et al., 2005) and/or improving market inclusion (e.g. Marshall, 2004; Fergusson, 2006; DFID-SDC, 2008; Mair et al., 2012). These technical, design-based perspectives often ignore macro and micro-level politics and the ways in which even constrained actors can circumvent, contest, or even undermine institutional arrangements. And while critical institutional scholarship has expanded the frame to account for politics and individual agency (see De Soysa and Jütting, 2007; Casson et al., 2010), Cleaver (2012: p. 22) argues that there is a tendency for these perspectives to

focus too much on “the exercise of power by the disadvantaged—a celebration of local instances of resistance or of collective action without tracking their real and lasting effects on outcomes.”

I have attempted to avoid this ideological trap by bringing individual agency closer to the center of institutional theoretical frameworks. Welfare outcomes were not interpreted through a formalist, design-based lens nor a politics of resistance, but rather through an empirically grounded analysis of the interactions between institutional structures and individual agents. Still, further theoretical work needs to be done in order to more precisely conceptualize the role of individual actors in processes of institutional development. I contend that the vast literature on brokers and mediators hold promise in this regard.

Finally, this thesis has signaled the need for further empirical research that focuses more on the role of informal, social institutions in shaping risk outcomes. In designing a study that sought to cast a wide frame that encompassed formal/informal institutions, individual agents, as well as the power relations that structure these interactions, a degree of depth was lost. Although a handful of scholars have made informal institutions (i.e. gender, caste, class, religion, etc.) the explicit focus of their studies (see Helmke and Levitsky, 2006; Williamson, 2009; Asadullah and Chaudhury, 2010; Granville and Leonard, 2010; Harriss-White, 2004; Harriss-White, 2010), more work needs to be done to connect these scattered insights to a coherent theory on formal-informal institutional dynamics. This work would have strong potential to contribute further insight to the existing scholarship on financial inclusion, inclusive markets, and microfinance/microinsurance. As formal market institutions penetrate low-income spaces, they do not encounter “institutional voids” (Webb et al., 2010: p.556), but rather, dynamic social fields full of (informal) institutions that have evolved through social, political, and cultural transition. While future studies can focus on the regulatory

impacts of these informal institutions in more depth, the current study has examined the breadth of institutions and actors that are activated by the need to “bury well” in South Africa.

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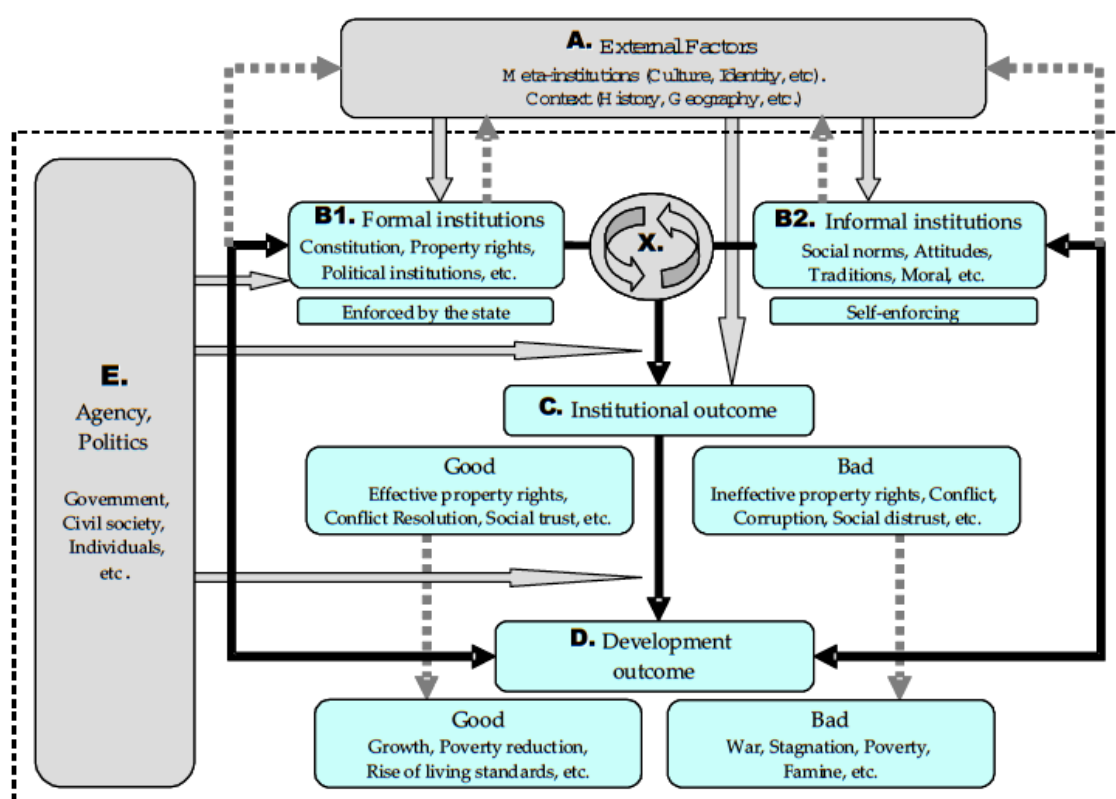
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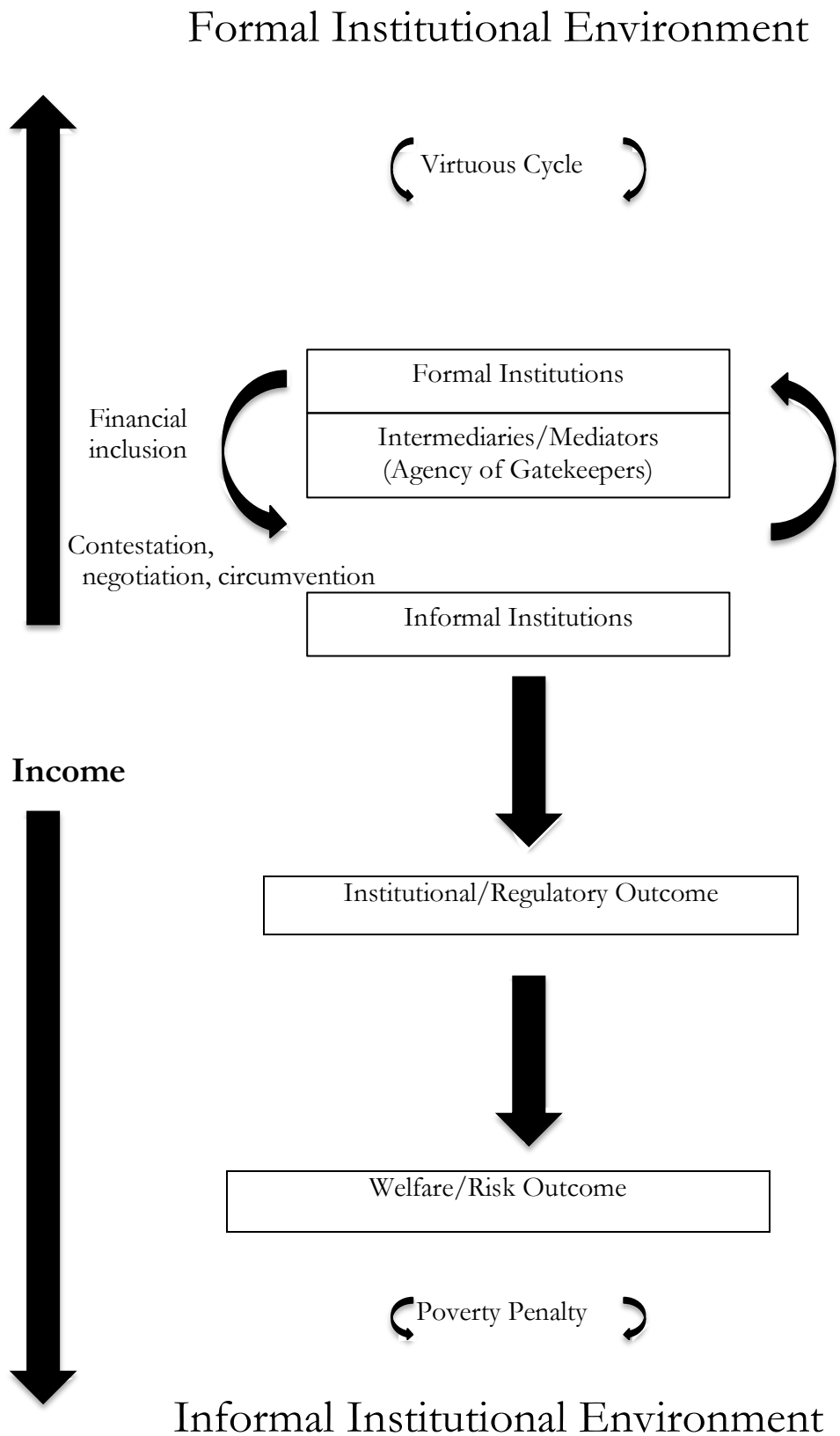
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## Appendices

*Appendix A—Framework for Analyzing Institutions and Development*



**Source:** De Soysa, I., & Jütting, J. (2007). Informal institutions and development: How they matter and what makes them change. In Johannes Jütting, Denis Drechsler, Sebastian Bartsch, and Indra de Soysa (Ed.), *Informal institutions: How social norms help or hinder development*. OECD Publishing.



Topic Guide 1: Insurance Companies

**1. Introduction**

- a. Introduce the focus of the research project: The research project is interested in understanding how insurance companies work with community-based structures and institutions in the microinsurance space.
- b. Anonymity: Inform participant that their real name will not be used. They can stop the interview at any time or decline to answer any question. If there is anything the respondent wishes to omit from the transcript, they are free to indicate so.
- c. Ask permission to record the interview.

**2. Warm-up Questions**

- a. Just to start, can you give me a general description of what your role is with the company?
- b. How long have you been with [insurance company]?

**3. Insurance company specific questions** (Questions that are unique to each insurance company)

- a. How does [insurance company] approach the low-income market?

**4. Experience working with informal operators**

- a. Can you describe the relationship with these informal operators like burial societies and funeral parlors? In what ways do you work with them?
- b. What are some of the biggest challenges in working with informal operators?
- c. Aside from selling to the low-income market, do you also provide employment opportunities by hiring sales agents from those communities?
- d. Since insurance is a complicated product, does your company have to engage in consumer education as part of your core strategy? How is this approached?
- e. How have you leveraged technology to reach low-income clients?

**5. Formalization/Regulation**

- a. What are the main motivations or incentives insurance companies have in the formalization process?
- b. What are some changes you would like to see to make it easier for you as a microinsurer to operate in the low-income market?
- c. How do insurance companies work with informal regulatory systems?

**6. Conclusion**

- a. What do you envision is the future of the microinsurance market in South Africa?
- b. Snowball method: Ask if there are any other contacts that I can be put in touch with
- c. Thank the respondent for their time in answering the questions



## Topic Guide 2: State Regulator/Legislators

### **1. Introduction**

- a. Introduce the focus of the research project: The research project is interested in understanding how formal and informal institutions interact in the microinsurance regulatory space.
- b. Anonymity: Inform participant that their real name will not be used. They can stop the interview at any time or decline to answer any question. If there is anything the respondent wishes to omit from the transcript, they are free to indicate so.
- c. Ask permission to record the interview.

### **2. Warm-up Questions**

- a. What is the current status of microinsurance regulation in South Africa?

### **3. Regulatory Environment**

- a. What are the primary factors shaping microinsurance regulation?
- b. What are the state's policy priorities with regard to regulating microinsurance markets?

### **4. State perspectives and approaches to the informal sector**

- a. What is the state's enforcement strategy regarding microinsurance regulation?
- b. How does the state view informal institutions and operators like burial societies and funeral parlors?
- c. How would you describe the process of formalization? What are the main challenges?
- d. What are some support structures that the state has in place to ease the formalization process?
- e. How is the state adapting to the increasing use of technology in the microinsurance space?
- f. Did the state engage with informal operators on regulation? If so, what was the nature of this engagement?

### **5. Conclusion**

- a. What do you envision is the future of the microinsurance market in South Africa?
- b. Snowball method: Ask if there are any other contacts that I can be put in touch with
- c. Thank the respondent for their time in answering the questions

### Topic Guide 3: Informal Providers (Funeral Parlors and Burial Societies)

#### **1. Introduction**

- a. Introduce the focus of the research project: The research project is interested in understanding the relationship between insurance companies and funeral parlors/burial societies. I'm interested in getting your perspective on what you think of insurance companies.
- b. Anonymity: Inform participant that their real name will not be used. They can stop the interview at any time or decline to answer any question. If there is anything the respondent wishes to omit from the transcript, they are free to indicate so.
- c. Ask permission to record the interview.

#### **2. Warm-up Questions**

- a. How did you get started in the funeral parlor business (or burial society)?
- b. How is business going for you?

#### **3. Funeral Parlor specific business** (Questions that are unique to funeral parlors)

- a. How do you primarily finance your business? How does it work?
- b. How do you determine price?
- c. How does your business compete with other funeral parlors who may be doing things illegally?

#### **4. Perspectives formal insurance and regulations**

- a. Describe your relationship with the insurance company.
- b. As a funeral parlor, what are some of the rules that you have to follow when you partner with an insurance company?
- c. What are the advantages or disadvantages of working with insurance companies?

#### **5. Experience with clients**

- a. How do you deal with poor clients who have trouble paying?

#### **6. Regulatory Environment**

- a. What is the process to become registered?
- b. What are the incentives to becoming a "formal" business?
- c. What are some of the challenges of dealing with formal regulations?
- d. What are the community rules that you must follow?
- e. What are the legal rules that you must follow?

#### **7. Conclusion**

- a. What are the biggest challenges for you in doing this funeral parlor business?
- b. Snowball method: Ask if there are any other contacts that I can be put in touch with
- c. Thank the respondent for their time in answering the questions.

## Topic Guide 4: Clients

Thank you for taking the time to answer a few questions. My name is Christopher and I am a research student. I am working with Sandisiwe to understand your feelings about insurance companies and what you think about some of their products and services.

Before we start, there are a couple things I would like you to know: 1) I am doing this research as a student in a university in the UK; I don't work for an insurance company. 2) Anything you share with me will be kept completely confidential and will be kept secure. I will not share any of your personal details with anyone. So feel free to share any answers that you are comfortable to share. If you are uncomfortable in any way, you can withdraw at any time.

There will be two sections. First, we will ask you some questions and you can answer any way you like. Second, we will each give you a paper and will ask you to fill in your answers with pen. Let's start with the first section.

### **Dialogue and Open-ended Questions**

1. How is life going for you?
2. Where do you come from?
3. What are some of the things you worry about day to day?
4. How did you first hear about insurance?
5. What kind of insurance do you have?
6. How much do you pay in monthly premiums and what is the payout amount?
7. How many people do you cover with your insurance?
8. What was your main motivation to buy insurance?
9. How do you make your insurance payments?
10. What are your feelings about insurance agents?
11. What is something about insurance that you want to see improved?
12. Are you or your spouse part of a burial society or funeral parlour?
  - a. **If yes:**
    - i. How much is your monthly payment into the burial society?
    - ii. Why are you part of a burial society and also have an insurance policy at the same time?
    - iii. Who is also part of the burial society in which you are a member?
    - iv. Do you see other burial society members regularly or do you just make payments every month?
    - v. How many burial societies are you a part of?
13. Do you own a mobile phone?
  - a. **If yes:** What type of phone do you own?
    - i. What do you use your phone to do?
    - ii. Does your insurance company contact you regularly through your phone?
    - iii. Do you use your phone to do insurance?
      - iv. If yes:**
        1. What are some of the things you like about using your phone to do insurance?
        2. What are some of the things you don't like?
        3. Did you receive advice about insurance before you signed up for this product? If so, who gave you this advice?
      - v. If no:**
        1. If you could do all your insurance business on the phone, would you prefer to do that or would you prefer to come into the office? Why?



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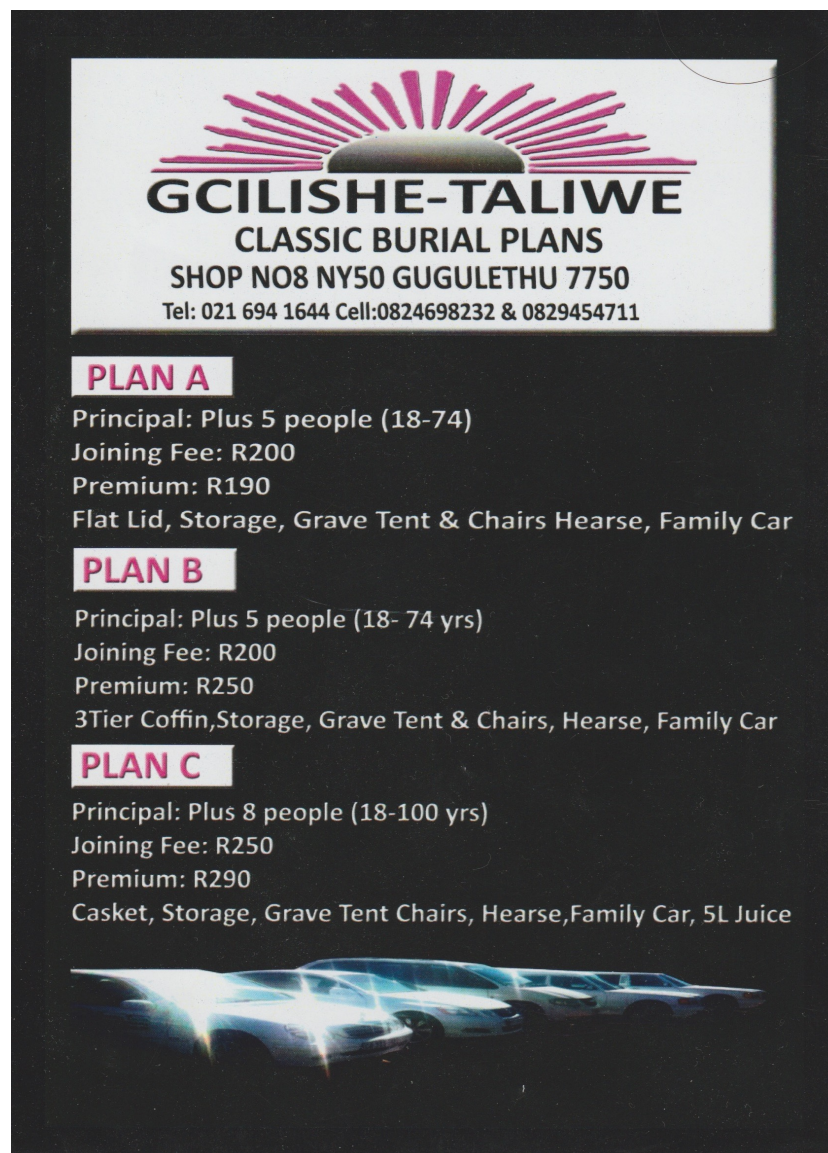
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- Ukuba uswelekelwe yazisa umphathi kamsinya.
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Age Birth 1-5.....	R1 250.00	Age Birth 1-5.....	R1 750.00
Still Born 11 Months.....	R750	Still Born 11 Months.....	R850
Premium.....	R35	Premium.....	R45
Policy Holder - Benefit Level.....	R15 000.00	Policy Holder - Benefit Level.....	R10 000.00
Policy Holder - Age at.....	18-64	Policy Holder - Age at.....	18-64
Spouse Maxentry age 64.....	R15 000.00	Spouse Maxentry age 64.....	R10 000.00
Child (age 14-21).....	R10 000.00	Child (age 14-21).....	R7 000.00
6-13.....	R6 000.00	6-13.....	R4 000.00
Age Birth 1-5.....	R3 000.00	Age Birth 1-5.....	R2 000.00
Still Born 11 Months.....	R1 500.00	Still Born 11 Months.....	R1 000.00
Premium.....	R80	Premium.....	R55
Policy Holder - Benefit Level.....	R20 000.00	R10 000	
Policy Holder - Age at.....	18-64	All your parents under 64 years	
Spouse Maxentry age 64.....	R20 000.00	Premium.....	R165
Child (age 14-21).....	R14 000.00		
6-13.....	R7 000.00	R15 000	
Age Birth 1-5.....	R3 500.00	All your parents under 64 years	
Still Born 11 Months.....	R2 000.00	Premium.....	R240
Premium.....	R120		
<b>SINGLE MEMBERS</b>			
R5 000.00	R7 500.00	R10 000.00	
18-64	18-64	18-64	
Premium R35	Premium R40	Premium R50	
R15 000.00	R20 000.00	R5 000.00	R7 500.00
18-64	18-64	65-74	65-74
Premium R75	Premium R100	Premium R55	Premium R85
R10 000.00	R5 000.00	R7 500.00	R10 000.00
65-74	75-84	75-84	75-84
Premium R90	Premium R80	Premium R100	Premium R150
R5 000.00	R7 500.00	R10 000.00	
85 Years	85 Years	85 Years	
Premium R85	Premium R105	Premium R175	
R10 000.00	R15 000.00	R20 000.00	
Four dependents	Four dependents	Four dependents	
under 64 Years	under 64 Years	under 64 Years	
Premium R250	Premium R375	Premium R500	

Source: Hlubi Funeral Parlor

*Appendix F—Survey (English)*

1. What is your gender? (Circle one)
  - a. Male
  - b. Female
2. What year were you born? \_\_\_\_\_
3. Are you married?
  - a. Yes
  - b. No
4. Who lives with you in your home? \_\_\_\_\_
5. Who earns the main income of your household? \_\_\_\_\_
6. What are the sources of your income for your household? (Circle all that apply)
  - a. Regular salary from a job
  - b. Self-Employed
  - c. Domestic Worker
  - d. Grants/Pensions
    - i. Which grant(s) do you receive? \_\_\_\_\_
  - e. Seasonal jobs/Odd jobs
  - f. Money from relatives who don't live with you
  - g. Other source of income: \_\_\_\_\_
7. Approximately, how much is your household income per month? (Circle one)
  - a. Less than R800 per month
  - b. R801-R1,400 per month
  - c. R1,401-R2,500 per month
  - d. R2,501-R5,000 per month
  - e. More than R5,001 per month
8. Do you have a bank account?
  - a. Yes
  - b. No



Thank you for all your responses. They were very helpful. Now I am going to pass out pen and paper for you to answer some questions. We are doing it on paper so you can keep this information secret. If you have any trouble with these questions, please ask us, and we will help you.

### **Risk Experiences**

We all face many risks in our lives. Even though we worry about all these risks, I would like to know which risks you worry about the most in your daily life.

Below, you will see three boxes. Within each box, please rank, from 1-4, which risk you worry about the most, and which risk you worry about the least.

1.

**Please rank from 1-4. Place a '1' for the risk you worry about the most, and place a '4' for the risk you worry about the least.**

Damage to your home\_\_\_\_\_

Sickness of a family member\_\_\_\_\_

Providing for your family in case something happens to you\_\_\_\_\_

Losing your job or your source of income\_\_\_\_\_

2.

**Please rank from 1-4. Place a '1' for the risk you worry about the most, and place a '4' for the risk you worry about the least.**

Having to go to the hospital because of an illness\_\_\_\_\_

Someone stealing your property\_\_\_\_\_

Owing money to a bank or to a friend/relative and not being able to pay it back\_\_\_\_\_

Death of a family member\_\_\_\_\_

3.

**Please rank from 1-4. Place a '1' for the risk you worry about the most, and place a '4' for the risk you worry about the least.**

Someone stealing your money\_\_\_\_\_

Paying for a funeral\_\_\_\_\_

Getting hurt because of an accident\_\_\_\_\_

Losing or damaging something valuable you own (e.g. mobile phone, jewelry, etc.)\_\_\_\_\_

### Insurance Experiences

Next, I would like to ask you about how you feel about insurance. Please respond to each item on a scale of 1-7, 1 being 'Not at all' and 7 being 'Very much so':

Not at all		Somewhat		Very Much So		
1	2	3	4	5	6	7

1. How much do you trust insurance companies?  
1            2            3            4            5            6            7
2. How well does your current insurance policy address your needs?  
1            2            3            4            5            6            7
3. How helpful is the advice you receive from insurance agents?  
1            2            3            4            5            6            7
4. How comfortable do you feel dealing with the insurance company if you have any problems with your policy?  
1            2            3            4            5            6            7
5. How important is it for you to have face-to-face interaction with an insurance agent?  
1            2            3            4            5            6            7
6. How confident are you that the insurance company will pay out your claim?  
1            2            3            4            5            6            7
7. How convenient is the process of making your premium payments?  
1            2            3            4            5            6            7
8. Do you feel that the way your insurance company communicates with you is helpful?  
1            2            3            4            5            6            7

### Mobile Insurance Experiences

Finally, I would like to ask you to rate your experience of the mobile insurance product. After reading each statement, please respond on a scale of 1-7, 1 being 'I Disagree Strongly' and 7 being 'I Agree Strongly':

<b>I Disagree Strongly</b>	<b>Somewhat Agree</b>					<b>I Agree Strongly</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>

1. **Doing insurance on my phone has made it easier for me to pay my premiums.**  
1            2            3            4            5            6            7
2. **Doing insurance on my phone is easy for me to understand.**  
1            2            3            4            5            6            7
3. **If a problem comes up, I am confident that someone from the insurance company will help me.**  
1            2            3            4            5            6            7
4. **I prefer to do all my insurance transactions on the phone rather than going into a store.**  
1            2            3            4            5            6            7
5. **I feel that my money is safe doing insurance transactions on my phone.**  
1            2            3            4            5            6            7
6. **The phone has made it easier for me to receive my claims.**  
1            2            3            4            5            6            7
7. **I am satisfied with the mobile insurance product.**  
1            2            3            4            5            6            7
8. **The mobile insurance product has improved my overall experience with insurance.**  
1            2            3            4            5            6            7

*Appendix G—Survey (Translated to isiXhosa)*

1. Yintoni isini sakho ? (rhangqa ibenye)
  - a. ubudoda
  - b. ubufazi
2. Wazalwa ngowuphi unyaka ? \_\_\_\_\_
3. Utshatile ?
  - a. Ewe
  - b. Hayi
4. Ingaba ngubani ohlala nawe ekhaya? \_\_\_\_\_
5. Ngubani ongoyena orhola ingeniso ekhaya ? \_\_\_\_\_
6. Ingaba ingeniso yasekhaya ifumaneka phi ? (rhangqa ibenye)
  - a. Umrholo ofumaneka rhoqo emsebenzini
  - b. Uziqashile okanye uyaziphangelela
  - c. Umntu Oncedisayo
  - d. Isibonelelo sika rhulumente okanye umhlala phantsi
    - i. Zeziphi Izibonelelo ozifumanayo? \_\_\_\_\_
  - e. Imisebenzi enezakuphe
  - f. Imali evela kwizihlobo ongahlali nazo
  - g. Ezinye indlela zofumana imali: \_\_\_\_\_
7. Ingaba mngakanani umlinganiselo wengeniso yasekhayeni ngenyanga? (rhangqa ibenye )
  - a. Ngaphantsi ko R800 nge nyanga
  - b. R801-R1,400 nge nyanga
  - c. R1,401-R2,500 nge nyanga
  - d. R2,501-R5,000 nge nyanga
  - e. More than R5,001 nge nyanga
8. Ingaba unayo I account yase bhankini?
  - a. Ewe
  - b. Hayi

## Amava nge Risk

Sijongana nemingsipheko emininzi ebomini. Noxa nje siba nexhala malunga nalemingcipheko, ndingathanda ukubuza ukuba yeyiphi eyona mingcipheko othi uxhalabe ngayo kakhulu kwimpilo yakho yemihla ngemihla. Ngezantsi apha uyawuthi ubone ii bhokisi ezintathu, kwi bhokisi nganya ndicela ulandelelanise uqala ku 1 uyokutsho ku 4 ukuba ngowuphi owona mngcipheko othi uxhalabe ngawo ikakhulu kwaye ingowuphi umngcipheko othi uxhalabe ngawo kancinci.

1.

Ndicela ulandelelanise uqala ku 1 uyotsho ku 4. Beka u 1 endaweni yowona mncgipheko okuxhalabisa kakhulu ube sewubeka u 4 kowona mngcipheko okuxhalabisa kancinci.

Ukumoshakala kwe khaya lakho \_\_\_\_\_

Ukugula komntu ohlobene naye wasekhayeni \_\_\_\_\_

Ukuncedisana nekhaya lakho ukuba kungakho into ekwehlelayo \_\_\_\_\_

Ukulahlekelwa ngumsebenzi okanye indlela yemali ngeniso \_\_\_\_\_

2.

Ndicela ulandelelanise uqala ku 1 uyotsho ku 4. Beka u 1 endaweni yowona mncgipheko okuxhalabisa kakhulu ube sewubeka u 4 kowona mngcipheko okuxhalabisa kancinci.

Ukuya esibhedlele ngenxa yesigulo \_\_\_\_\_

Ukubelwa izinto ngumntu \_\_\_\_\_

Ityala le bhanki okanye elesihlobo sakho ongakwazi ukulibatala \_\_\_\_\_

Ukusweleka komntu ozalana naye \_\_\_\_\_

3.

Ndicela ulandelelanise uqala ku 1 uyotsho ku 4. Beka u 1 endaweni yowona mncgipheko okuxhalabisa kakhulu ube sewubeka u 4 kowona mngcipheko okuxhalabisa kancinci.

Ukubelwa imali ngumntu \_\_\_\_\_

Ukubhatalela umngcwabi \_\_\_\_\_

Ukulimala ngenxa yengozi \_\_\_\_\_

Ukulahlekelwa okanye ukumoshakalelwa yinto elulutho kuwe (umzekele, imfonomfono, ubucwebe nezinye ). \_\_\_\_\_

### Amava nge Insurance

Ndicela ukubuza ukuba uziva njani nge insurance. Ndicela iimpendulo zakho uzibonakalise ngokwemilinganiselayamanani uqala engu 1-7, u-1 ebonakalisa ukuba awuziva kakuhle konke konke ' u-7 ebonakalisa ukuba uziva kakuhle ngayo I insurance :

Awuziva kakuhle			Usesiphakathini			Uziva kakuhle	
1	2	3	4	5	6	7	

1. Ingaba uzithembe kangakanani ii Nkampani ze insurance?  
1                      2                      3                      4                      5                      6                      7
2. Ingaba le polisi yakho ye insurance unayo ihlangabezana kakuhle kangakanani nezidingo zakho?  
1                      2                      3                      4                      5                      6                      7
3. Ingaba ingcebiso ozifumana kummeli we insurance yakho ziluncedo kangakanani?  
1                      2                      3                      4                      5                      6                      7
4. Uziva ukhululeke kangakanani ukujongana ne nkampani ekunika I insurance xa ngabe unengxaki ne polisi ?  
1                      2                      3                      4                      5                      6                      7
5. Ibaluleke kangakanani kuwe into yokujongana buqu nomntu osisithunywa se insurance ?  
1                      2                      3                      4                      5                      6                      7
6. Ingaba Uqiniseke kangakanani ukuba le nkampani yakho ye insurance izakuwabhatala amabango akho kuyo ?  
1                      2                      3                      4                      5                      6                      7
7. Ingaba umcimbi wobhatala izavenge zakho ze insurance ulula kangakanani?  
1                      2                      3                      4                      5                      6                      7
8. Ingaba iluncedo njani indlela enxebelelana nawe ngayo inkampani yakho ye insurance ?  
1                      2                      3                      4                      5                      6                      7

### Amava nge Mobile Insurance Experiences

Okokugqibela ndingathanda ukulubuza ngamava kwi nkonziso ye insurance ekwi mfonomfono , emva kokufunda umqolo ngamnye ndicela uphendule ngokomlinganiselo wamanani u 1-7. U-1 ebonakalisa ukuba awuvumi konke kwaye u 7 ebonakalisa ukuba uvuma kakhulu ngokuqinisekileyo.

Andivumelani			ndisesiphakathini			Ndivumelana kakhulu	
1	2	3	4	5	6	7	

1. Ukwenza I insurance kwi mfonomfono yam kwenze lula ukuba ndibhatale I insurance yam.

1                      2                      3                      4                      5                      6                      7

2. Ukwenza I insurance kwi mfonomfono yam kulula ukuqonda.

1                      2                      3                      4                      5                      6                      7

3. Xa kukho ingxaku evelayo ndiqinisekile ukuba ukhona umntu we nkampani ye insurance ozokundinceda.

1                      2                      3                      4                      5                      6                      7

4. Ndikhetha ukuzenza zonke izinto ezimalunga ne insurance yam kwi mfonomfono yam kubona ndiye kwi sitolo.

1                      2                      3                      4                      5                      6                      7

5. Ndiva ngathi imali yam ikhuselekile xa ndisenza ii transactions zam ze insurance kwi mfonomfono yam.

1                      2                      3                      4                      5                      6                      7

6. Imfonomfono iyenze kwalula ukuba ndikwazi ukufuma ii claims zam ze insurance.

1                      2                      3                      4                      5                      6                      7

7. Ndanelisekile yile yile nkonziso ye insurance ikwi mfonomfono.

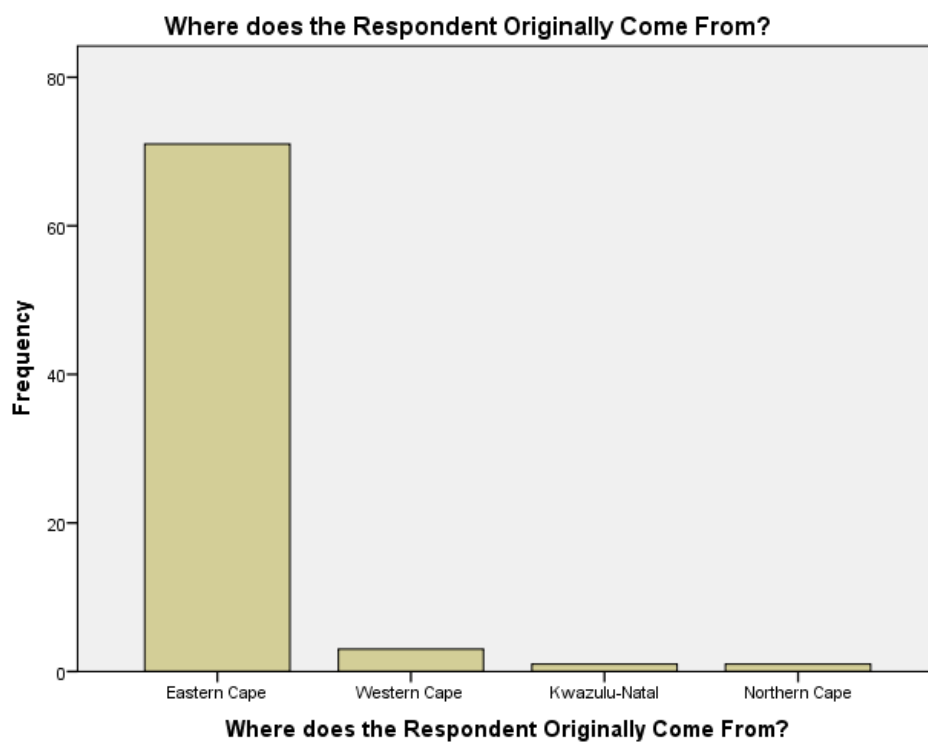
1                      2                      3                      4                      5                      6                      7

8. Le nkonziso ye insurance ekwi mfonomfono iyiphucule indlela endiziva ngayo namava kwi insurance.

1                      2                      3                      4                      5                      6                      7

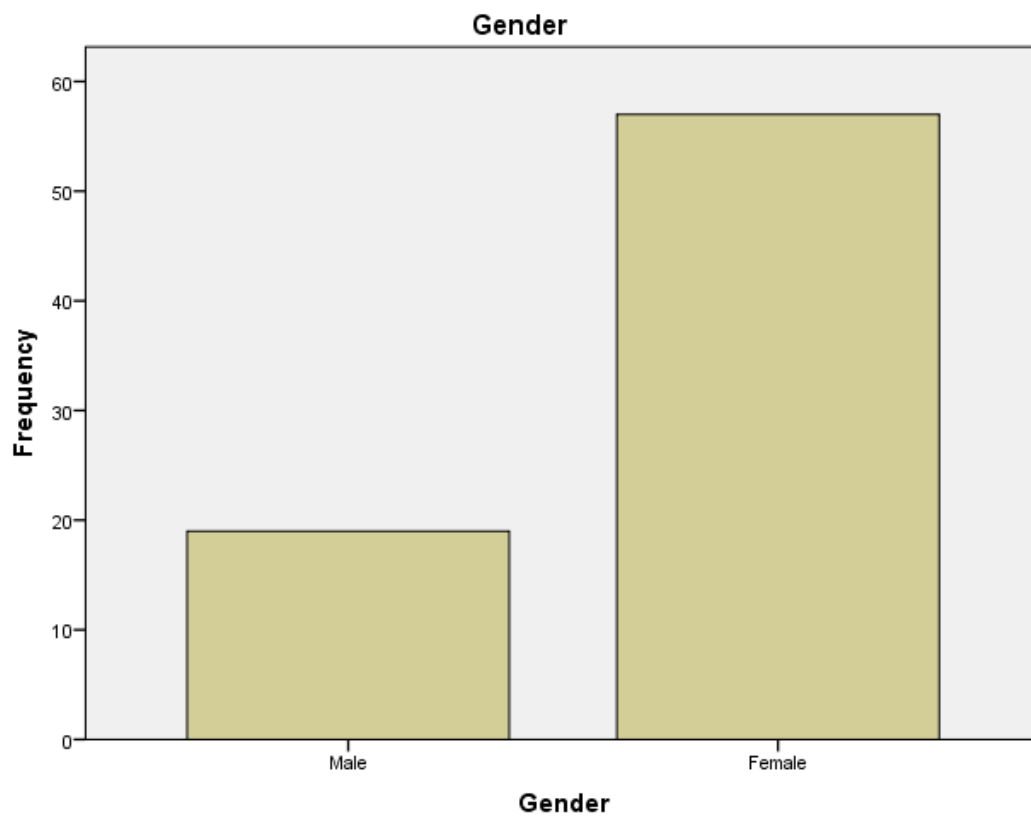
*Appendix H—Survey Results (N=76)*

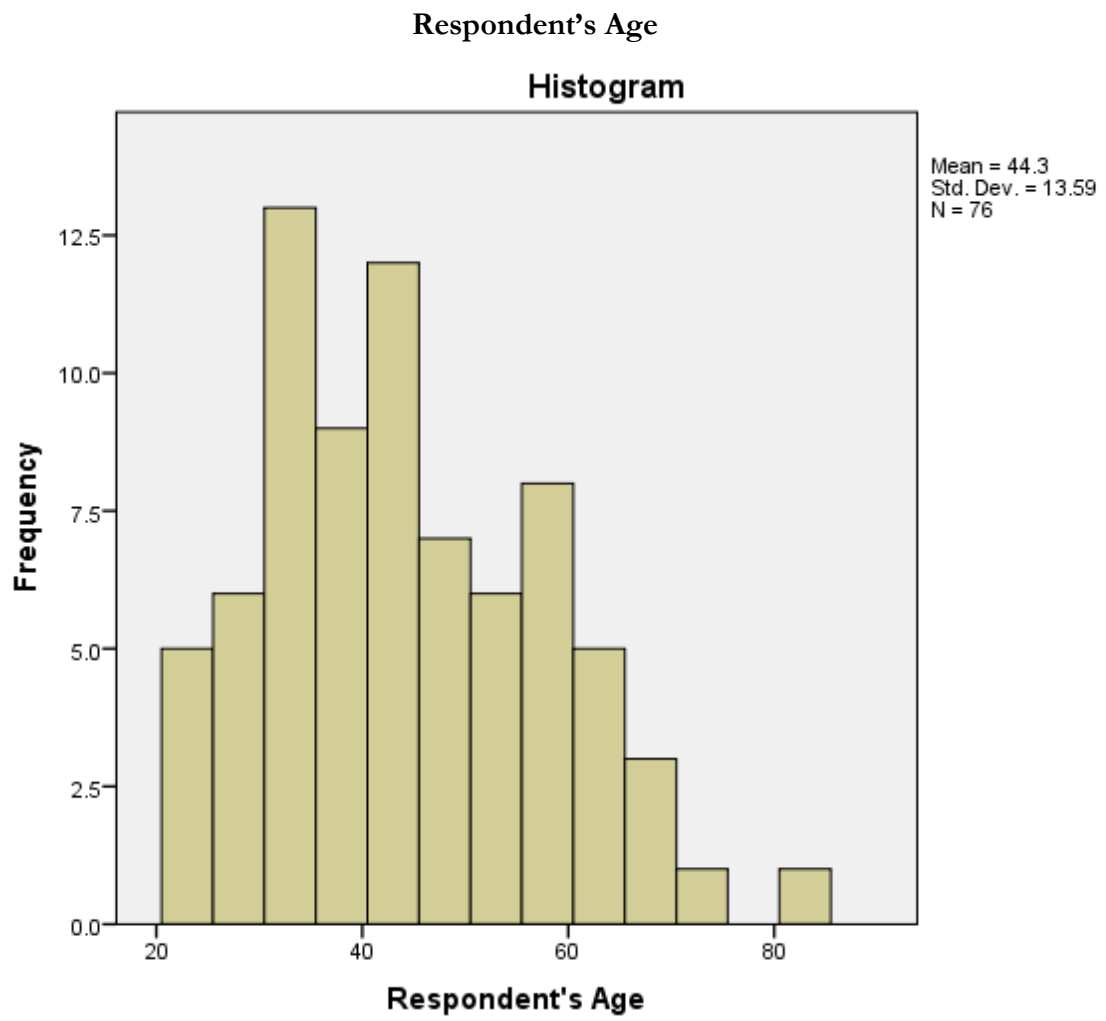
Where does the Respondent Originally Come From?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Eastern Cape	71	93.4	93.4	93.4
	2 Western Cape	3	3.9	3.9	97.4
	3 Kwazulu-Natal	1	1.3	1.3	98.7
	4 Northern Cape	1	1.3	1.3	100.0
	Total	76	100.0	100.0	



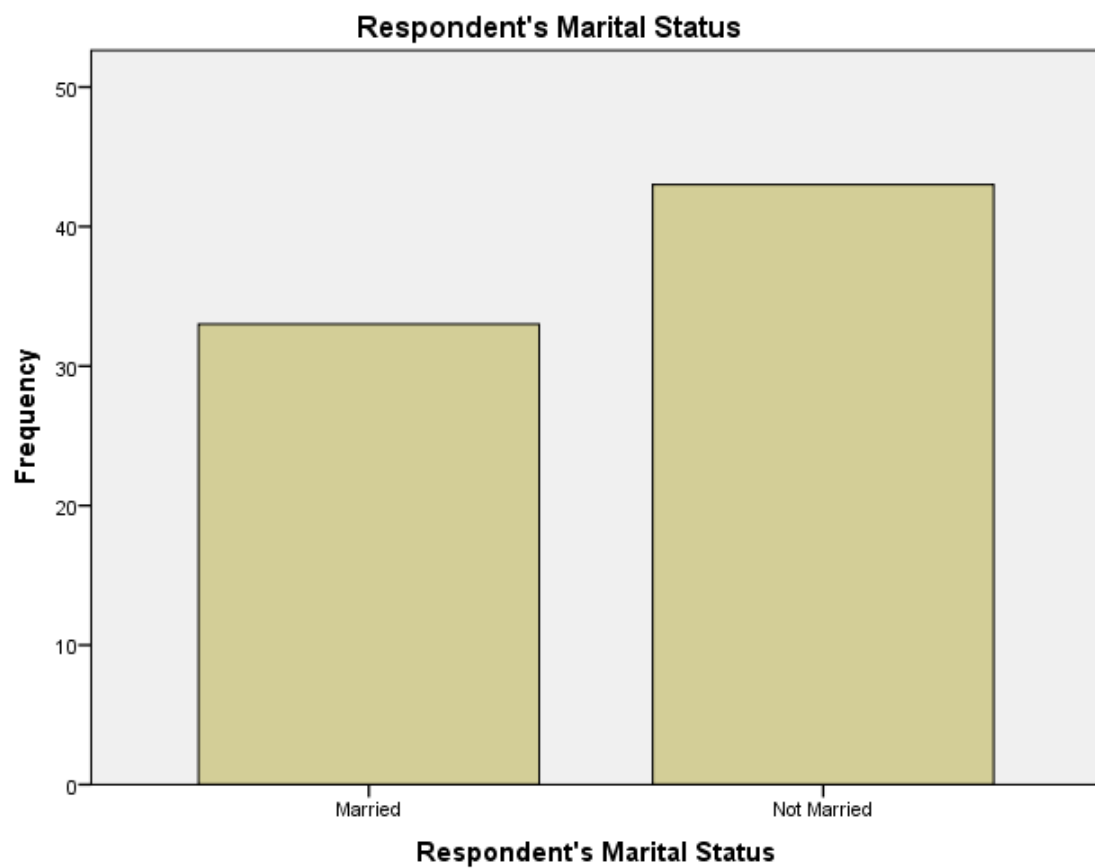


Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Male	19	25.0	25.0	25.0
	2 Female	57	75.0	75.0	100.0
	Total	76	100.0	100.0	

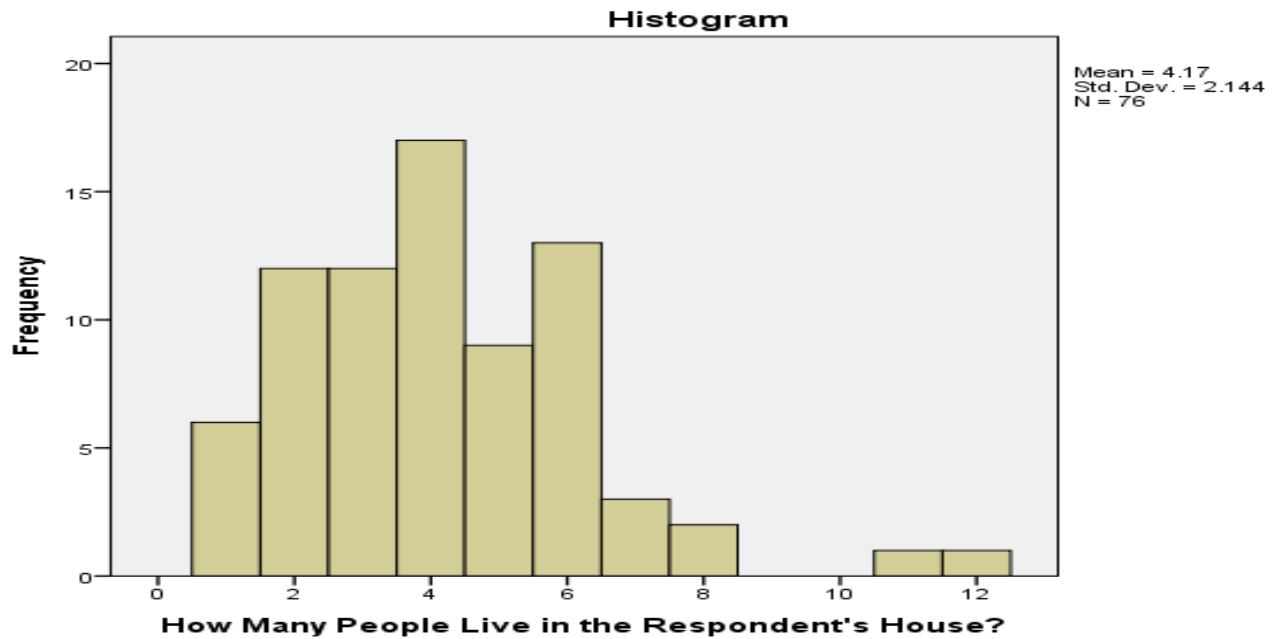




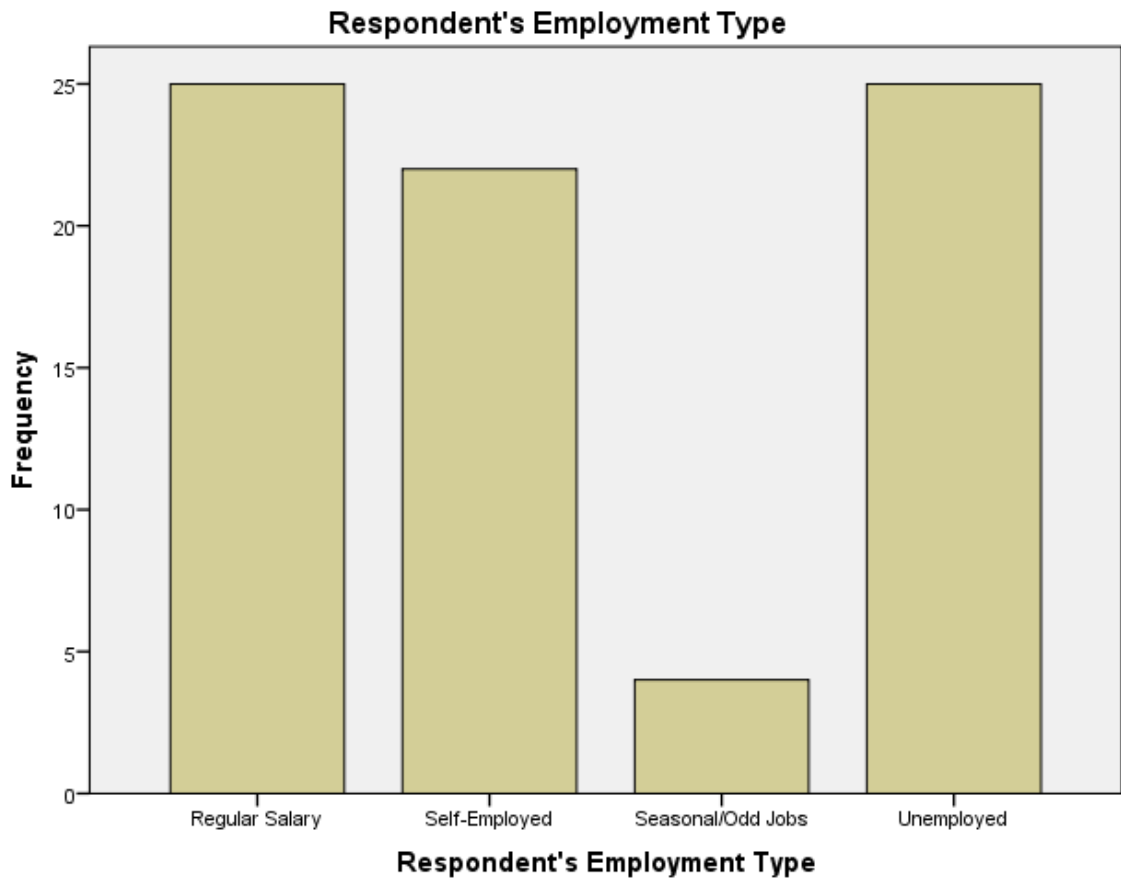
Respondent's Marital Status					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Married	33	43.4	43.4	43.4
	2 Not Married	43	56.6	56.6	100.0
	Total	76	100.0	100.0	



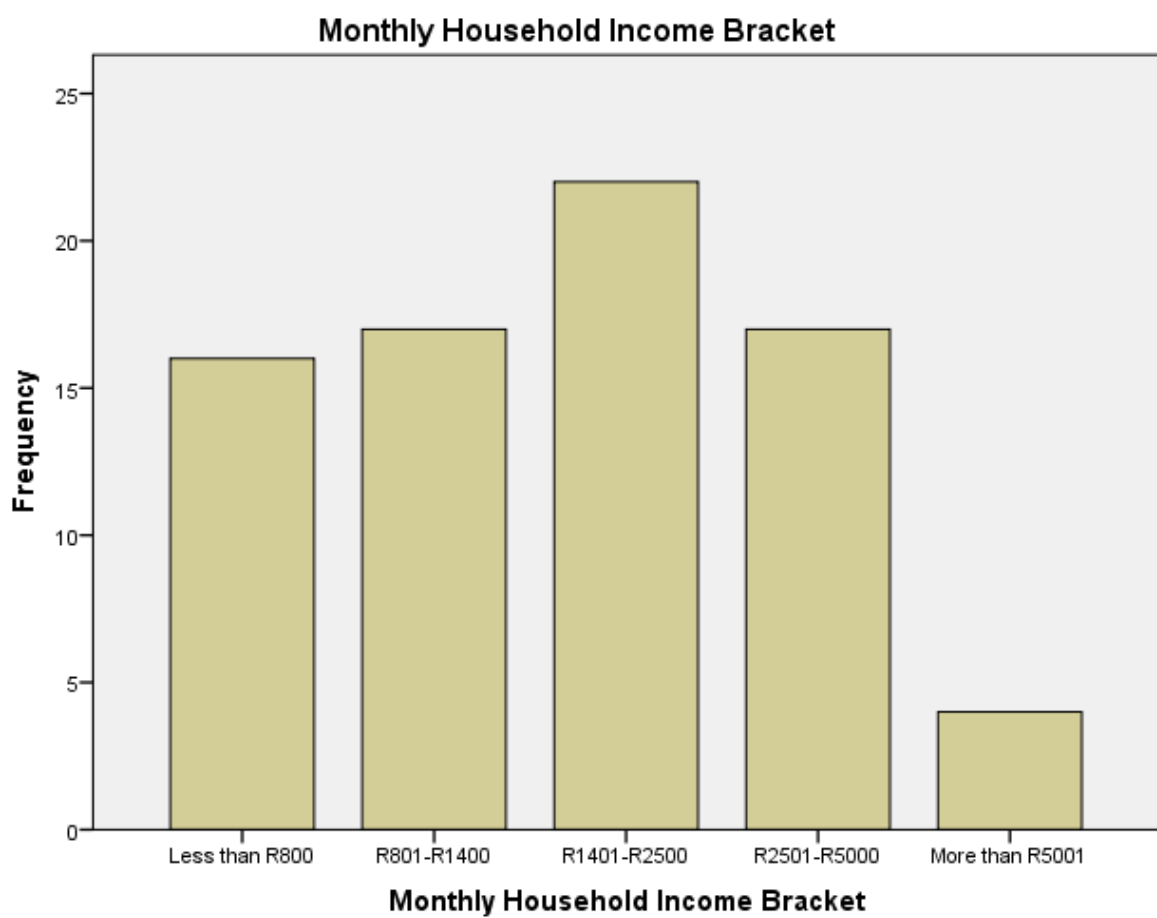
How Many People Live in the Respondent's House?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	6	7.9	7.9	7.9
	2	12	15.8	15.8	23.7
	3	12	15.8	15.8	39.5
	4	17	22.4	22.4	61.8
	5	9	11.8	11.8	73.7
	6	13	17.1	17.1	90.8
	7	3	3.9	3.9	94.7
	8	2	2.6	2.6	97.4
	11	1	1.3	1.3	98.7
	12	1	1.3	1.3	100.0
Total		76	100.0	100.0	



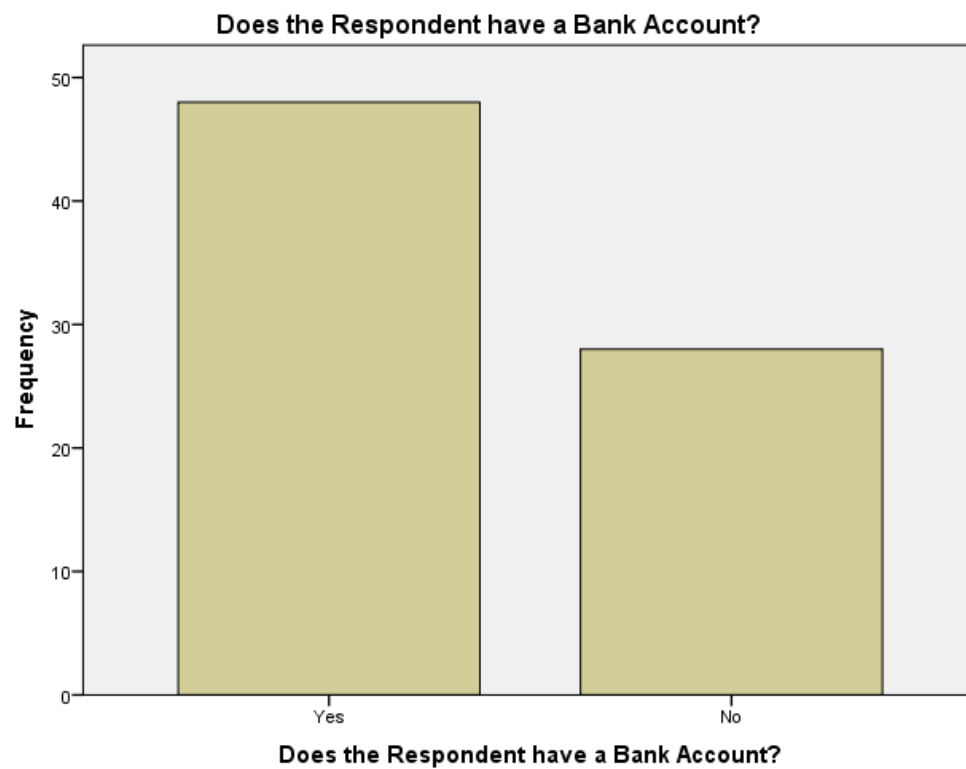
Respondent's Employment Type					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Regular Salary	25	32.9	32.9	32.9
	2 Self-Employed	22	28.9	28.9	61.8
	4 Seasonal/Odd Jobs	4	5.3	5.3	67.1
	5 Unemployed	25	32.9	32.9	100.0
	Total	76	100.0	100.0	



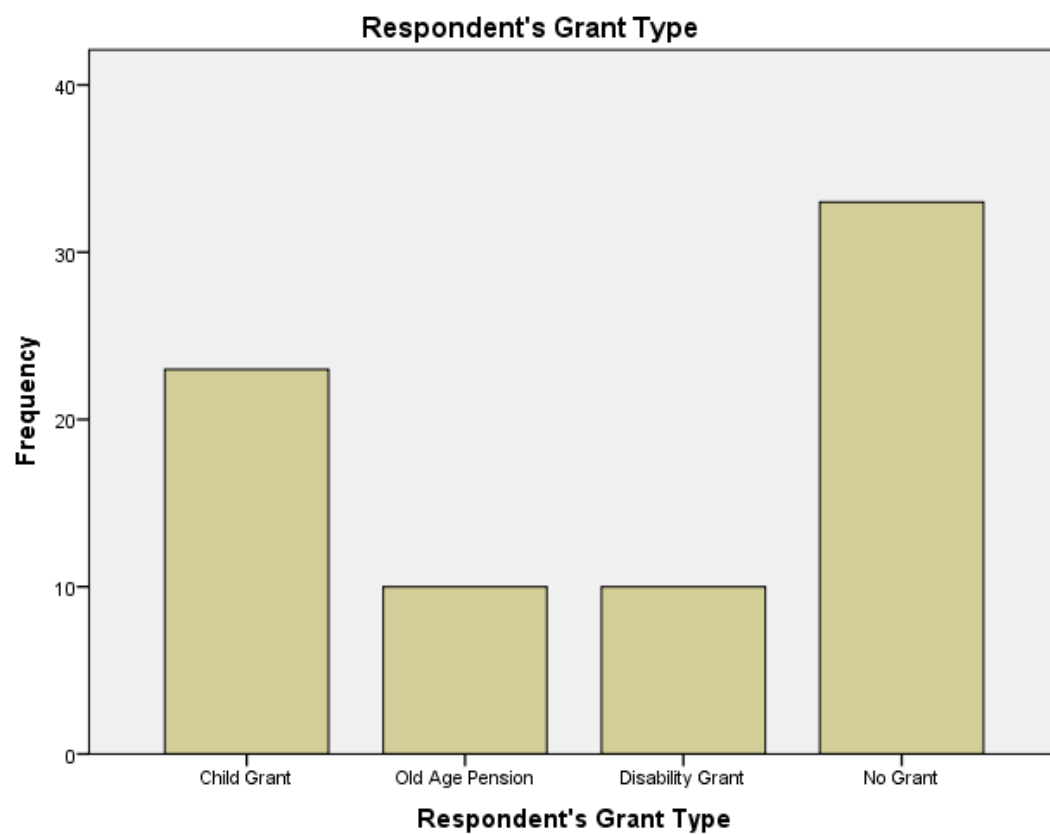
Monthly Household Income Bracket					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Less than R800	16	21.1	21.1	21.1
	2 R801-R1400	17	22.4	22.4	43.4
	3 R1401-R2500	22	28.9	28.9	72.4
	4 R2501-R5000	17	22.4	22.4	94.7
	5 More than R5001	4	5.3	5.3	100.0
Total		76	100.0	100.0	



Does the Respondent have a Bank Account?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Yes	48	63.2	63.2	63.2
	2 No	28	36.8	36.8	100.0
	Total	76	100.0	100.0	

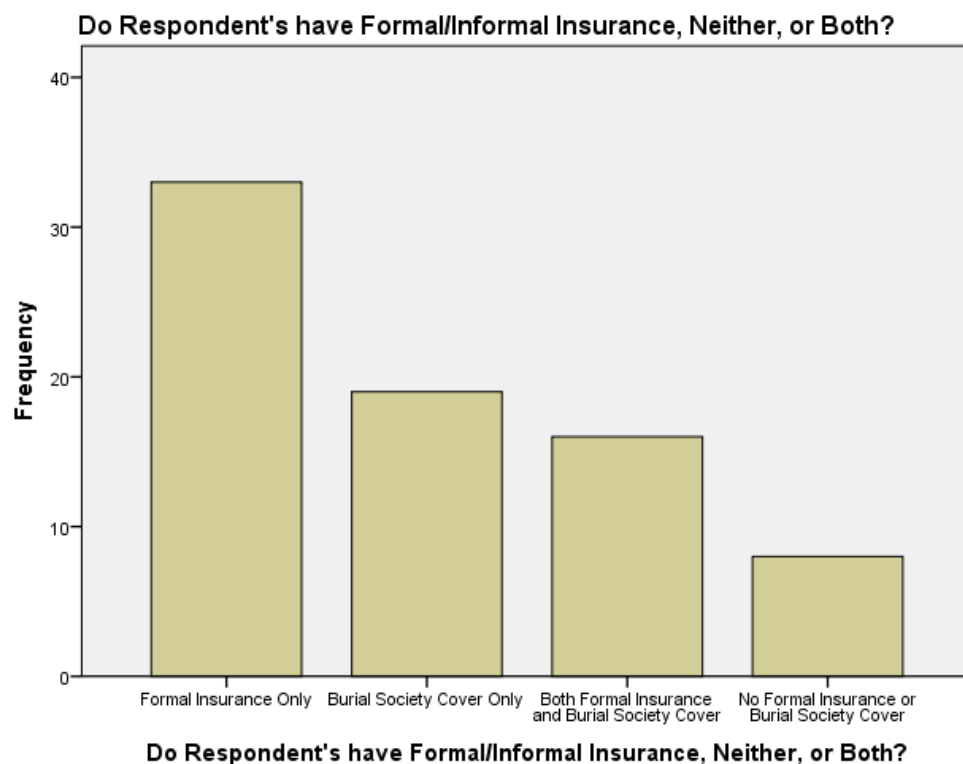


Respondent's Grant Type					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Child Grant	23	30.3	30.3	30.3
	2 Old Age Pension	10	13.2	13.2	43.4
	3 Disability Grant	10	13.2	13.2	56.6
	4 No Grant	33	43.4	43.4	100.0
	Total	76	100.0	100.0	



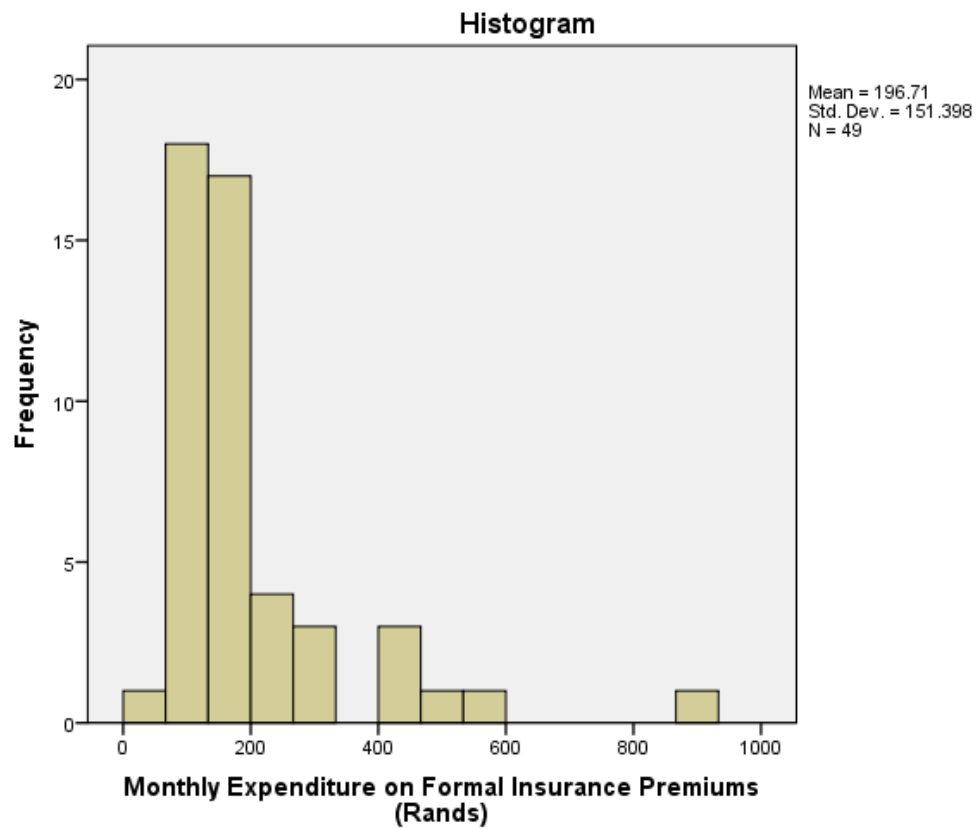


Do Respondent's have Formal/Informal Insurance, Neither, or Both?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Formal Insurance Only	33	43.4	43.4	43.4
	2 Burial Society Cover Only	19	25.0	25.0	68.4
	3 Both Formal Insurance and Burial Society Cover	16	21.1	21.1	89.5
	4 No Formal Insurance or Burial Society Cover	8	10.5	10.5	100.0
	Total	76	100.0	100.0	

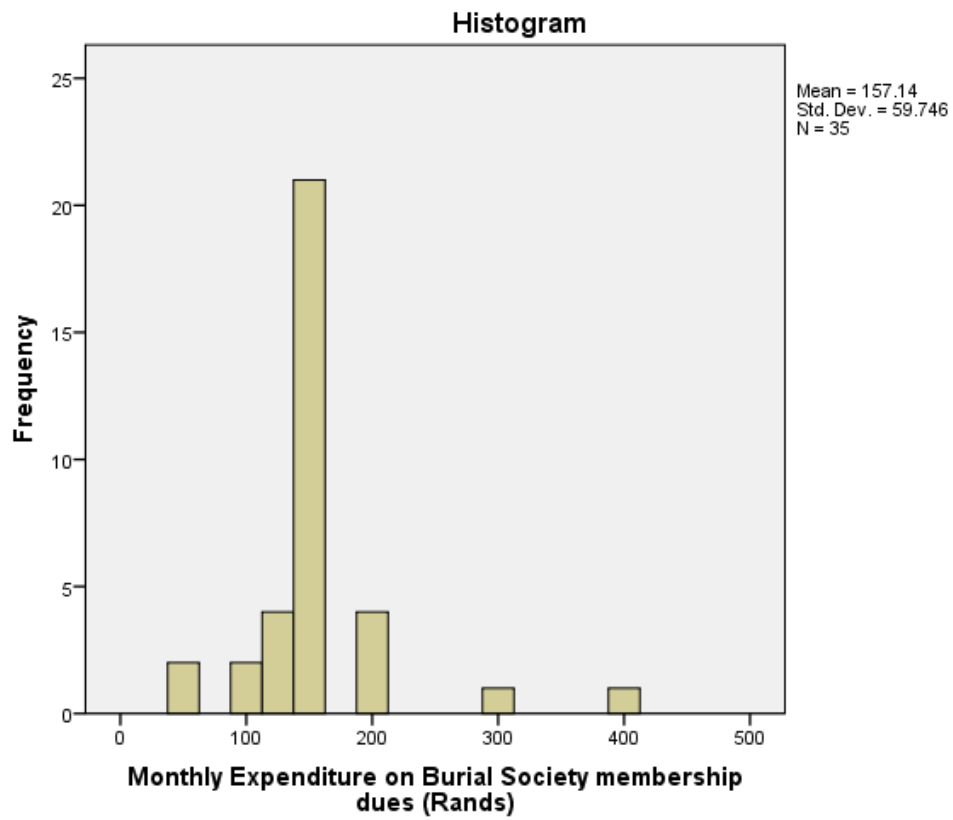


### Monthly Expenditure on Formal Insurance Premiums (Rands)

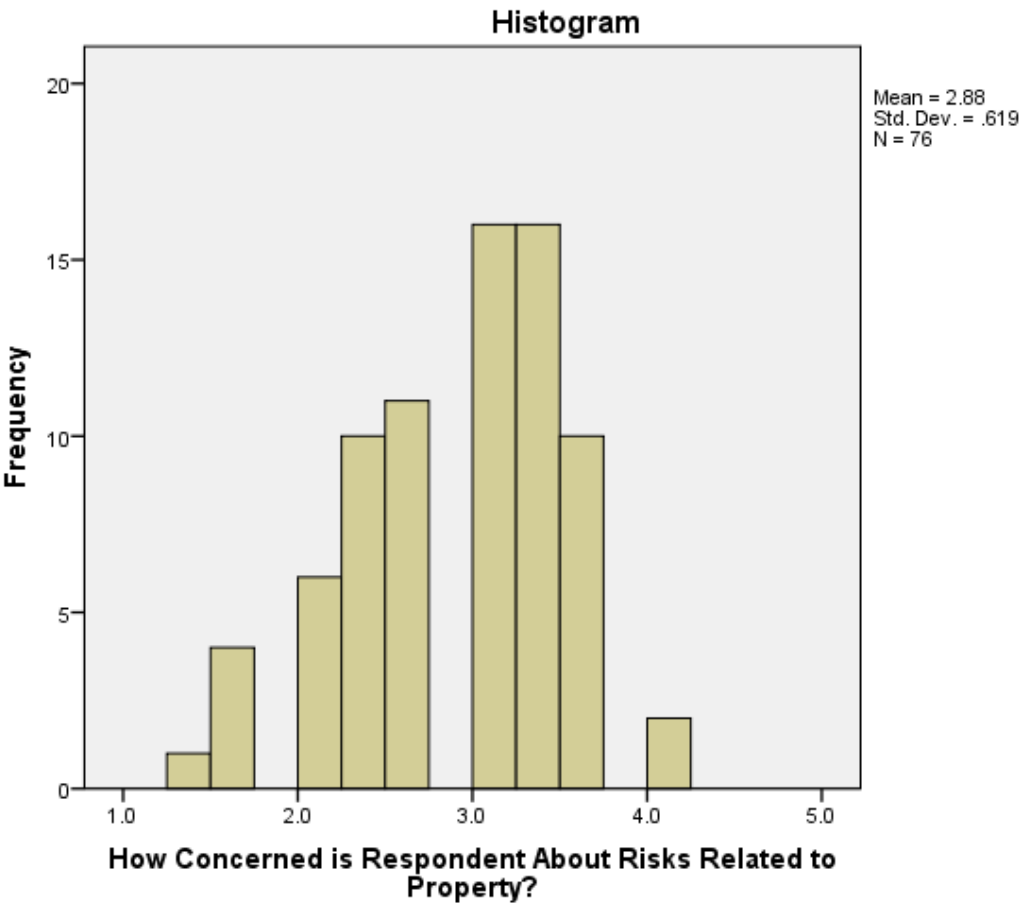
N	Valid	49
	Missing	27



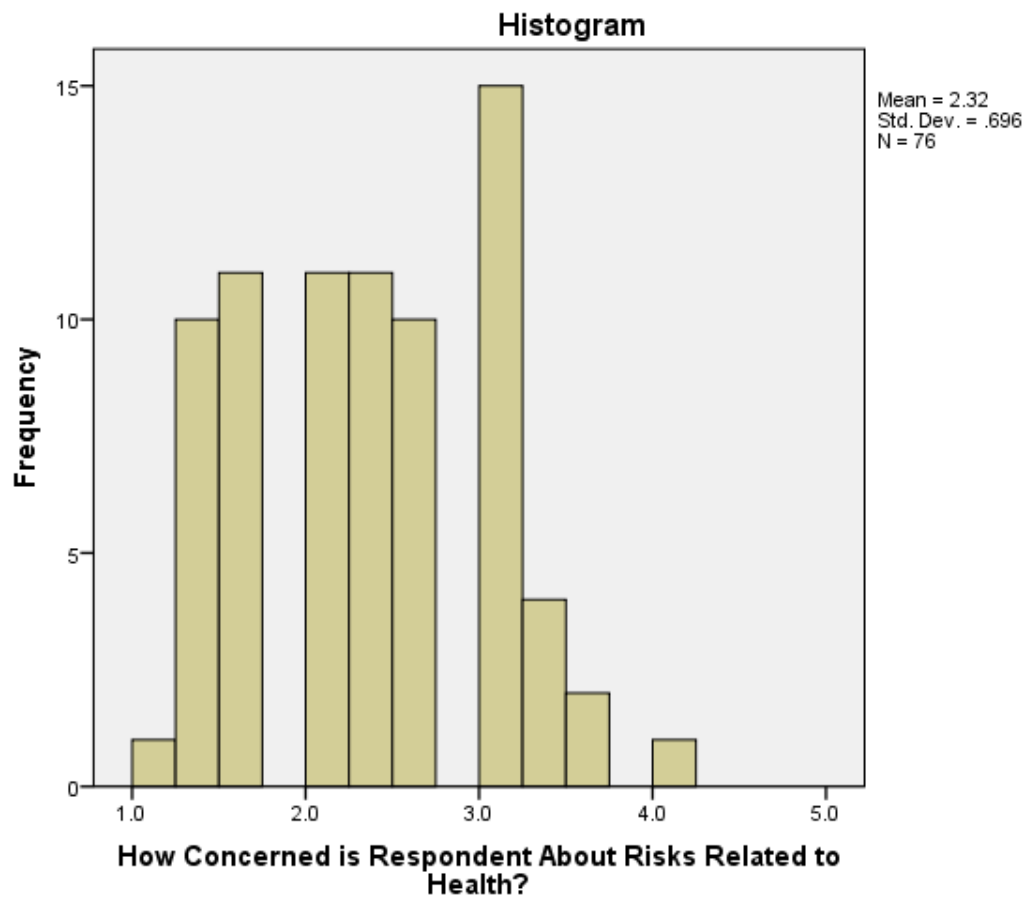
Monthly Expenditure on Burial Society Membership Dues (Rands)		
N	Valid	35
	Missing	41



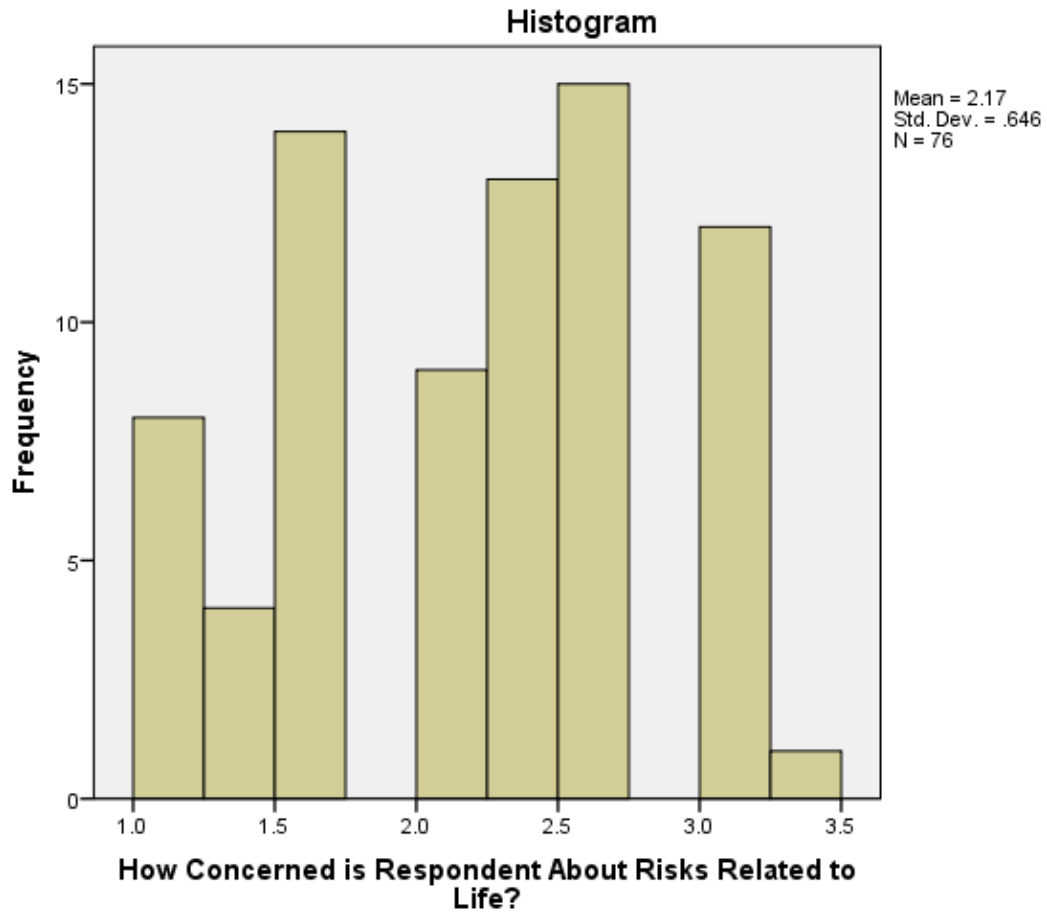
**Ranked Attitudes Toward Risks Related to Property ('1' indicates higher rank and thus higher level of concern)**



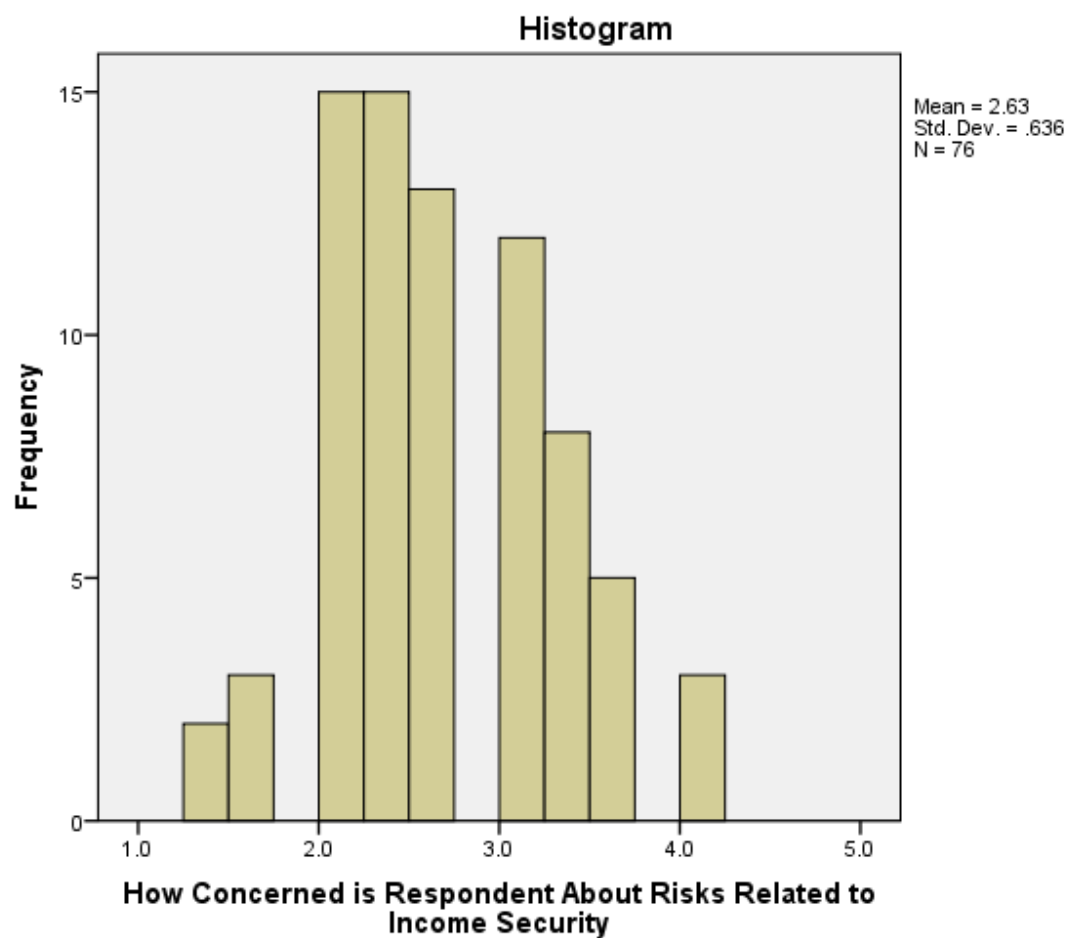
**Ranked Attitudes Toward Risks Related to Health ('1' indicates higher rank and thus higher level of concern)**



**Ranked Attitudes Toward Risks Related to Life ('1' indicates higher rank and thus higher level of concern)**



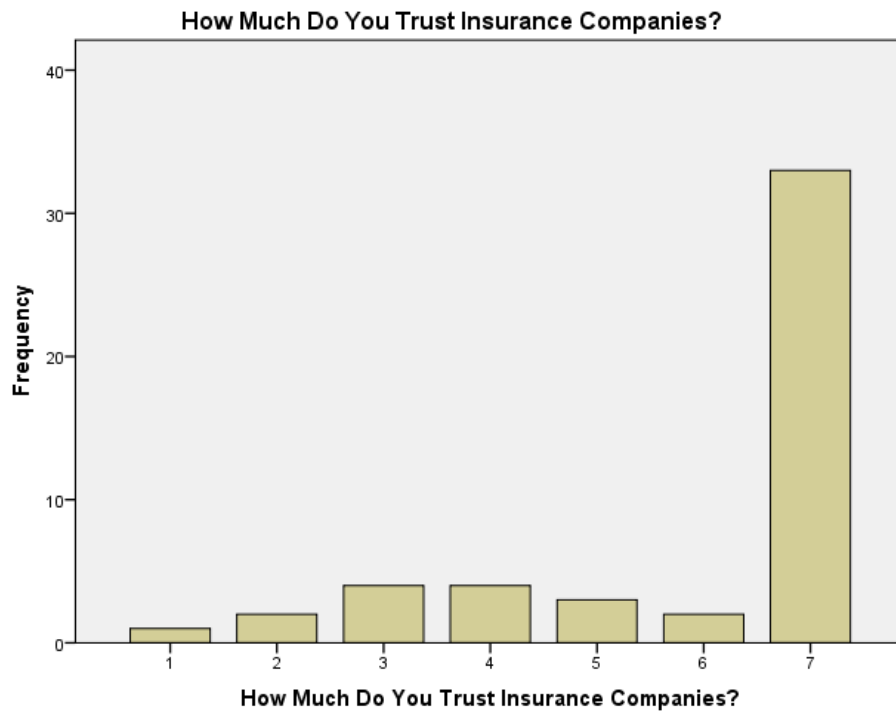
**Ranked Attitudes Toward Risks Related to Income Security ('1' indicates higher rank and thus higher level of concern)**



### How Much Do You Trust Insurance Companies?

N	Valid	49
	Missing	27

How Much Do You Trust Insurance Companies?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	1.3	2.0	2.0
	2	2	2.6	4.1	6.1
	3	4	5.3	8.2	14.3
	4	4	5.3	8.2	22.4
	5	3	3.9	6.1	28.6
	6	2	2.6	4.1	32.7
	7	33	43.4	67.3	100.0
	Total	49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
	Total	76	100.0		

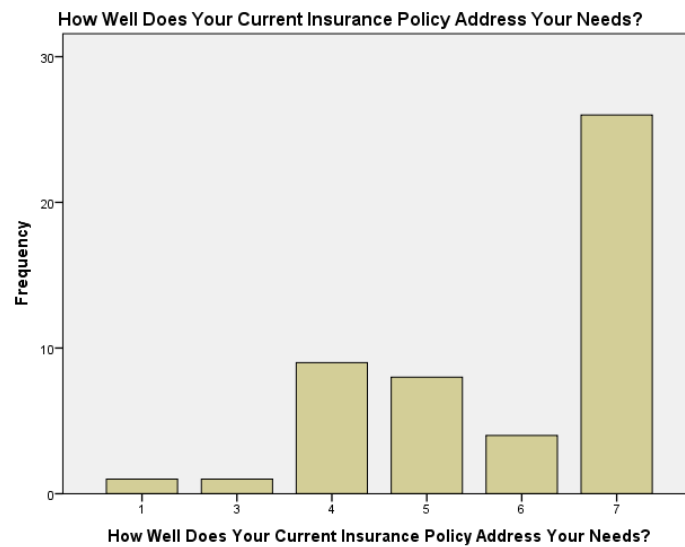




### How Well Does Your Current Insurance Policy Address Your Needs?

N	Valid	49
	Missing	27

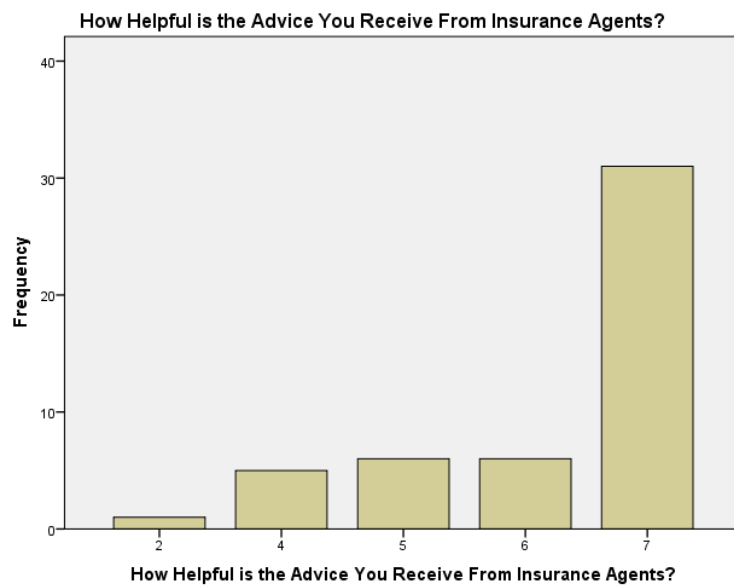
How Well Does Your Current Insurance Policy Address Your Needs?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	1.3	2.0	2.0
	3	1	1.3	2.0	4.1
	4	9	11.8	18.4	22.4
	5	8	10.5	16.3	38.8
	6	4	5.3	8.2	46.9
	7	26	34.2	53.1	100.0
	Total	49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
	Total	76	100.0		



### How Helpful is the Advice You Receive From Insurance Agents?

N	Valid	49
	Missing	27

How Helpful is the Advice You Receive From Insurance Agents?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2	1	1.3	2.0	2.0
	4	5	6.6	10.2	12.2
	5	6	7.9	12.2	24.5
	6	6	7.9	12.2	36.7
	7	31	40.8	63.3	100.0
	Total	49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
	Total	76	100.0		



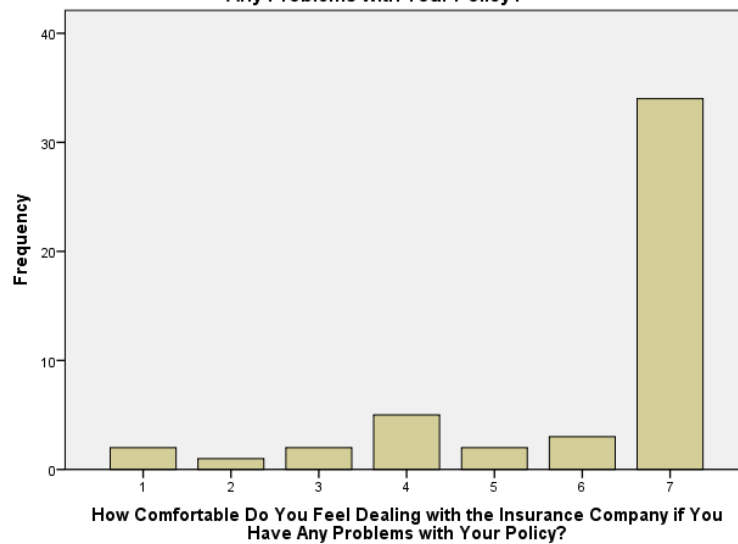
**How Comfortable Do You Feel Dealing  
with the Insurance Company if You Have  
Any Problems with Your Policy?**

N	Valid	49
	Missing	27

**How Comfortable Do You Feel Dealing with the Insurance Company if You Have Any Problems  
with Your Policy?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	2.6	4.1	4.1
	2	1	1.3	2.0	6.1
	3	2	2.6	4.1	10.2
	4	5	6.6	10.2	20.4
	5	2	2.6	4.1	24.5
	6	3	3.9	6.1	30.6
	7	34	44.7	69.4	100.0
	Total	49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
	Total	76	100.0		

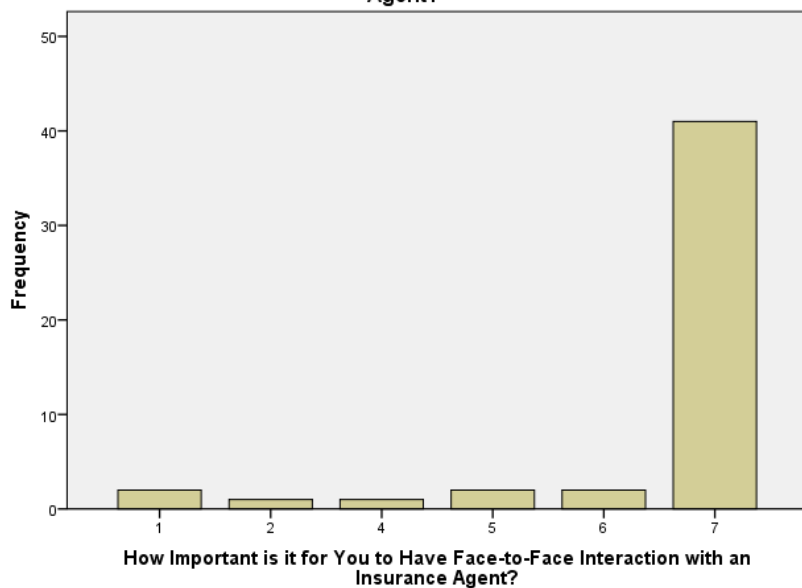
**How Comfortable Do You Feel Dealing with the Insurance Company if You Have  
Any Problems with Your Policy?**



How Important is it for You to Have Face-to-Face Interaction with an Insurance Agent?		
N	Valid	49
	Missing	27

How Important is it for You to Have Face-to-Face Interaction with an Insurance Agent?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	2	2.6	4.1	4.1
	2	1	1.3	2.0	6.1
	4	1	1.3	2.0	8.2
	5	2	2.6	4.1	12.2
	6	2	2.6	4.1	16.3
	7	41	53.9	83.7	100.0
	Total	49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
Total		76	100.0		

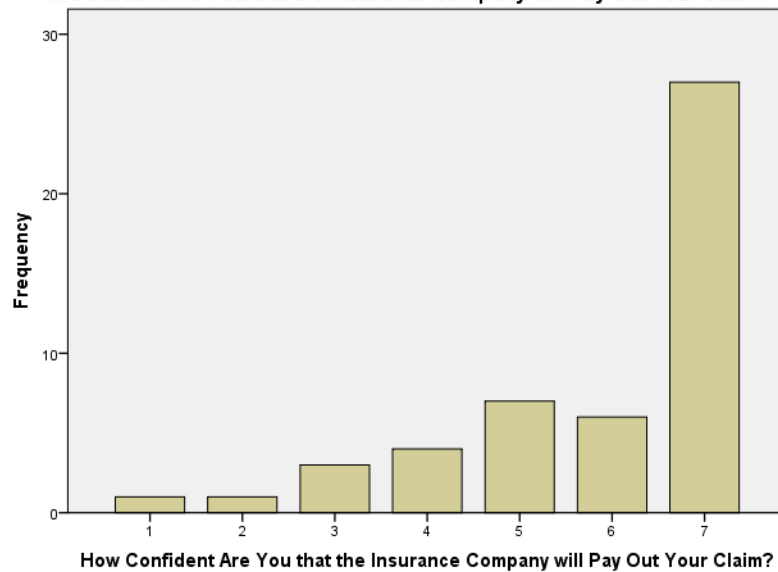
How Important is it for You to Have Face-to-Face Interaction with an Insurance Agent?



How Confident Are You that the Insurance Company will Pay Out Your Claim?		
N	Valid	49
	Missing	27

How Confident Are You that the Insurance Company will Pay Out Your Claim?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	1.3	2.0	2.0
	2	1	1.3	2.0	4.1
	3	3	3.9	6.1	10.2
	4	4	5.3	8.2	18.4
	5	7	9.2	14.3	32.7
	6	6	7.9	12.2	44.9
	7	27	35.5	55.1	100.0
Total		49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
Total		76	100.0		

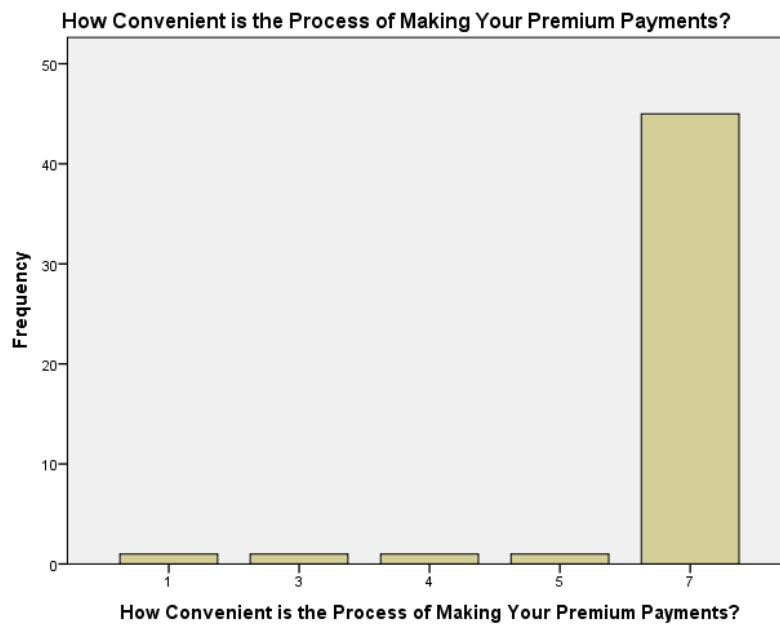
How Confident Are You that the Insurance Company will Pay Out Your Claim?



### How Convenient is the Process of Making Your Premium Payments?

N	Valid	49
	Missing	27

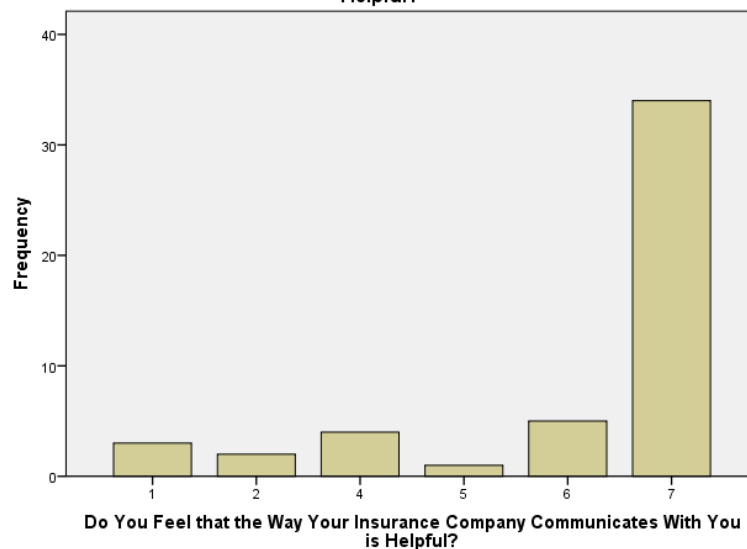
How Convenient is the Process of Making Your Premium Payments?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	1	1.3	2.0	2.0
	3	1	1.3	2.0	4.1
	4	1	1.3	2.0	6.1
	5	1	1.3	2.0	8.2
	7	45	59.2	91.8	100.0
	Total	49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
	Total	76	100.0		



Do You Feel that the Way Your Insurance Company Communicates With You is Helpful?		
N	Valid	49
	Missing	27

Do You Feel that the Way Your Insurance Company Communicates With You is Helpful?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	3	3.9	6.1	6.1
	2	2	2.6	4.1	10.2
	4	4	5.3	8.2	18.4
	5	1	1.3	2.0	20.4
	6	5	6.6	10.2	30.6
	7	34	44.7	69.4	100.0
	Total	49	64.5	100.0	
Missing	9 Not Applicable	27	35.5		
Total		76	100.0		

Do You Feel that the Way Your Insurance Company Communicates With You is Helpful?



Appendix I—In/Out Migration Figures: South Africa, 2011 and 2016

Statistics South Africa

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P0301

Table 3.4: Distribution of province of birth by province of enumeration, Census 2011

Province of birth	Province of enumeration									In-migration	Out-migration	Net-migration
	Western Cape	Eastern Cape	Northem Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo			
WC	4 027 923	104 829	27 156	19 488	32 616	15 120	185 930	16 844	20 067	1 568 642	422 050	1 146 592
EC	893 529	5 979 009	22 056	67 545	281 416	93 238	534 385	62 590	21 043	383 004	1 975 802	-1 592 798
NC	85 014	23 193	952 717	27 697	58 108	46 682	92 266	26 218	6 309	164 658	365 487	-200 829
FS	47 167	23 612	20 894	2 314 555	37 550	96 067	381 840	47 428	18 638	336 555	673 196	-336 641
KZN	61 649	44 984	8 427	27 294	9 147 419	34 461	702 518	105 416	13 057	788 935	997 806	-208 871
NW	17 624	7 156	42 045	25 543	22 399	2 678 922	418 353	31 845	30 401	739 918	596 366	143 552
GP	166 734	82 701	17 317	71 272	123 606	163 615	6 673 980	181 307	128 105	5 246 861	934 657	4 312 204
MP	23 251	14 608	3 918	12 220	43 946	41 551	510 177	3 155 868	77 851	789 621	727 522	62 099
LP	15 201	7 033	3 302	16 280	20 951	97 368	1 288 883	166 072	4 802 602	478 654	1 615 090	-1 136 436
Outside SA	258 473	74 888	19 543	68 216	168 343	151 816	1 132 509	151 901	163 183			

Table 3.5: Distribution of province of birth by province of enumeration, CS 2016

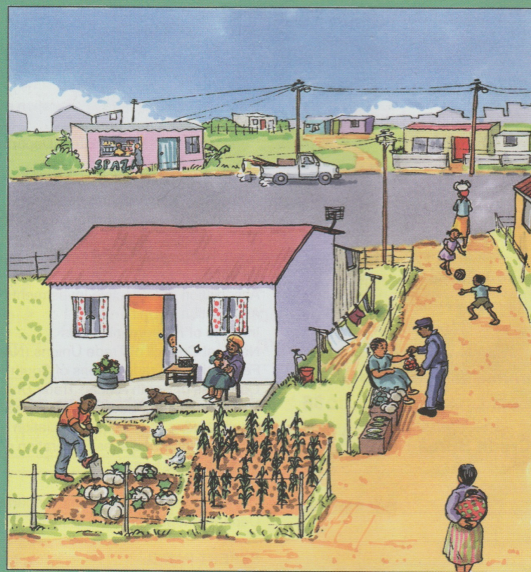
Province of birth	Province of enumeration									In-migration	Out-migration	Net-migration
	Western Cape	Eastern Cape	Northem Cape	Free State	KwaZulu-Natal	North West	Gauteng	Mpumalanga	Limpopo			
WC	4 667 202	101 400	30 379	13 304	16 725	8 872	104 752	9 474	4 034	1 593 553	288 938	1 304 614
EC	1 022 178	6 674 799	15 269	54 870	175 617	87 652	505 357	38 206	14 887	320 619	1 914 036	-1 593 417
NC	76 246	9 611	1 044 027	23 386	7 292	38 393	69 820	7 022	3 756	149 394	235 525	-86 130
FS	44 786	19 259	21 845	2 555 785	31 798	88 371	366 840	37 855	11 753	275 149	622 507	-347 358
KZN	55 921	45 089	3 563	23 326	10 607 748	22 634	703 901	76 518	8 812	450 078	939 765	-489 686
NW	17 208	5 893	36 376	21 711	9 382	3 045 169	402 127	20 695	27 508	700 035	540 900	159 135
GP	157 049	72 921	19 176	64 953	97 648	198 966	8 648 974	169 172	105 994	4 732 032	885 878	3 846 154
MP	14 984	5 954	2 627	11 602	20 796	38 208	495 574	3 702 290	78 596	630 074	668 341	-38 267
LP	12 163	3 270	3 406	8 334	6 474	94 656	1 282 351	155 000	5 401 752	389 151	1 565 654	-1 176 503
Outside SA	193 020	57 222	16 754	53 665	84 346	122 284	801 308	116 132	133 811			

Community Survey, 2016 – P0301

Source: Statistics South Africa, 2016



# Make the **MOST** of your money



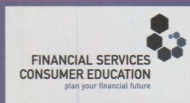
# 1.

## A basic money guide for South Africans

Read how to

- work out a budget to manage your money
- get out of trouble — and stay out of it
- save for a better future
- live without unnecessary financial worries

**How well do YOU sleep at night?**





# Long-term insurance

Choose the type of long-term insurance that suits your needs best. **Life insurance** and **funeral policies** provide for your family **after your death**, while an **investment type of insurance** (e.g. retirement annuity, endowment) provides you with either **an income** when you are **old** or a **lump sum** on the date your policy is paid out.

## Life insurance policies

You may die suddenly. What will happen to your family? Who will pay for rent, food, schooling, etc.?



With life insurance you insure your **life**, usually for a **lump sum** (such as R100 000) which is paid out to your family when you die. Your monthly payment is called a **premium**. Some life insurance policies include **disability cover**. This means that if you become unable to work, a lump sum or a monthly amount will be paid out to you.

## Watch out!

The lump sum, say R100 000, may sound like a lot of money now, but check what it will be worth in twenty years' time. Prices are rising all the time and we cannot buy the same things for R20 today that we did 10 years ago. Our money buys less each year. In 10 years' time, your R100 000 may only be worth the same as R50 000 today!

Check that the life insurance you have suits your needs:

- Some types of policies are cheaper than others.
- Some pay out a lump sum, others a monthly amount.
- Some life insurance policies include disability cover.

## Watch out!

Funeral policies make sure your family will not have to find the money for your burial when you die — or they will help you give your loved ones a proper burial.

Many unregistered companies offer funeral insurance which may be worthless. Check that your funeral policy is from a company that is registered with the Financial Services Board (FSB). (See contact details on back cover.)

Check for any exclusions (special conditions) that may prevent the policy from being paid out, e.g. "no pay-out within the first year" etc. and don't buy more policies than you need.

## Funeral policies

Someone you care for may die and you will need money for a funeral. Where will you find it?









With a funeral policy, you pay a monthly **premium** and receive a **lump sum** of money on the death of the person you have named in the insurance policy. If you have a funeral policy for yourself, your family will get the money.

*Appendix K—Comparison of Average Premium/Benefit Ratios (N=76)*

**Informal Insurance, Formal Insurance, and M-Insurance**

<b>Retail Insurance (Formal)</b>	
<b>Premium (Month)</b>	R196 (\$14.39)
<b>Benefit</b>	R20,663 (\$1,523.25)

<b>Burial Societies/Funeral Parlors (Informal)</b>	
<b>Premium (Month)</b>	R157 (\$11.52)
<b>Benefit</b>	R13,842 (\$1,020)

<b>M-Insurance</b>		
	<b>Premium</b>	<b>Benefit</b>
	R60 (\$4)	R10,000 (\$656)
	Free	R10,000 (\$656)
	(R100 Airtime Spend)	
 	R100	R18,000 (\$1,180)
	R10 (\$.65)*	R15,000 (\$982)

*Appendix L—Funeral Services and Service Providers*

Consumer needs	Family and friends	Street block burial society	Burial society	Project manager	Funeral parlour	Insurers	Credit
Handle burial					X		
Removal of the body					X		
Transport of the body				X	X		
Death certificate				X	X		
Immediate cash	X	X	X				X
Cash for other expenses	X	X	X			X	X
Payment for grave site				X	X		
Burial equipment			X	X	X		
Assistance and helping hands	X	X	X				

**Source:** Van den Berg (2016)- Cutting corners at a most vulnerable time: The customer's perspective on abuses in the informal funeral parlour market in South Africa. Cenfri