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POWER IMBALANCE IN MICRO-INSURANCE: WHY EMERGING FUNERAL DIRECTORS FACE AN UPHILL BATTLE

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ABSTRACT

The Financial Services Conduct Authority (FSCA) plays a critical role in regulating funeral premium underwriting, ensuring consumer protection, financial stability, and market integrity. Emerging funeral directors (EFDs) navigating FSCA compliance is essential to operate ethically and sustainably within the funeral insurance sector. This article aims to explore the FSCA's oversight in underwriting funeral premiums, focusing on licensing requirements, risk assessment frameworks, and consumer safeguards. A qualitative approach was adopted to gain rich contextual insights into the underwriting challenges emerging funeral directors face. Data were collected through focus groups, expert interviews, documents and media analysis. The combination of these methods ensured triangulation of data sources, enhancing the credibility and depth of the findings. Thematic analysis highlights the challenges new entrants face, such as stringent capital, adequacy rules and transparency obligations, while emphasising the FSCA's role in fostering fair competition and preventing mis-selling. The study concludes that emerging funeral directors can build trust, mitigate financial risks, and contribute to a well-regulated funeral insurance market by adhering to FSCA guidelines.

KEYWORDS: Emerging Funeral Directors, Compliance Challenges, Regulatory Oversight, Sustainability, Micro-Insurance.

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1. INTRODUCTION

The Financial Services Conduct Authority (FSCA, 2022) states that the regulation of insurance products in South Africa lies within the jurisdiction of FSCA. This ensures that financial services processes operate fairly and transparently. The FSCA regulatory framework is designed to protect consumers and ensure the integrity of the financial sector. Emerging funeral businesses are a common phenomenon in South Africa (SA). Whilst they cater to any socio-economic class, in a developing country, such as SA, they offer funeral insurance to low-income households, which were previously not included in the financial system (Flores-Contró et al., 2025). They are required to conform to the framework of the FSCA to be compliant with the financial integrity of the country. The regulatory framework of FSCA is designed to protect consumers and ensure the integrity of the financial sector. Emerging funeral directors experience challenges when handling premiums, which fall within the framework of FSCA. Funeral insurance premiums are mostly handled by establish insurance companies, who also do their own underwriting. Meaning that the Funeral Directors collect premiums on behalf of their competitors. So they are collecting these premiums and emerging funeral directors, though they underwrite, a majority of them do not.

Because of the history of financial exclusion of marginalised races, handling and collecting premiums, rather than involving an underwriter, remains prevalent, especially in townships (Ohioma & Anwar, 2025). In a country that experiences high levels of unemployment, poverty, and crime, some funeral directors still prefer handling the premiums themselves and do the banking at a later stage (Nkomo & Adanlawo, 2024). This procedure poses several risks, which hamper the sustainability of the emerging funeral director and their sustainability, and should there be a claim, clients may be disadvantaged.

Emerging funeral directors struggle to navigate the framework of FSCA. Collecting premiums is a complex process even for established financial houses; it is even more challenging for an emerging business without fully functional technology and infrastructure. FSCA's regulatory requirements for small-scale businesses are generally perceived as onerous and costly for the emerging funeral business, placing a significant burden on compliance. As a result, emerging funeral directors are finding it increasingly difficult to remain profitable while ensuring compliance with the FSCA guidelines. This has led to concerns about the sustainability of their businesses and the potential impact on the funeral insurance market. The challenges faced by the emerging funeral directors in managing premiums warrant closer examination. There are potential implications for the regulatory environment and the industry's future. To identify the challenges faced by emerging funeral directors in complying with the FSCA's underwriting regulations, the need for this study.

2. THEORETICAL BACKGROUND

2.1. Institutional Theory of Organisation

Berthod (2022) argues that institutional theory places institutions at the centre of how organisations are shaped and how they operate. According to this perspective, organisations exist as local expressions of broader institutional systems, meaning, they cannot be understood separately from the cultural beliefs, formal rules, and social norms that influence them. These wider institutional forces determine how organisational structures, practices, and behaviours evolve. By aligning themselves with these institutional expectations, organisations gain legitimacy, reduce uncertainty, and ensure their actions are intelligible to stakeholders.

Applied to the emerging funeral directors' sector, this means that funeral enterprises are shaped by regulations, social expectations surrounding death, and professional norms governing human remains management. Because funeral services consist of interdependent activities such as body collection, storage, preparation, transportation, rituals, and burial or cremation, these institutionalised rules shape how funeral homes design their services and organise their workflow.

Kauppi (2022) reinforces this by noting that organisations adapt to institutional rules to secure societal approval, obtain resources, and enhance long-term survival prospects. Funeral directors therefore face coercive pressures (from laws and licensing requirements), mimetic pressures (copying established funeral homes' practices to manage uncertainty), and normative pressures (from cultural expectations and emerging professional standards). By conforming to these forces, emerging funeral directors increasingly resemble one another, which strengthens their perceived legitimacy in the sector.

2.2. The Resource Base Theory (RBT)

Utami and Alamanos (2025) suggest that organisational characteristics are not merely modified. Every organisation needs to correct its orientation to succeed. According to the RBT, firms that possess valuable, rare, inimitable, and non-

substitutable resources can achieve a sustainable competitive advantage and consequently superior performance. As the human remains management sector is dominated by many emerging businesses and a smaller number of developed players, though the industry is characterised by survivalists, there is still room for the emerging businesses to break the ceiling by strategically using and leveraging their existing competitive advantage. The emerging directors need to focus on the current challenges of regulation compliance within the value chain.

2.3. Dynamic Capabilities Theory

Nayernia (2025) claims that the dynamic capabilities (DC) theory is centred on a firm's ability to purposefully adopt, renew, and recognise its resource base to achieve a sustained competitive advantage in a volatile environment. Land et al. (2022) found that the DC theory presents a path-dependent process that allows firms to adopt their resources and capabilities. The theory was derived from Resource-Based View (RBV) theory and compensated for its shortcomings. According to this theory, the emerging funeral directors should adapt and innovate in response to a changing regulatory environment.

3. METHODOLOGY

The study used a qualitative approach to gain rich contextual insights into the underwriting challenges emerging funeral directors face. This was a pilot study; it was not intended to generalise findings across the entire industry. The objectives were to explore issues related to funeral policy collection, compliance, and underwriting.

Data Collection Methods

1. **Focus groups:**
   a. Conducted at the University of Johannesburg (15 participants) after ethical clearance.
   b. A second focus group with five participants external to the university.
2. **Expert interviews:**
   a. Five insurance industry specialists were interviewed face-to-face to gain an understanding of regulatory requirements under the FSCA framework.
   b. All interviews were recorded with participants' consent, transcribed, and analysed thematically.
3. **Documents and media analysis:**
   a. Online reports of funeral underwriting were reviewed to build literature and contextual understanding.
   b. A case study from a television programme ('Oreng molau' – What Does the Law Say) was incorporated, which highlighted real-world challenges involving a stokvel group and an emerging funeral home. This provided practical insight into compliance gaps and consumer protection issues.

The combination of these methods ensured triangulation of data sources, enhancing the credibility and depth of the findings (Chaka & Adanlawo, 2024).

4. RESULTS

4.1. The Role of FSCA In Funeral Premium Underwriting

The current legislative framework for emerging funeral directors and societies to collect burial premiums contains stringent regulatory requirements, which have led to the framework being seeing as prohibitive (Moyana, 2024). Yang et al. (2025) aver that EFDs contribute to job creation and sustainable economic growth. It is, therefore, essential that the regulatory framework requirements provided for the sector are proportional and inclusive enough, and also ensure adequate protection for the vulnerable communities they serve. Mzezewa (2025) noticed that the transition of smaller funeral parlours to licenced insurers was low, and capital requirements for compliance created significant barriers to market entry.

The licensing criteria were described as restrictive, which led to operational criteria instead. In 2024, the FSCA prepared a joint communication with Prudential Authority in response to the concerns of the emerging funeral home sector. The purpose of the communication was to clarify the current regulatory framework concerning the funeral insurance market and the funeral parlour industry. It also referred to the appropriateness and effectiveness of the current regulatory framework concerning the distribution of funeral insurance in South Africa communities.

Financial Services Conduct Authority (FSCA) also invited stakeholders to participate in the inter-regulatory project to ensure an inclusive and proportional regulatory framework that would protect the interests of both parties. The funeral policy contract would include the emerging funeral directors, while encouraging sustainable market development for the funeral insurance sector. These efforts were in response to the National Treasury's Framework of 2011, when the policy promoted better access for South Africans to affordable insurance

products. The document formulated a more robust framework, centred around certain identified abuses in the funeral insurance market, where consumers were vulnerable to exploitation, as found in the case of "Oreng Molau".

The anticipated outcomes of the joint communication were:

- To develop a licensing framework that lowers entry regulatory barriers for the funeral home sector
- To facilitate access to the market for emerging businesses, such as funeral parlours, while striving to maintain an appropriate balance between sound, prudent regulations and fair customer treatment
- To ensure extensive consultation
- To acknowledge that the emerging funeral parlours play a crucial role in South African communities throughout the country;
- That FSCA acknowledges emerging funeral businesses create jobs and contribute to the economic growth of South Africa
- To address the challenges of emerging funeral directors to create an inclusive regulatory framework.

4.2. Micro-Finance Policy Framework

Anabila (2020) assert that micro-finance is a common phenomenon in developing countries. Micro-finance was a gap that emerged where low-income groups formed mutual benefit associations. Rammutla (2025) states that in South Africa, the value of funeral insurance is culturally important, as communities believe in providing proper and dignified funerals. This can be a weekly event, depending on a particular family. Expenditure and catering for the mourners begin on the day of the announcement of the death. Usually, preparations would take a week before the burial ceremony. Traditionally, communities in South Africa form burial societies with monthly contributions. In this type of burial society, a treasurer is nominated as the responsible person for collecting, reporting, and banking of the contributions (Bophela, 2022). In some instances, the contributions would be split in two; one portion would be for burial, and the other would be for a stokvel. Stokvels consists of members who create a communal tie between members of a particular community where funds are pooled into one fund from monthly contribution by the members. Lappeman et al. (2020) posits that stokvels are based on mutual trust, sense of loyalty amongst the members.

Most of the stokvels have two elements, 1. the money they share at the end of the year. 2. Each contribution has a portion that is designated for burials, when there is death within the stokvel members, it can be a family member of the stokvels participants. These activities are considered micro-finance but unregulated. These burial societies range from family to block and street, societies, and others. Rammutla (2025) defined burial societies as a unique informal insurance scheme designed to absorb some of the costs associated with social events and cultural requirements, predominantly associated with black communities. Members share the risks by pooling their collective resources, which include the coffin and burial ceremony, food, and some duties to relieve the bereaved family of the responsibility of looking after the daily mourners. There were no profitable returns for the funds invested. Recently, in the media, a typical case unfolded of issues of premium collection, EFDs, and a certain burial society.

4.3. The Revision of the Micro-Finance Framework

In 2011, the South African National Treasury revised the micro-finance framework because, as a developing country, South Africa still had many financially excluded organisations, such as the burial societies, which were regarded as informal and operated informally (International Labour Organisation (ILO), 2011). The revision prioritised access to financial services and was an important pillar of sectoral reform, which enabled access to the banking framework for the previously unbanked population. In order to be compliant and meet the standards since they collect cash. The Financial Service Authority requires them to be compliant with the guidelines in the framework.

However, the insurance sector experienced challenges, as it was not easy to include the previously disadvantaged; it lacked the necessary flexibility suitable for sectoral reform that the country was undergoing. Siloya et al. (2025) complained that a financial regulatory framework should be more flexible for micro-insurers, so that low-income groups are assured their interests are protected. The financial reform was considered a tool of empowerment for the previously disadvantaged, enabling households to appreciate financial security through affordable financial products. This would also ensure that emerging funeral houses, as small insurers, participate in the insurance sector, bringing positive spinoffs, such as sustaining their businesses with the assurance of risk mitigation.

4.4. Justification Of Funeral Policies

ILO (2011) recognised funeral insurance as a life insurance policy with the benefit used for funeral expenses, such as the actual funeral service, or a cash benefit towards a funeral, or a combination. Traditionally, the emerging funeral home sector is often a community-organised affair (Mzezewa, 2025). In South Africa, however, formal funeral homes remain at an emerging stage, while offering professional services. They are an expanding business due to urbanisation, the rising middle class, and commercialisation. Regardless of these seemingly positive changes, the emerging funeral home sector faces challenges as most lack immediate cash to pay for services. A micro-finance provider would offer these services while they still operate their businesses. For instance, a person can buy a funeral policy with AVBOB who can also provide the client with the service of burial. But the client can opt to claim for the funeral policy, and get another funeral undertaker to provide for the funeral service (see case study Oreng Molau).

4.5. The Role of Micro-Finance and Funeral Policies in Communities

Mafiejor and Onoride (2025) defined micro-finance as an important tool that enables economic empowerment of previously excluded and disadvantaged individuals by increasing access to financial services. Khan et al. (2021) concur that the micro-finance role is to alleviate poverty through a range of financial services to low-income individuals. In this context, they refer to a situation where a risk is transferred to the insurer. The understanding is, in times of need, the low-income households do not have to look for funds, instead they are cushioned from a risk.

Nzembela & Mazambibi (2019) posit that, low-income households in South Africa are found to be vulnerable to shocks and financial risks. Anabila (2020) suggested several methods by which the financial formal sector can provide micro-insurance to low-income service providers (EFDs), including underwriting their products. Horvey et al. (2323) further found that one of the major benefits of micro-insurance for low-income households is to transfer the risk to the insurer. In this case the EFDs assist the poor household in transferring the risk of lump sums for burial to an insurer by underwriting the premiums. Although underwriting is on the rise in the emerging funeral sector, the emerging funeral business still collects premiums and facilitates the process with the intermediary and the insurer.

Because the merged funeral director business is dominated by the previously disadvantaged, access and regulations remain deterrents. Micro-finance extends financial services to economically vulnerable individuals or those excluded from the traditional financial system (Cull & Hartarska, 2023). The general objective of micro-finance is to help the economically vulnerable sustain and stretch their income for future definitive events. In many emerging economies, particularly in regions like sub-Saharan Africa, the cost of funerals is becoming progressively exorbitant. These costs often include funeral services (coffins, hearse, family car), purchasing the grave, and cultural obligations (groceries for the ceremony, tents, chairs, and other administration fees). A single funeral can cost several times a family's annual income. Without funeral policies, families in low-income households often fall into a poverty cycle of debt.

ILO (2011) recognised funeral insurance with the term "life policy" with the benefit used for funeral expenses. Micro-finance institutions and insurers developed financial products specifically to bridge the accessibility gap, tailored for the risks of being unprepared when death eventually arrives.

According to the framework of micro-finance, the funeral products are structured as follows:

- The policyholder will normally cover a spouse, children, parents, and extended family members.
- The pay-out is specifically intended to cover the funeral costs and other related amenities.

When death occurs, the funeral director is the claimant, and the money is used to cover all the costs of preparing for the burial.

4.6. Underwriting Challenges for Emerging Funeral Directors

According to Musara and Niewenhuizen (2020), informal entrepreneurship involves illegal activities, yet most businesses are involved in legitimate activities through which individuals recognise and exploit business opportunities. Sallah and Williams (2016) found that informal sector entrepreneurship is often driven by formal sector stringent and burdensome regulations. Therefore, the majority of EFDs struggle with regulations, which does not help as their businesses are sensitive and hinge on many other regulations. However, from a community's point of view, especially in times of need, their services seem legitimate. Emerging funeral directors play a pivotal role in protecting South Africans against risks and costs associated with the burial of departed family members. To secure a market for the funeral directors' services, emerging funeral directors offer several financial services to their

clients, including prepaid funerals and funeral cover. The Centre for Financial Regulation and Inclusion (2013) found that many business owners of funeral parlours still struggle to comply with insurance regulations. This remains a challenge to date (Dhobha et al., 2025). In the years 2003 and 2005, the South African Parliament Committees of Finance heard evidence on illegal practices in the funeral insurance market by funeral insurance providers. The finance committee was informed of funeral directors who collect money from clients and disappear in times of their need. There was no standard pricing, as funeral service providers offer unnecessary added benefits, which affect the pricing. The funeral insurance terms are often not adequately disclosed to clients at the time of the sale; in some cases, there is over-promising. The collection process of funeral premiums is also not clear; sometimes, funeral parlours keep these premiums in their business. This has resulted in failing to keep records of sales and transactions due to unclear internal processes.

Mitchell (2022) compared funeral and underwriting life markets, which are both very large and of great importance in the insurance industry. The author found that in 2021, the sales of new funeral insurance products were almost four times that of the underwritten life market, at R13.5 bn against R3.9 bn of the life insurance market. Flores-Contro et al. (2025) suggest that micro-insurance is a viable protection of low-income communities against risks in exchange for regular premium payments proportionate to the likelihood and costs of the risk involved. Poor communities and households seek clarity and certainty when buying a funeral insurance product. Mitchell (2022) found that the sales of such products through a "faceless" digital proposition have their own challenges according to consumers. This gives rise to a community's preference for face-to-face sales when buying funeral policies, which is often found in the marketing of the services of emerging funeral directors.

Thus, the emerging funeral directors offer a one-stop shop, providing financial services accompanied by the burial service. NMG Consulting's (2022) study found that consumer perceptions of digital propositions indicate that 48% of participants did not trust digital perceptions, while 45% trusted face-to-face. The emergence of the coronavirus in 2020 also impacted the growth of the funeral policy market. Though the market experience lapses from time to time due to economic challenges, the occurrence of the virus resulted in 79% of the participants preferring funeral insurance (NMG Consulting, 2022). The next section unpacks the playing field of the engagement of the emerging funeral directors, micro finance, and the regulatory framework by FSCA

4.7. Rules Of Engagement

Van den Berg et al. (2016) claims that the micro-finance framework aimed to achieve a process where informal entities can be assisted to achieve formalisation, as well as for the established insurers to reach the lower-income market on a level playing field. The Centre for Financial Regulation and Inclusion found that informality is core to the business model of the funeral business. Maphela (2021, 2022, 2023b) also found that the funeral sector struggles with many issues with the SA National Health Department (Regulation 363). A sizeable number of emerging funeral directors struggle to comply with the micro-finance regulatory framework (Sallah & Williams 2016; Mirza et al., 2020; South African Reserve Bank 2024). Seemingly, operating in this sector places a burden on running a fully compliant business. This being a sensitive business model, the solutions proposed should be a strategy to formalise all areas of the different regulatory frameworks for running the business. Therefore, EFDs, especially those operating informally, face a complex landscape shaped by evolving regulatory expectations and entrenched operational challenges. Dhobha et al. (2016) found that informality and the challenges of EFDs are core in this sector. Many EFDs were found to lack the requisite skills and use the insurance premiums as cash flow without any sound pricing strategies.

4.8. Socio-Economic Status of Emerging Funeral Directors

Maphela (2023) suggests that unlocking economic growth in South Africa requires a concerted effort to support informal businesses. This support is understood to have the potential of fostering inclusive economic growth, especially in local community areas. The South African economy has struggled to create employment since 2008. MacGinty (2024) found that unemployment is predominantly structurally driven by a mismatch between the type of skills available and those the labour market requires. Adanlawo and Chaka (2025) found that the unemployment challenges are both structural and systemic. According to Stats SA (2025), the unemployment rate was 32.9% in the first quarter.

The Organisation for Economic Co-operation and Development (OECD) (2025) also found that South Africa is expected to register the highest

unemployment rate since 1994. Hence, the policy agenda in South Africa encourages emerging and informal businesses to create employment. In acknowledging this challenge, the policy agenda on business development has welcomed the reorientation of policy support to focus on fostering an enabling environment for businesses to grow and be sustainable. In every sector, many entry-level businesses are struggling to sustain their businesses. Regulatory compliance is one challenge that affects other emerging businesses. Maphela (2023a) found that emerging funeral directors in townships are struggling with many legislative processes, made worse by the capital outlay required to start a fully compliant business. Starting a funeral business in most instances in the SA environment is driven by push factors, where people are trying to survive, whilst others believe they can bring change to the communities.

Compliance with the many regulatory processes of various government departments is crucial for a fully-fledged funeral parlour business to exist. This study focuses on the regulatory framework of FSAC and the Micro-Finance Act. The emerging funeral business faces various forms of complex compliance regulations with limited resources. The capital outlay to start the business ranges from Zar 3 million to Zar 6 million. Compliance is also a financial burden, posing a significant stress on start-ups. Industry knowledge is not always available to a start-up, making it difficult to compete with fully compliant businesses. Established businesses in this field affect the clientele of the emerging businesses. The Competition Commission found unfair competition between smaller and established businesses. Customers, on the other hand, look for value, which creates competition for the emerging funeral directors.

4.9. Reconciliation of The FSCA Regulatory Framework and the Emerging Funeral Directors

The emerging funeral directors must comply with various government departmental regulations, such as the Municipal Health (Regulation 363), Department of Home Affairs (designation), and spatial planning (Zoning); they must also comply with underwriting.

The FSCA, as a regulator of insurance under the Long-Term Insurance Act and the Financial Advisory and Intermediate Services (FAIS) Act, stipulates that emerging funeral directors must adhere to Table 1:

Table 1: The EFD's Challenges of Underwriting.

FSCA Regulatory Framework	Results
A. Register and obtain an FSP license	• Several EFDs are struggling to obtain and keep an FSP license because of their fluctuating financial strength.
B. Adhere to product disclosure, fair pricing, and claims handling	• With every premium sold, the EFDs must account for their own administration from the pricing of the premium. • Pricing creates complexity when the premiums are a lifeline to sustainability.
C. Comply with strict underwriting criteria	• EFDs feel that the criteria are unfair to emerging businesses. • They feel they are agents on behalf of large companies. • They do not have full ownership of the clientele.

Source: Focus Group Data (2025)

Table 1 reveals that Emerging Funeral Directors (EFDs) face significant regulatory and operational challenges according to the FSCA framework. The difficulty is obtaining and retaining an FSP license due to fluctuating financial strength, which restricts their ability to operate sustainably. In addition, EFDs struggle with pricing complexities, as they must incorporate administration costs into premiums, creating a tension between affordability and profitability. The strict underwriting criteria imposed by regulators are perceived as disproportionately favouring large insurers, leaving EFDs feeling like mere agents rather than independent businesses. Furthermore, EFDs lack full ownership of client relationships, as insurers retain control over policyholder data, limiting their ability to build long-term customer loyalty. These findings suggest that while the regulatory framework aims to protect consumers, it may inadvertently hinder the growth and competitiveness of emerging financial service providers. (see case study, "Oreng Molau").

Table 2: Key Challenges for Emerging Funeral Directors.

Key challenges	Results

A. Compliance costs	• Currently the EFDs are struggling with being fully compliant with the guidelines of the FSP licencing requirement.
B. Access to reinsurance	• When EFDs sell premiums, they are entirely dependent on the insurer. • Because of information asymmetry, they carry the risks of burials at an initial amount agreed upon with the client.
C. Complex underwriting process	• A valid FSP license is a requirement • Financial soundness.
D. Competition from established players	• EFDs feel dependent on the underwriter who has a relationship with an established insurer • When their businesses struggle, their clientele database falls into the hands of the insurer • They feel that in most cases they have no control over this database, as they cannot compete with large businesses.

4.10. Researchers' Own Construct (2025)

Table 2 highlights that Emerging Financial Distributors (EFDs) face a complex and often restrictive operating environment under the FSCA regulatory framework. One of their most pressing challenges is the high cost of compliance, particularly in obtaining and maintaining an FSP licence. Many EFDs, already struggling with financial instability, find these requirements burdensome, limiting their ability to operate legally and sustainably. Another critical issue is their dependence on insurers for reinsurance. When EFDs sell premiums, they rely entirely on insurers, creating an imbalance of power. Due to information asymmetry, they often bear the financial risks of claims, such as funeral cover pay-outs based on initial agreements with clients, even if costs escalate. The underwriting process further complicates their operations. A valid FSP licence is mandatory, and strict financial soundness criteria disproportionately favour established insurers. This leaves EFDs feeling like mere intermediaries rather than independent businesses. In addition, they struggle with intense competition from larger players, who often control client relationships. When an EFD's business struggles, its client database typically falls into the hands of these dominant insurers, leaving the EFD with no control over its own customer base.

These challenges collectively create a system where EFDs operate at a structural disadvantage, struggling to compete while navigating regulatory and market pressures. Without intervention, the current framework risks stifling innovation and growth among emerging financial service providers.

4.11. Case Details

On 20 November 2025, during a televised discussion on *'Oreng molau' (What Does the Law Say)*, a case involving an emerging funeral home highlighted critical issues in the funeral insurance sector. The case centred on a stokvel group that sought funeral cover through an emerging funeral home using pooled monthly contributions.

The stokvel members claimed they only received the following from the emerging funeral directors:

- A document listing their names and insured cover family members.
- Receipts for monthly premium payments.

Key missing element: No formal contract was provided by the funeral home, leaving the members without clarity on terms, conditions, or the identity of the underwriter.

Challenges encountered

1. **Lack of formal agreements:** Emerging funeral directors often operate informally, neglecting to issue legally binding contracts. This exposes both the business and clients to disputes and regulatory risks.
2. **Unregulated premium adjustments**: The funeral home increased premiums by **100% without prior notification**, sparking conflict. Such practices violate consumer protection norms and erode trust.
3. **Opaque underwriting structures**: Clients were unaware of the underwriter, raising questions about legitimacy and compliance with insurance laws.
4. **Legal and reputational risks**: The stokvel members sought free legal advice and were directed to report the matter to the Insurance Ombud, signalling potential regulatory intervention.

Implications for emerging funeral directors

- **Compliance gaps:** Failure to adhere to insurance regulations can lead to penalties and reputational damage.
- **Consumer trust:** Transparency in pricing and underwriting is essential for credibility.
- **Operational sustainability:** Informal

practices may hinder growth and expose businesses to litigation.

5. CONCLUSION

In examining the strategies of EFDs aiming to establish a premium market, the analysis consistently reveals critical challenges, centred on navigating the complex regulatory landscape governed by the FSAC and complying with FSC licensing requirements. The struggle is not merely bureaucratic but includes operational delays, preventing new entrants from launching their services and generating revenue. The financial costs of compliance place a heavy burden on small and emerging businesses, directly affecting their ability to be sustainable. They find the regulatory requirements divert their focus from the value proposition to chasing compliance. This distraction hinders them being innovative in-service design, marketing, and customer engagement. Trust is paramount in the funeral home sector. The inability to secure an FSP licence creates a credibility gap, as they collect premiums. Potential clients who seek premium services are inherently risk-averse; the likelihood is they will choose fully licensed service providers over an unlicensed newcomer, regardless of how appealing their services. This is an important service to communities; the notion of premium navigation must be fundamentally redefined for emerging funeral businesses. True premium navigation in today's market is a dual-track process. The EFDs must navigate both the client's expectations and grief, as well as the complex regulatory framework. Currently, the EFDs' challenges to fully comply with the regulatory framework are a deterrent to new entrants. By adopting a proactive approach, with the support of continuous training, they can become compliant and fulfil the mandate of servicing communities and the value proposition.

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