

## **Terms of Reference: Conduct Funeral Industry Desktop Research and Literature Review**

FinMark Trust (FMT) invites proposals from individual consultants to conduct an assessment of the funeral services and funeral insurance industries in South Africa. The scope of work is provided in the following terms of reference.

### **Background**

South Africans spend a staggering R18bn on the last rites and customs associated with burying our loved ones every year. A recent report by Hippo indicated that the average cost of a funeral has grown to over R40,000 for the over 460,000 South Africans who die each year.

To cover the costs of funerals, South Africans utilise a number of both formal and informal mechanisms. Traditionally, most people relied on burial societies and help from friends and family to provide for basic burial costs. Many South Africans now subscribe to funeral insurance policies and as of 2017, the number of adults covered by funeral insurance now exceeds those covered by burial societies for the first time. In addition to subscribing to burial societies and funeral insurance plans, many South Africans also purchase packages from their local funeral parlour.

The growth in the take-up of funeral insurance in the South African market has been astounding. Data from the FinScope Consumer Survey 2017 reveals that 52% of South Africans report owning at least one funeral insurance policy while only 22% report owning any form of non-funeral insurance cover. In fact, risk covers for health and assets remains below 10%. This is further compounded by the fact that 66% of those who report owning a funeral insurance policy will have multiple policies (some as many as five or six policies) and is an increase from 54% in 2012.

This continuing focus on provisioning for funerals at the expense of other financial needs is a worrying trend that is driven by a complex combination of supply side cost drivers as well as social and cultural pressures towards providing ever more lavish send offs for our loved ones.

### **About the project**

FinMark Trust has commissioned the Funeral Insurance Research Project aimed at creating a better understanding of the impact of funerals on the financial lives of South Africans and how this expense can be better managed. The proposed project will have a number of components, the first of which will be to conduct an assessment of existing research on the funeral services industry and the market for funeral funding products such as funeral insurance policies.

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#### **FinMark Trust**

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## Scope of work

The consultant will be required to provide an assessment of the funeral services industry with particular focus on:

- The makeup of the funeral services industry (funeral directors, funeral parlours, manufacturers of coffins, other service providers), the size of the market, the dominant players and their levels of vertical and horizontal integration
- The cost of the various services and or products purchased in the course of a burial, cost trends and cost drivers
- The regulatory environment for the provision of funeral services including consumer protection mechanisms

The consultant will be required to provide an assessment of the market for funeral funding arrangements such as funeral insurance policies and burial societies with particular focus on:

- The makeup of the market for formal funeral funding products including the size of the market and major providers
- The types of cover provided by formal funeral funding products including product features, sums insured, premium collected, lives covered per policy and numbers of policies owned
- The financial performance of formal funeral funding products including claims ratios, lapse rates, premium rates and trends thereof
- The market for informal funeral funding arrangements such as burial societies including numbers of participants and volumes of contributions
- The regulatory environment for both formal and informal funeral funding mechanisms

## Research Methodology

There exists a number of research reports that have been conducted on the funeral services industry in South Africa, particularly from a supply side perspective. The consultant will thus be expected to rely on secondary research leveraging such published reports as well as statistical publications from industry bodies, regulators and financial service providers.

## Deliverables

The consultant shall submit an assessment of the funeral services and funeral funding mechanisms in South Africa in the form a written report by 26 October 2018

## Process

Proposals must be submitted to Farai Muronda ([faraim@finmark.org.za](mailto:faraim@finmark.org.za)) by close of business on October 5 2018.