The Janus Head of Insurances in South Africa: Risks, costs, and social capital*

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Abstract
Recently, large scale South African companies are establishing a myriad of policies in order to incorporate the previously excluded, mostly non-White, poor and middle classes. The paper examines these initiatives as a janus head when it comes to definitions of risks and costs, as well as the attempt to save costs by relying on social capital among the poor. Highlighting the janus faced character of insurances for the South African poor casts a new light on lively debates on insurance, risk, and social capital. Research among clients living in the townships of Cape Town, as well as among insurance brokers, actuaries, and others involved in the world of insurance, reveal how policy costs are directly related to the many risks and adversities that the poor are exposed to. Moreover, it reveals how insurances try to use social capital as a resource to gain access to new markets - sometimes with disastrous consequences - and simultaneously have complex bureaucracies that make it very difficult for clients to submit claims successfully. The paper raises fundamental questions on the contribution that insurance can make to the poor in one of the most risk prone and most unequal soceties in the world.

Risk and Insurance in South Africa

South Africa is a society with tremendous risks, particularly for the urban poor. AIDS is spreading at a horrifying rate and some estimates are that almost 30% of the population is infected with HIV.[1] Particularly the poor and lower middle classes have to live in a state of fear for being robbed, murdered, assaulted, or raped. South Africa has the world's highest murder and homicide rates, the world's highest assault rate, as well as the highest rate of reported rapes.[2] The lack of confidence in the state, the result, in part, of the inadequate police and judiciary system, as well as the apartheid legacy, only adds to the high level of risk (see Bähre 2007a).

For residents of urban areas such as Cape Town the police is simply unavailable.[3] For vulnerable people, predominantly Africans, exposure to life threatening crisis has become a matter of daily affairs. In the year 2002, "two out of three black households in Cape Town townships did not have enough food to eat" (BBC 2003). AIDS, violence, and loss of income effect many people: household members look after the diseased, income is lost, debts accumulate due to funeral costs, and people are traumatised by illness and death of loved ones. The main causes of death among Africans in Cape Town are HIV/AIDS and tuberculosis (39%) and physical assault (29%) (BBC 2003). The rising occurrence of risks turn idiosyncratic risks into collective risks that undermine the capacity of people and institutions to manage them.

Welfare provided for by the state is limited, although it is elaborate compared with other African states.[4] State hospitals offer medical care that is fairly inexpensive yet of limited quality and the government provides a small and often poorly distributed old age pension and disability grant.[5] But the high level of poverty and risks that many are exposed to mean that reliance on kin and neighbours is often necessary. Remittance of money from employed kin in urban areas to the destitute relatives in rural areas is a common practice that was strengthened by apartheid policy (Bähre 2007a; Bank 1999; Sharp and Spiegel 1985). Moreover, the urban poor organise a myriad of financial mutuals such as burial societies, which play a vital role in the distribution of resources within familial networks.[6] These care arrangements are important yet also inadequate in the light of the many risks that poor people are exposed to. Although social relations, particularly among kin, are crucial for containing the crises that the poor experience, they should not be idealised or romanticised (see Bähre 2007b). But in the absence of alternatives, social relations are often the only way to deal with risks (cf. Dercon 2002; Von Benda-Beckmann and Von Benda-Beckmann 1994; Leliveld 1994, 1997).

Very recently, however, alternative forms of dealing with risks are becoming widely available to those working as domestic workers, security guards, or lower ranking civil servants. Large-scale South African insurance companies, such as Sanlam, Old Mutual, Metropolitan, and Liberty Life are expanding their business to the African population, predominantly poor and lower middle class families. These companies are establishing a myriad of insurance schemes aimed at the previously excluded poor. For example, David Porteous, founder and director of Bankable Frontier Associaties, envisions a tremendous insurance market within the Living Standard Measure (LSM) one to five, the poorer segment of society. In a paper presented to DFID Porteous (2005) identifies almost nine million households of which only eight percent has a funeral insurance. For funeral insurance in South Africa, he identifies a market enablement and market development zone of over six million households, almost ten times the existing market (Porteous 2005). A vast market is envisioned.[7] Insurance brokers are selling policies, ranging from life insurance to cover for theft of property; they visit the poor in their homes, approach commuters at taxi ranks and train stations, or offer packages via employers. Insurance companies also cooperate with already existing organisations, such as churches, burial societies, unions, and local undertakers in an attempt to attract new clients.

Among others, financial service providers established the Financial Sector Charter on Black Economic Empowerment. In this charter the financial sector commits itself to increase non-whites in senior positions, to support the establishment of black owned small and medium enterprises, as well as to make it easier for the poor to access financial services (Financial Sector Charter).[8]

While poverty and violence puts state institutions and social relations particularly kinship under severe pressure, these new insurances enables poor people to manage risks in hitherto unthinkable ways, at least that is the expectation it raises. This combination of social networks with bureaucracies is a global practice.[9] Insurance companies all over the world largely rely on the networks of brokers and intermediary organisations for establishing and maintaining relations with clients. Moreover, also in The Netherlands there are many stories and incidences of claimants being caught up in Kafkaesque bureaucracies. These are not uniquely South African. However, what is particular to insurances in South Africa, is the almost unprecedented levels of risk and inequality. What are the consequences of these high levels of risk and inequality for the way in which insurance companies target “the bottom end of the market”, as the insurers like to refer to poverty stricken African residents. South Africa is also unique because, unlike other developing countries, it has a very strong insurance industry. The penetration of the insurance industry is estimated at 14,5% of GDP, which is very high compared with many other developing countries such as Indonesia (1,19%) and India (0,62%), but also compared to the United States (5,23%).[10] However, expenditure is distributed unequally among the population.

Risks and social capital

Since Beck’s seminal Risicogesellschaft (1986), risk has become central to the sociological imagination and analysis of globalisation, inequality, and risk. Beck’s fairly pessimistic view on insurance arrangements ability to cope with the risks of reflexive modernity[11], the worldwide attention to insurance as a tool for poverty alleviation is striking. The belief that Micro insurance can alleviate inequality is only rising. Micro insurance is expected to limit the consequences of disasters and adversities, and thus insurance is expected to contribute positively to the poor's livelihood. For example, in 2005, the World Bank established the Micro Insurance Agency and a quick glance at the Microfinance Gateway reveals the many projects devoted to insurance and inequality.[12] In 2006 the Dutch Ministry of Development Cooperation donated €100 million to the Health Insurance Fund that provides health insurance to poor and unemployed Nigerians. As part of neoliberal policy, access to financial services has become key to combating inequalities.[13] How does this work? What empirical evidence do we have and how does it relate to these disparate views – Beck's doom scenario versus the optimism expressed by the micro insurance industry – on economic globalisation, inequality, and risk?

The South African case will reveal that it is crucial to closely examine the multiple ways in which risk is defined, and what the consequences of these definitions are for insurance. Such an approach is inspired by Ewald's thought provoking analysis of the social and historical construction of risk and insurance in France (Ewald 1986, 2002). While risk and insurance in the 19th century was about "providence", in the twentieth century about "prevention", we now enter an era that is dominated by the precautionary principle:

"Preacuation, such as we are seeing emerge today, focuses … on uncertainty – the uncertainty of scientific knowledge itself."(2002: 293).

How is risk and insurance understood in South Africa and what is the relevance of these definitions when insurance are marketed to the poor in one of the most unequal countries in the world?

How apt is scientific knowledge when applied to "the bottom of the market"? For now, the signs are not so good, not in the least because of the central role that social capital plays in the insurers attempt to make their products available to the poor. For microfinance, social capital has become central to reaching the poor. Community relations, shared norms and values, and trust are expected to function as non-conventional collateral and as crucial to the ability of the poor to access financial services.[14] But who is accessing who; is it the poor that are able to effectively access insurance arrangements that contribute to a sustainable livelihood, or is it the financial service provider that can effectively reach the poor in order to market their products? One the one side, insurance companies rely extensively on social capital while insurance companies simultaneously rely on bureaucratic procedures. Elyachar (2002) has signaled the informalisation, and possibly even rising corruption brought about by neoliberal economic policies in Egypt. What are the consequences when social capital is combined with sophisticated bureaucracies, particulary when it concerns the market of relatively poor, uneducated, and vulnerable clients?

From risks to costs

Given the many risks that South Africans face, particularly the poor and lower income groups living in the township of Cape Town where I undertook most of my research, I started most interviews with people employed in the insurance industry with questions about risk. How do you know what the exposure to risk of these clients are? After all, data provided by the South African Bureau for Statistics has the reputation to be notoriously unreliable, particularly when it concerns politically sensitive issues such as the incidence of violence and HIV. Furthermore, as this is a relatively new and unexplored market it must be difficult to know the risks, even at an aggregate level.

By and large, these issues were confirmed but of much bigger concern were costs, not so much the risks.[15] Time and again the distinction between risk and cost was made very clearly and in a matter of fact way. Sometimes I felt that I received a crash course "Actuarial Science for Dummies", and that is also how I often felt: a novice trying to grasp at least some of the very complex issues that belong to the actuarial habitus.

The insurance premium that policy holders pay consists of three parts. One part for profit (which will not be dealt with here), one part to cover the risk, and one part to cover costs. For example, policy holders of funeral policies will pay a premium that is based on the life expectancy of the lives that are covered by the insurance as well as the benefits that will be given. Consequently, a policy that covers higher, more complex and more frequent risks, such as health and unemployment, will be much more expensive than policies that cover small risks. One of the cheapest risks to cover was the "funeral accident cover", a type of life insurance that was relatively popular among the poor. Whenever the insured life would die n an accident, which means not due to suicide, murder, old age or health, the policy will pay a certain amount, mostly less than R10,000, to the beneficiary. Here, the insured risk is very small, which automatically makes the monthly premium affordable to the poor. Because of affordability most policies that are sold to the poor are funeral insurances, cellphone insurances to cover the loss or theft of mobile phone, accident covers, as well as policies that cover debts that are left unpaid due to prolonged illness. Extensive health policies, unemployment benefits, are inevitably more expensive. The result is that, even when relatively poor and lower income groups take out policies, the risks that are covered are fairly limited. Insurance policies become more affordable by decreasing cover, by putting exclusionary clauses in place, as well as risk pooling. Inevitably, inexpensive policies cover small risks. In order to effectively market insurances to the poor and lower middle classes it is crucial to severely limit the risks that the policy covers.

For insurers the costs that are part of policies were much more problematic than these fairly flexible, yet still fairly unknown risks. Even when a policy is relatively successful, the part of the premium that is used to cover costs by far outweighs the part of the premium that is used to cover risks. While costs were not a major problem when fairly wealthy clients were approached, they became crucial for successful policies for the poor. First, because the policies that are marketed towards the poor and lower middle classes cover relatively small risk, the costs for administering the policy become relatively large. Many administrative costs are independent of the type of policy. Whether you sell a policy with a premium of R1000 a month or R100, the policy has to be administered; bank accounts have to be checked; cheques have to be written and send; debit orders have to be administered, callcentres have to be staffed, and so on. Such administrative costs put a relatively high burden on the monthly premium of a small policy. Second, by the very nature of their vulnerability to adversities, the poor and lower income clients are much more likely to discontinue their policies than wealthier clients. By the end of January 2006, the Life Offices Association (LOA) released a press release on the provision of life insurance products for people earning up to R3000. “The LOA’s target for 2014 is to increase penetration to 180% of current levels (i.e. to 3.8 million policies), which is no easy task when taking into account the large number of policies that are typically terminated each year.”[16] High termination creates costs that are less common among wealthy clients who do not terminate their policies as often.

The salaries and commissions of sales agents, the administrative burden of registering policies, the costs of financial transactions, as well as the fact that people with a low income were much more prone to discontinue their policy, sometimes even within months, posed a major problem. In order to sell policies to these clients insurers were trying to find ways to cut administrative costs as much as possible. To do so, insurance companies increasingly rely on social networks. In order to examine how intermediaries function and how this relates to definitions of costs, it is helpful to make the distinction between brokers and intermediary organizations.

Brokers

All major South African insurers have established specific departments to intensify their marketing to the poor and lower middle classes. Some companies opened up offices in the African and Coloured townships and hire brokers that live in these areas. They visit people at their homes, approach them at taxi ranks and train stations, give presentations at schools, police stations, medical centres, and even on military bases. The broker sets up his overhead projector or posters in the staff room and he (I did not encounter a single female broker) explains to the staff which products he has (mainly funeral policies, endowment plans, retirement annuities, and an insurance that covers the cost of schooling for children or grandchildren), and what the benefits are. Such presentations occur far from occasional. Several schoolteachers told me that they had an insurance broker presenting at their school about once a month. Only a few years ago they never had a broker visiting their school. Sometimes the teachers would listen but mostly they continued eating their lunch, marking tests, and conversing with colleagues. Many people also regularly received calls on their mobile phones from insurance brokers, again once a month was not unusual.

By and large, the brokers income is based completely on the commissions they receive, a system that has become quite controversial. Typically, the broker's commission is 85% of the annual premium. Insurance companies were used to offering relatively large policies to relatively wealthy people who hardly ever discontinued their policy, which could lead to a decent income for the brokers. However, now policies are sold to poorer and predominantly non-white costumers. Policies can have premiums of only ten rand a month, which means that the insurance representatives will receive a commission of about a hundred rand only. Moreover, due to the many risks that relatively poor people are exposed to, costumers discontinue their policy frequently.

During interviews with policy holders in the townships of Cape Town it became clear that policies were often not a priority. Faced with financial problems, it was quite common to discontinue the policy. Politeness also contributed to discontinuing policies. Sometimes it was very difficult to refuse a policy. Not only because some agents resorted to quite aggressive sales tactics but also because of the relationship with the agent. The broker was often a neighbor, relative, or church member. As one client explained to me: "He [the broker] was introduced via someone from church and he came to speak with me. I took out a policy but I did not really need it so I canceled it after a few months." By providing false bank details, quickly canceling the policy, or providing a bank account where no money was available, one actually did not take out a policy without having to tell this to the agent.

This had a serious impact on the broker's income. To my knowledge, all insurance companies have a rule that if the policy lapses within a year, the insurance salesman will not receive a commission. One broker told me that he had sold a policy but that he did not receive any commission. He enquired at administration and found out that the policy was registered as lapsed because the insurer failed to get the premium out of the client's account. The broker knew the costumer quite well and went to her house to ask what had happened. She, however, assured him that she did not know what was going on. She said that there were no problems and that she was paying the premium in time. They both agreed that there must have been an administrative problem within the insurance company and the broker was upset because he felt he was robbed by his employer: cashing in on the premium and then making up excuses not to pay him. Although I definitely encountered administrative problems, sometimes with severe consequences, I also sometimes was under the impression that the client wanted to hide from the broker that she did not really want the policy or did not have the means to pay for it.

Another broker told me how he was lured into selling policies. The man was in his mid thirties and came from East London and when I interviewed him he had only recently moved to a shack near the township Philippi in Cape Town. In East London he was employed as a hotel manager and while he was at work, a recruiter from an insurance company came to talk to him. The recruiter told him that he could earn much more money than he did now, that he would have a much easier life if he came to work for them. He could expect to make R12.000 a month, buy himself a very nice car, and live much more comfortably than he did now. He did not like his job and the prospects of becoming a broker sounded good, so he quit his job as a hotel manager and signed a contract with the insurance company. The contract stipulated that, he would receive training during five months of training. The first three months were fulltime training and he would receive R5000 a month. The next two months he would have to start selling policies and earn an income based on commissions. But, as he would be inexperienced he would still get a salary, R2500 in the fourth month, R1500 in the fifth month. From then on, he would earn enough money with commissions. Moreover, he had to work for the insurer for at least a year. If he discontinued the contract he had to repay the R19000 that he had received in the first five months of the contract. This clause was installed to prevent brokers from switching to a competitor soon after the insurer invested in the skills of the broker.

He followed the training and once the training period was finalized, the company organized a barbeque for them. This was the first time they met other sales representatives in the region. When they arrived at the site of the barbecue, he explained to me, he started to wander if his future would be as rosy as he had been told. Given the high salary that he was expected to earn, he expected fancy cars in the driveway. But these were not fancy limousines but old and rusty cars. Even the car of the top salesman of the region was modest, not that much different from the car he owned at the time. When he started to sell policies, it became clear that he could not make R12000 a month, but instead he told me he only made R5000 a month, about the same as his salary as a hotel manager. Some of his colleagues, he told me earned more, up to R12000 a month, but many others earned far less. He explained it was very embarrassing at the end of the month:

"We would meet and the manager would show [on the board] how many policies everyone had sold and the top salesman would be praised and treated as a role model. But during these meetings it became also clear that some colleagues had not sold a single policy. I really felt sorry for them as they had no income. Sometimes a colleague would come to me and ask me: 'can you please borrow me some money'. You know they have a family to feed and no income, but you are also hesitant to give money. Are you ever going to get it back?"

Although some colleagues earned no income, they could not leave the job and look for another job as they would have to repay the R19000. Effectively, the contract that the insurance company amounted to bonded labour.

This former salesman also complained about the expenses he had to make. He had to pay for his own car, pay for the petrol and cell phone. He even had to purchase the small gifts, such as pens with company logos, from his own money. The branch manager urged, almost forced, all the brokers to reserve part of their income. This money would be put in a personal account under control of the manager and with this money he could buy pens, t-shirts, and other company gifts.

In addition to the financial pressures, he complained vehemintently about the social pressures he had to deal with. In order to sell policies, he aggressively had to mobilize his social networks. He visited his neighbors in East London as well as other neighbourhoods where he know people. He would attend as many funerals as possible and try to sell policies to those that were present. When we talk about this, he is still a bit embarrassed: using funerals to market his insurance products. He would say things as: “Is it not terribly sad to die and leave your family with nothing except the worry about how to pay for the funeral? A funeral insurance really takes this burden away from you”, and then he would hand out a pamphlet and try to meet them again later. He would visit people at his church and try to get to know other people through the church.

The result of all these activities, he explained, was that everyone expected him to do all kinds of favors: “You know how our people are. They think you are making a lot of money on them and take advantage. Therefore you have to help them, otherwise your reputation goes down the drain.” He would receive phone calls from clients with favors such as: “could you bring my child to school, I don’t have money for transport”; “could you come and pick me up and bring me to the shop in town, I need to do some groceries?” About half his day he spent on driving people around or helping people sort out client’s financial problems with banks and insurance companies, even if these problems had nothing to do with his work or the company he worked for. If he refused to help he was worried that customers were going to gossip about him and that it would become very difficult to sell policies. He was getting sick and tired of these requests. When eventually his car broke down and he had no money to send it in for repairs or buy another one, it became even more difficult to make a living. Exactly after a year, not even a day longer, he resigned. He had no other job but desperately wanted to get out of it. Quite soon he left East London and moved to Cape Town, in search of employment. But work was not the only reason for moving to Cape Town. He also wanted to escape the people in East London: they continued to bother him with their financial problems and expected him to solve them, write letters, phone, visit the banks and insurance companies, and so on. For his friends, neighbours, fellow church members, relatives, and acquaintances, he had become their financial expert. In order to escape these social pressures he moved to Cape Town. After almost a year of unemployed he eventually got a job as a restaurant manager.

Some of the actuaries and others working in the insurance industry said that the insurance companies knew that there were problems with the brokers, particularly when they worked in low-income areas. However, they defined the problem in a very different way than I did and seemed to be completely unaware, or disinterested, that many of their brokers worked under conditions that closely resemble bondage labour. The problem that they faced was that brokers sometimes resorted to illegal means in order to sell policies and cash in on the commission. There were numerous rumors and also some accounts of insurance agents lying to clients about the policies they offered. As well as withholding crucial information about policy conditions. Withholding this information was easy when one dealt with illiterate clients. In their attempts to make money, insurance representatives sometimes became very pushy and the fear among people in the industry was that these incidents would threaten the reputation of the industry.

When I told people working in the insurance industry that when one applies the commission system for clients who are poor, illiterate, and often discontinued their policies, the common response was that the insurance industry was aware of this problem, but that these were problems caused by so called “fly-by-nights”: illegitimate companies trying to make money at the expense of clients. The large-scale and well established insurers, I was assured, were not responsible. This assertion was not reflected in the interviews I had with clients living in the townships of Cape Town, nor with the findings of the ombudsman for Long Term Insurance (Nienaber and Preiss 2006). Nonetheless, many working in the industry worried about the reputational damage that “fly-by-nights” would cause to the industry as a whole. The vulnerable income situation that the commission system posed to brokers, particularly when they were selling policies to Africans, was never addressed.

By the end of 2005 some insurance companies started to review their commission system. As a result, increasingly insurance companies have changed their payments to brokers. Instead of paying a lump sum after the policy is taken out, brokers receive their commission over a period of many years, depending on how long the client stays. This only aggravates the already desperate situation of brokers. Because many brokers discontinue their work after a year they do not even receive all the money they are entitled to.

When clients want to submit a claim they frequently turn to their brokers and expect them to help. Sometimes these brokers are able to help by filling in a form or make a phone call to the offices. However, the brokers are not paid for this service and interviews with policy holders revealed that they were often frustrated about he broker’s inability, or unwillingness, to help. The social network that was so crucial for selling the policy cannot be mobilized to receive benefits. Instead, clients have to call toll-free numbers where it is no exception that they cannot be addressed in their mother tongue. They need to fax documents while even in urban areas such as Cape Town it can take up to an hour to travel to the nearest fax machine.

One woman explained to me how she was trying to receive benefits for over a year. Nothing worked, her in my view legitimate claim was turned down time and again, or even simply ignored. Eventually, she visited the insurance office and spoke with a consultant who promised to sort out the problems for her. In order to solve the problem the consultant had to have the original policy papers and she handed over the policy papers, expecting that she would solve the problem for her. After a few weeks she called the insurer and was told (by another consultant) that she was not entitled to benefits. After all, the woman on the phone told her, she had been in their office a week ago and had canceled her policy. She could not claim benefits from a policy that she canceled. This of course infuriorated the client but there was nothing she could do about this.

Ombudsman organisations are equally heavily bureaucratized and by and large are only accessible for the elite. All ombudsman organizations in the financial sector accept cases that are written in English only. Nonetheless, the ombudsman organizations receive ample complaints that indicate the unfair treatment that clients can get (Nienaber and Preiss 2006). In a speech for the Life Offices Association, the association of long-term insurance companies operating in South Africa, the ombudsman of long-term insurance stated:[17]

> "Now, one thing you can say about insurers and their marketing material: they convey an impression of help and assistance, of the milk of human kindness flowing freely toward all mankind, especially potential policyholders. But I rather suspect, judging by the stories we get, that beneath that benevolent façade, also beats a heart of stone."

However, most of these complaints are from relatively wealthy and literature clients. The problematic situation in which many insurance salesmen find themselves, a situation that sometimes is similar to bonded labour, is not addressed at al.

Intermediary groups

Another strategy for insurance companies to limit the costs is to rely on the infrastructure of intermediary organizations, such as furniture shops, supermarkets, undertakers, churches, and even soccer clubs, but particularly burial societies.[18] The advantage, at least from the insurers point of view, is that it is much cheaper to use already existing financial infrastructure than build it up. Particularly given to the apartheid legacy there is hardly any financial infrastructure in the townships of major cities such as Cape Town and Johannesburg, but also in the former Bantustans, such as the former Ciskei and Transkei. Insurance companies were particularly interested in churches, funeral undertakers, and burial societies, but also very diverse groups such as a fan club of asoccer team, or singing groups. In contrast to the more commonly used intermediary organizations, such as unions or contracts with employers, these organizations would enable access to people who are not have secure formal employment. Insurance companies hoped that these organizations would enable them to access the bottom end of the market while simultaneously limit the costs that are associated with this segment of the market.

For example, I spoke with an undertaker in Gugulethu. She and her husband ran the business from their home and the neighbours were among the most important clients. When they took over the business from her father, they found out that he had a big debt with the funeral parlour. On several occasions, he had organized a funeral, made expenses such as purchasing a coffin, while the relatives and family eventually failed to pay for the funeral costs. It was a great shock when she found out that the family business was doing very badly. To overcome the problem of unpaid bills, she and her husband started a burial society. Every month, she would go door-to-door and collected the premium. In this way, they ensured themselves of a clientele and diminished the risk of unpaid bills. A year or two ago, insurance companies started to approach her. Insurance representatives would walk in the house and ask her to cooperate with them. Eventually she did decide to work with an insurer based in Johannesburg. She would still collect the money among her neighbours and other members of the burial society, and instead of putting it into their own bank account she would transfer the money to insurance company. Whenever someone died she would fill in a form, include a copy of the death certificate and receive a check from the insurance company with which she could carry out the funeral. This practice is illegal as the undertaker works as a financial intermediary without being registered a such, but it was nonetheless common practice, also by large scale commercial insurance companies.

Her clients were unaware of this change. They still considered themselves to be members of a burial society while they were actually policyholders. She explained to me that she wanted to keep this a secret as she was worried that it would cause distrust among her clients. I also suspect that she wanted to keep it quiet because then she would not have to hand over the check she received from the insurer to her clients, who could then use it to have a funeral with another undertaker or decide not to spend it on the funeral at all.

After about a year she and her husband received a letter that stated that they had made too many claims and that the premium would go up. Indeed, over the past few months they had had several funerals. This was not only due to old age of some members but also due to the high incidence of violence, road accidents, and diseases such as TB and HIV in the neighborhood. The letter from the insurer stated that from the next month onward the premium would go up by fifty percent. She told me that she was very upset that she had to collect another 50% premium. If she failed, the contract with the insurance company would be terminated and she would have lost everything. She told me: “How am I going to explain to people that they have to pay one and a half times as much? How am I going to raise this money? Nobody even knows that I work together with an insurance company?" This intermediary organisation is faced with pressures from the insurance company that threaten the family business as well as her reputation in the area that she lives for over thirty years.

A success story that is often mentioned by insurers is the cooperation between the insurance company African Life and the Zion Christian Church (ZCC). The ZCC is probably South Africa's largest church with 1100 congregations across the country. It is led strongly by the bishop and has very clear boundaries between insiders and outsiders, boundaries marked by dress and other social conventions (see Kiernan 1974). Members are not allowed to speak with outsiders about the church and have to follow a strong disciplinary regime with regards to clothing, alcohol, and participation presence in meetings and other church events.

For a long time, ZCC branches had their own burial societies but there were limitations to these burial societies. For example, if a ZCC member moved to another part of South Africa, often in search of employment, he or she would have start anew with the burial society of the new branch. This was very inconvenient for members; rules were different and burial societies would often have a waiting period: claims could only be submitted after premiums were paid for half a year. Moreover, some ZCC congregations did not have a burial society, while others had burial societies that did not function properly. A new national funeral scheme for all the ZCC members should solve these problems. Apart from these practical motivations, a universal funeral scheme also fits well with a quite hierarchical and centrally led church. It could be, although I have not heard someone from the ZCC or the insurance company claim this, that it also helped the church to gain more control over the financial situation of its branches and members. Undoubtedly, the bishop was keen to have more insight into the daily financial running of his branches.[19]

In 1989, together with African Life, the ZCC established this national funeral scheme for members of the congregation only. Over the years, this initiative led to the Kganya Group. The Kganya Group became responsible for running the scheme, it took care of administrative matters, made payments to the ZCC so they could organize the funeral, and also started to an additional personal accident insurance that paid out a lump sum. In addition to insurance, the ZCC also established other financial services to its members. The First National Bank offers he Kganya Card Account, a transmission account only for members of the ZCC.[20]

The committee of the ZCC branch collects a R23[21] monthly premium and deposits it in the account of the company. The committee also take care of the bookkeeping and help with the organization of the funeral. A ZCC church minister who I interviewed, but who did not want to be named because he actually needed the bishop's personal approval for the interview, told me that he and fellow church members also supported members with submitting claims: they helped them to fill in forms, would bring them to the office of Kganya, and also mediate when there were conflicts within the family about who should get the benefits. They also organized wakes, the funeral services, and many other tasks that burial societies generally undertake. Although it took a lot of his time, the minister was very pleased with this funeral scheme. These tasks were largely done anyway and the cooperation with Kganya worked very successfully. What also helped was that the ZCC had its own discretionary fund. The minister gave the example of death after long illness; the person would be hospitalized for a long time and would have missed more than two installments. Then, after the person died, the insurance would not pay because the policy had lapsed. For circumstances such as these, the ZCC had its own discretionary fund.

Within the insurance industry the collaboration between the ZCC and African Life is recognized as a prime example of how to deliver insurances to the predominantly African poor. The major advantage of this scheme is that a lot of organizational tasks are carried out by the ZCC members, which limits the insurer's administrative costs. But even here, as the founder of this scheme explained to me, the cost of administration exceeds the risk premium 3:1. Administrative costs are three times higher than the costs of claims. This means that even in a project that the industry celebrates as successful, the bulk of the premium is used for administrative and infrastructural expenses, not the risk that the policy covers.

The janus head of insurance

Janus, the two faced Roman god of gates and doors, opening and closing, appears to be a suitable metaphor. The janus head of insurance is apparent in two ways: the effects of actuarial definitions of risk and costs on inclusion *and* the dynamics of social capital and high tech bureaucracies on inclusion.

The risks associated with inequality and poverty, in South Africa particularly violence, HIV/AIDS, and unemployment, were not as problematic for insurers as I expected them to be. Instead, costs were a much bigger obstacle for insurers trying to deliver policies to the poor and lower middle classes. Relatively affordable, and thus small, policies result in a high proportion of administrative costs; the risk premium is limited in order to make policies more affordable which increases the proportion of premium used for costs; and poorer clients – because of their exposure uncertainties – discontinue policies more often.

Actuarial definitions of costs and risks work in unexpected ways. In no way I wish to question the remarkable achievements of actuarial science and its fundamental contribution to insurances and welfare states. Rather, inspired by Ewald's (1986, 2002) analysis of the historical and societal construction of risk, I argue that what are risks to insurers is quite distinct from the risks to which the poor and lower middle classes are exposed, and that this discrepancy translates itself into high costs. High costs mean that insurers are (still) not sufficiently successful in converting these idiosyncratic risks into collective risks. This is one dimension of the janus head of insurance: The high costs and low risks, at least from the insurers point of view, are a consequence of the high inequalities in contemporary South Africa. What insurers define as costs is largely a result of the inability to embrace the many risks that poor clients are exposed to. This severely limits the ability of the poor and lower middle classes to manage the many risks and dangers they are exposed to. It appears that the high inequalities in South Africa, make it difficult to effectively insure, and thus compensate, the poor for adversities and losses. This case suggests that insurance in South Africa is (still) hampered by the inequalities of the industrial era and not so much by what Beck (1986) identified as the risks of reflexive modernity. For insurers, the problems they face are not so much connected to the opaque, global, en manmade risks of reflexive modernity identified by Beck (1986), but more with risks associated with the inequalities of the industrial era.

The janus head of insurance also features in the dynamics of high-tech bureaucracies and (informal) social networks. South African insurers are large companies that operate in a global market and in order to reduce costs they increasingly make use of high tech possibilities, such as sophisticated national call centers, and other complex organizational and administrative features. In their attempt to market for the less affluent part of society insurers social capital is pivotal. Bonds of trust, shared norms and values, and dense social networks- as is Putnam's definition of social capital (2000) - become a resource for access to the poor, as is more central to Bourdieu's (1984) definition of social capital. Instead of building an expensive financial infrastructure, insurers use just about any type of community networks, ranging from neighbourhood networks, burial societies, and churches, to gain access. The socio-economic position of those with social capital can deteriorate when insurers force brokers into what appears to be bonded labour. It worsens when clients pay premiums for policies they cannot afford or do not need; and when the bureaucratic procedures make it impossible to submit a claim successfully. In their attempts to limit costs insurers put brokers and other intermediaries into a situation where they risk the loss of social capital. By aggressively marketing policies in order to make a living, brokers risk their relationships with neighbours, fellow church members, relatives, and so on.

Simultaneously, brokers cannot successfully use their social networks to help clients submit a claim successfully. Here, the janus head of insurance is most striking. Insurers rely on networks for inclusion, but turn towards bureaucratic procedures that exclude the those that, due to their socio-economic position as well as the nature of these procedures and regulations, fail to submit a claim successfully. Only the Zion Christian Church, which due to its strong hierarchies and bureaucratic procedures is more similar to insurers, seems to be able to assist substantially.

When financial service providers access the most deprived sections of society, the question should be raised: who is accessing who? Based on the study of neoliberalism and microfinance in Egypt, Elyachar (2002) warns us for the informalisation of the state as access works increasingly via opaque social networks. The janus head of insurance suggests another consequence, at least in this particular context. The janus head of insurance reveals that what seems to be inclusion at one moment, turns out to be exclusion at another moment.

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[1]Based on antenatal testing by the end of 2004, 29,5% of the population is already HIV positive. See http://www.avert.org/safricastats.htm., also on the reliability of these statistics.
[2] See http://www.nationmaster.com. Colombia rates first with 'intentional murders'. South Africa ranks first on all the other kinds of murders and homicides.
[3] In at least one residential area of Cape Town the police even closed its offices because they were destroyed and plundered time and again. It moved its office into a shipping container and left the area during the night.
[4] See a.o Dietz and Foeken (2001) on the financial weakness of African states.
[5] "In 1995/96 about 60 per cent of the *total* national social security budget was spent on old-age pensions (South Africa 1997, 42. cf. Le Roux 1995, 28)" (Sagner and Mtati 1999, 398). For the corruption in the distribution of welfare, see also Brown (1998). These limited resources can be so vital for survival that a poor woman purposefully attempts to get AIDS in order to qualify for a R180 per month (€ 23) disability grant (personal communication Dr. Isak Niehaus 30-6-2003 on the South African Lowveld).
[6] See Bähre (2007a) and Delius (1993) on the history of burial societies.
[7] See Prahalad's (2004) influential 'Fortune at the Bottom of the Pyramid' on marketing for the poor.
[8] on-line: http://www.treasury.gov.za/press/other/2003101701.pdf
[9] In her study of microfinance in Egypt, Elyachar argues that informal social networks and communities are at the heart of neoliberal economic development (2002)
[10] South African figure according to the insurance report Q4 2004, business monitor international, mermaid house, London, p.3. Other countries 'According to a study by the Insurance Information Institute, expenditures on non-life insurance in 2003, see http://www.marginalrevolution.com/marginalrevolution/2005/02/insurance_fact_.html
[11] See Ericson and Doyle (2004) for a case study that reveals the resilience of insurance faced with global terrorism.
[12] http://www.microfinancegateway.org/resource_centers/insurance.
[13] See for example the emphasis in the Millenium Development Goal number eight on financial markets. For a critical analysis of the relationship between neoliberalism and microfinance, see Elyachar (2002).
[14] For a detailed analysis of this debate, as well as ethnographic findings with regards to social capital and informal financial arrangements, see Bähre (2007b).
[15] In several interviews actuaries highlighted that even the HIV/AIDS pandemic was not of major concern when it came to calculating risks. I wonder to what extent this is actually the case or whether this was PR speak. I will elaborate on this issue in the future.
[16] press release LOA, 27 January 2006.
[17] Nienaber (2005: section 13)
[18] Intermediairy organisations also limit anti-selection risks. See Thomson and Posel (2002) on risk in burial societies and funeral insurance.
[19] See the argument made by Elyachar (2002, 498) on community based microfinance as ''low-cost Pinktertons" that enforce financial discipline..
[20] For more information on the Kganya Group see www.kganya.co.za. On the bank account see www.fnb.co.za/FNB/content/personal/banking/transmission/kganyaCard.scml.
[21] Premium in 2006