

Edition 1/2020



# Africa Insurance Pulse

The digitization of Africa's  
insurance markets

Prepared by

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OUR STRENGTH

 **AfricaRe**

 African Insurance Organisation

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Africa Insurance Pulse  
No. 1 / September 2020

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# Foreword

*Faber Consulting*

We are proud to present the Africa Insurance Pulse 2020. In its fifth year, this report combines the African Insurance Barometer (focussing on Africa's primary insurance markets) and the Africa Reinsurance Pulse (looking at the continent's reinsurance markets), under the Pulse brand. Starting in 2020, we devote our first edition to the digitization of Africa's insurance markets.

The opportunities that the new technology will generate for Africa's insurance markets is a mega-trend that is set to change the face of the continent's market and its players, affecting wholesale and personal insurers, brokers and reinsurers. Expectations are high. The technology could deepen the insurance penetration by opening up new customer segments previously beyond scope. It has the potential to bring down cost and enhance efficiency, improve customer experience, appeal and engagement, strengthen risk management and risk-based pricing and enable new product development.

As with previous editions, our research is structured in two parts. Our initial section describes and analyses global trends in digitization and how they manifest in Africa. The second section presents the findings of our survey of market practitioners on their approach to digitization and its current status. Not surprisingly, the spread of digitization in Africa is varied. While some insurers (and regulators) are still in the process of digitizing analogue, paper-based systems, others – mainly in the larger, more advanced markets – are already experimenting with Artificial Intelligence, blockchain and distributing newly designed products on mobile or digital platforms.

This publication was intended to coincide with the 47th AIO General Assembly, scheduled to take place in June 2020 in Lagos, Nigeria. Due to the Coronavirus crisis the conference, which also had the digitization of Africa's insurance markets as its main topic, had to be rescheduled to 2021. We therefore worked closely with our exclusive partners, the African Insurance Organisation and Africa Re, to make this publication an exciting and inspiring reading for all those operating in the African insurance markets. We want to thank Africa Re, as well as our long-term partner, the African Insurance Organisation for their support and continued commitment to improving and advancing the African insurance markets.

We hope that you will enjoy reading the Africa Insurance Pulse. You can download the publication from our website [www.faberconsulting.ch](http://www.faberconsulting.ch) (formerly Dr. Schanz, Alms & Company) and share your feedback regarding the «Digitization of Africa's insurance markets» with us.

Sincerely,

**Henner Alms**  
Chairman and Partner  
Faber Consulting AG

**Simone Lauper**  
Partner  
Faber Consulting AG

# Methodology

The findings of this report draw on in-depth and structured telephone interviews with 30 senior executives representing regional and international (re)insurance companies and intermediaries. Faber Consulting AG, a Zurich-based research, communications and business development consultancy conducted the interviews from January to June 2020.

The interviewees that participated in the survey were from the following companies and organisations based in the respective countries:

- Africa Re, Nigeria
- African Trade Insurance Agency, Kenya
- Assurances Générales du Cameroun (AGC), Cameroon
- Aon, South Africa
- Atlantique Assurances, Cameroon
- B3i Services AG, Switzerland
- Compagnie Centrale de Réassurance (CCR), Algeria
- Chanas Assurances, Cameroon
- CK Re, United Kingdom
- Digitech Group CI, Côte d'Ivoire
- EIIGeo Re, Mauritius
- Ethiopian Reinsurance Company, Ethiopia
- Ghana Union Assurance, Ghana
- Hollard Insurance, Ghana
- International Insurance Company, Sierra Leone
- Leadway Assurance Company Ltd, Nigeria
- Madison Life, Zambia
- Munich Re, South Africa
- Namib Re, Namibia
- National Insurance Corporation of Eritrea Share, Eritrea
- NICO General Insurance, Malawi
- Partner Re, Switzerland
- Quantum Insurance, Mauritius
- Société Commerciale Gabonaise de Réassurance (SCG-Ré), Gabon
- SCOR, France
- Swiss Re, Switzerland
- Tunis Re, Tunisia
- UAP, Uganda
- Willis Re, South Africa
- ZEP-RE, Kenya



«Digitalization has the potential to transform insurance in Africa, benefiting customers and insurers alike. Digitalization empowers consumers to make better risk protection choices and gives them faster and simpler access to insurance solutions. At the same time, it equips insurers with the necessary data to better cater to customers' needs and the technology to sharply improve the efficiency across the entire insurance value chain. However, a digital transformation of the African

insurance sector is not possible without the support from insurTech companies and regulators. Insurers often partner with insurTech firms to combine their underwriting expertise with the technology expertise of the partner to accelerate the digitalization process. Regulators across the different African jurisdictions are critical as their support facilitates the deployment of new technology, the collection of necessary data and they can offer a level playing field to all insurance market participants.

The new orientation of the African Insurance Organisation as a hub of competence and an advocate for the needs of the African insurance industry puts the topic of insurance innovation in Africa and more specifically digitalization at the center of our action. The AIO supports decision making and industry recognition by providing thought-leadership and market insights. Digitization will help our members to grow and the AIO to leverage our data analytics capabilities to better identify future trends and thus guide our definition of new key topics and thought-leadership contributions. Our ultimate goal remains to create insights that help increase insurance penetration in Africa. Thanks to the benefits of digitalization, we expect to see positive results in the medium and long term.»

**Jean-Baptiste Ntukamazina, Secretary General, African Insurance Organisation**

## The digitization of Africa's insurance markets

*Interview with Dr. Corneille Karekezi, Group Managing Director/Chief Executive Officer Africa Re*

### ***Digitization is perceived to altogether reshape the insurance and reinsurance business model. What are the main benefits that digitization holds in store for Africa?***

Insurance penetration is still very low in Africa. Non-life insurance penetration hovers at around 1% of premiums – compared to the gross domestic product – and has not improved since 1990. Globally, the insurance penetration is two times as high at close to 3% for non-life insurance alone. Also, the number of people who have some form of insurance cover is exceptionally low at just 2% of all people on the continent. In African countries with a low insurance penetration the insurance density (premiums per capita) is reported to be below US\$ 10 as compared to the world average of US\$ 818 per year in 2019.

Digitization is expected to play the role of a gamechanger. That is the main reason why Africa Re is engaged here. Ever since the corporation was founded over 40 ago, our mandate has been to advance the development of Africa's insurance industry.

The availability of data and new technology will significantly contribute to our effort to reduce the protection gap in insurance as we access new client segments, improve risk management, underwriting, pricing and claims management and enhance our overall efficiency. This will benefit insurance clients and customers alike as affordability will improve while we can provide products tailored to their needs. The product will become more appealing as we become more customer-centric, supporting them with enhanced products and services that we may offer on platforms or ecosystems that provide new opportunities for engagement with our clients.

Digitization thus affects the entire value chain of our industry from the original clients (insured) to agents, insurers, brokers and finally the reinsurers. In Africa, we associate digitization foremost with enhanced distribution channels for personal lines products. But ultimately, in Africa, we also see the advantages in the digitization of commercial insurance lines such as agriculture or credit insurance. Finally, digitization also involves the own value chain of an insurer from research to actuarial, product development or distribution, improving efficiency and profitability, enhancing transparency and strengthening the robustness of our systems.

All-in-all, technology is expected to serve as an enabler that will help us to also attract new talent, ideas and innovation to reinvigorate our industry that has always lagged in the digital age. Eventually, we hope that technology will enhance our profitability, lower costs and strengthen customer loyalty.

### ***Within that process of digitization, where do we stand today?***

We need here to distinguish between digitization and digitalization. Most African insurers are in that first category, transitioning from a mostly analogue to the digital platforms. Only very few insurers – and these are predominately the international players operating in Africa – are digitalizing their systems as computers are interfaced with each other, allowing for an entirely new exchange of data, tailored or individualized products, and distribution via platforms or ecosystems.

More specifically, Africa's insurers are part of a process that has been ongoing for the past twenty years. Some are more advanced in this process, others started much later and are further behind. We can distinguish four of these waves which still happen simultaneously across the continent.

Firstly, we witness the conversion of analogue information to digital data. In this phase, insurers are predominately improving their operational efficiency as they gear up their systems, but this process has a little direct impact on insurers' interaction with their customer.





The second wave of digitization is closely related to the initial dissemination of the mobile phone technology in Africa. Certain products, such as funeral insurance for instance in South Africa are distributed via mobile phones. However, the products have not yet been tailored specifically to this channel, which remains in competition to conventional sales channels such as petrol stations or supermarkets. Although the distribution of policies through mobile phones expanded the reach of insurers, it is still not transformational because the client segment remains small and the channel does not yet add new product features.

That changes when internet technology or digital platforms come into play. There were launched in the first instance in the East and Southern Africa these platforms have mushroomed across the continent, currently growing most rapidly in Nigeria, Côte d'Ivoire and Ghana. Their first characteristic is that they appeal to a broader and more affluent client segment that is more adaptable, computer savvy, financially literate and receptive to the concept of insurance. In addition, these digital platforms are more than just distribution channels. They trigger the development or at least the adaptation of e-products. Finally, they facilitate a more sophisticated customer approach.

Insurers engage with their customers in exchanging information and services, improve convenience through mobile money, and quickly settle premium as well as claims payments online. As a result, we see a whole new level of acceptance and trust in insurance solutions.

However, the third wave of digitization is still based on a binary interaction between insurer and customer or vice versa. But once the systems start communicating with each other, we enter into a whole new dimension, which is the fourth wave.

The fourth wave is characterized by the rise of artificial intelligence, robotics or the Internet of Things, which thus far only very few insurers or reinsurers in Africa will use, become available and enable new types of analytics based on masses of data. Insurers can base their underwriting

decision on historical and now also on real-time data. New and customized products become available as telematics will help to individually assess the behaviour of a car driver and provide him with a matching policy that rewards or penalizes him for a cautious driving style. This fourth wave is undoubtedly not a reality yet in most African markets.

It is also in this fourth wave, which technically is the most advanced one, where we will see a wider collaboration between all the actors in the insurance supply value chain. For example, insurers' IT systems will communicate with loss adjustors to find the less expensive and consult the price list of the motor spare parts at the same time. Also, blockchain will allow for the much-needed transparency and enhanced efficiency which is a precondition to bring risks closer to the capital.

But I predict our digital landscape will evolve dramatically in the next two years. The advantages of the digitization of Africa's insurance markets become apparent everywhere.

***These third and fourth waves also mark the advent of InsurTech players. Is there a risk that incumbents may be pushed out of the market by these newcomers?***

No, in Africa we don't expect that. InsurTechs provide access to technology, but generally speaking, they lack sophisticated risk-pricing mechanisms, a large balance sheet that provides rated risk capital compliant with regulatory requirements, and the ability to deal with complex, long-tail risks as well as relationships based on expertise and trust. However, for the more generic and commoditized frequency risks, such as motor or health, InsurTechs offer an attractive value proposition based on competitive pricing, ease of access, engagement and new solutions for unserved and underserved markets.

Therefore, the advanced insurers in Africa pursue a hybrid strategy, combining the digitization of their value chain while engaging in a partnership with a technology provider. This enables them to unlock more benefits from the access to technology, speed to market and possibly product innovations, they can contain cost and also resources.

***We already touched upon the digital platforms in Africa. Where do you see their advantages compared to traditional sales channels?***

Platforms reduce the cost for distribution considerably, especially when reaching out to rural areas. Furthermore, as insurers define how their products are presented, the risk of miss-selling declines. Also, the underwriting process improves. As the platforms provide access to vast amounts of data, the underwriting is simplified and automated. Finally, claims settlements become more efficient too, as - depending on the type of risk - insurers may also use a parametric method to evaluate and vet claims.

All-in-all, with the advent of the internet and the digital platforms, insurers and insurance products became more engaging, approachable, trustworthy, affordable and, as a consequence, insurance penetration - in particular in the highly relevant middle-class segment - increases. COVID-19 further accelerates this process. During the lockdown period, online transactions have become more widely accepted or even essential. Financial supervisors and insurance regulators further encouraged this development, demanding that online and digital payments become an entirely acceptable payment method. Today maybe 1% of insurance premiums are transacted on these platforms, but I believe they have the potential to capture at least 30% of the market and to transform our working conditions as well.

***Africa Re is a frontrunner in digitization in Africa. Where do you see the biggest opportunity for Africa Re as a reinsurer?***

We are pursuing a digital transformation initiative covering our infrastructure, information security, compliance and software applications in different functions such as financial accounting, actuarial modelling and data analytics. Some of these projects are at different stages of completion.

Africa's reinsurers need to improve their operational efficiency. Currently, Africa has one of the highest expense ratios worldwide. We believe blockchain is one avenue to successfully reduce them as the technology enhances efficiency, transparency in risk-based pricing, underwriting and claims management as well as in product innovation and account reconciliation. Currently, we are developing solutions for our clients, such as a Medical Underwriting manual that will be released soon. We are also considering a Facultative Online System similar to systems available from our largest competitors.

***You are also taking leadership in collaborating with InsurTech players here in Africa. What is your experience thus far?***

There is an emerging InsurTech industry in Africa and a few InsurTech players are also coming from abroad. Africa Re is engaged on the continent, but we also have investments abroad – such as B3i for instance, an InsurTech company based in Switzerland – which we are invested in and that enables us to also keep a close eye on the development outside of Africa.

Our African Insurtech players are scattered across the continent. There is no single Silicon Valley in Africa. Given the fragmentation of our insurance markets in general the lack of scale makes it more challenging to roll-out products and build market momentum.

Africa Re is not in the business to compete with its primary insurance clients. We aim to advance our industry by helping to bring new ideas to the market. We, therefore, decided to collaborate with some InsurTech players and support them with our access to primary insurers and also with our infrastructure. We focus on personal lines, especially health and micro-insurance by providing them with a platform that gives them access to primary insurers and paves the ground for collaboration between InsurTechs and incumbents as the best approach to unlocking the benefits of digitization. For that reason, we also launched two annual awards, «The Innovation of the Year» and «The InsurTech of the Year», which provide a platform to these players to generate further awareness for their innovations.

# Summary of key findings

Africa's insurers and reinsurers are looking at a variety of strategies to improve insurance penetration in their markets and strengthen their franchise. Digitalization is one of the most promising avenues to raise awareness of insurance products, and make them more appealing and affordable. With access to large amounts of data and analytics, digital technology is expected to affect almost all internal processes, including risk management, underwriting, pricing and claims.

As a result, roughly half of the insurers interviewed that operate in Africa opt for a multipronged approach. Mainly the large, international players follow a digitization strategy whereby they digitize themselves, test new avenues with internal labs and collaborate or invest in technology partners. The smaller players frequently pursue a sequential approach to digitization, improving the processes in their value chain, and potentially engaging in a partnership with one or more InsurTech companies or digital platforms to broaden their access to customers.

Differences in the degrees of digitization among insurers operating in Africa is pronounced. Half of the interviewees describe the state of digitalization as basic. They aim to digitize their operations or product offering. However, the lack of domestic expertise and cost of digital products and software are the main hurdles. Companies that characterize themselves as slightly advanced have progressed beyond the internal processes and are now focused on improving the interaction with their clients and other external partners. Finally, more advanced insurers often follow a hybrid strategy of advancing their own processes, at the same time partnering with digital providers that provide scale, efficiency and possibly access to new products and services.

Personal lines business – in particular motor and health – is expected to digitize first. These lines are highly standardized and generate about 70% of the premium volume in most African markets. They are more generic and require only limited point of sale consultation, which in many African markets is provided by agents. In non-personal lines of business, agricultural insurance (including parametric solutions) and microinsurance are most frequently mentioned as lines to be digitized.

In the long-run, most insurance products will be distributed digitally. However, in the short to mid-term insurers will likely pursue a hybrid business model, where traditional and digital distribution channels operate in parallel. While the new digital distribution channels are expected to improve the level of consumer services, engagement and increase direct sales, the traditional distribution channels through agents will reduce or disappear. Besides, insurers will need to consider adopting an ecosystem mindset if they are to capture growth by collaborating with new partners.

According to the interviewees, only 5% of insurance premiums today are generated digitally. Insurers are optimistic that this share will increase significantly in the longer-term with a majority of executives stating that 20% to 50% of insurance premiums will eventually originate from digital sales. The main barriers to digitization are a low level of financial literacy of policyholders, limited insurance awareness, low income, low levels of trust in insurers and a lack of access to online products. In contrast, the main factors in favour of digitization are high levels of mobile phone penetration, a growing young population, a growing middle class and compulsory insurance schemes.

## Summary of key findings

70% of interviewees stated that they will drive forward their digitalization strategy in the next two years, while the remaining 30% expect to transform their value chain long-term. Most immediately, underwriting and pricing are viewed as the parts of the re/insurance value chain that will benefit the most from digitalization, followed by marketing and distribution. In the longer-term, the focus shifts to claims management, product development, general administration as these areas require advanced digital solutions that are not readily available yet.

Nearly all interviewees agree that personal lines have the most significant potential for going digital. However, insurers demand regulators become more open to digitize products – in particular in accepting electronic signatures and documents. Also, the level of financial literacy and insurance awareness needs to improve, and insurers need to assure that legacy portfolios and systems do not become an obstacle to innovation. Interviewees are more sceptical when it comes to the potential to digitize commercial and special lines. While some respondents are confident that commercial lines can also be digitalized in the near to mid-term, others doubt altogether that the more sophisticated lines of business can be transformed successfully, as they have a limited potential for standardization, and entail a high level of human interaction.

There is a strong consensus that digitalization will have a positive impact on insurance sales. About two thirds of interviewees expect a positive impact of up to 10% of sales in the mid- to long-term. However, given the uncertainty with which these effects will materialize, most interviewees take a cautious investment approach, using a sum equivalent of up to 2% of their sales to drive forward the digitization strategy. However, typically investments are taken at group level and not by country organizations.

Finally, interviewees agree that regulators should adopt a more proactive stance towards digitization. Although regulatory support is vital for the re/insurance sector to embrace digitization, 85% of interviewees stated that regulators need to do more to help advance the digitization of Africa's insurance industry. Currently, only 15% of interviewees are satisfied with the actions taken by their local regulator. Most frequently, insurers expect their regulators to establish and enforce a legislative and regulatory framework that encourages the use of new communication and information technologies and support the digitization of existing and new lines of business. They want regulators to be more proactive given the speed that new technologies emerge and new players enter the market. In addition, regulators should assure a level playing field, endorsing best practices at the continental/regional level and promoting a harmonization of practices within markets and across sectors. Within the insurance sector, both incumbents and new players require equal access to the market and that interests of customers have to be protected at all times.

# Africa's insurance industry: between digitization and digitalization

Digital technology, technological advances, access to large amounts of data and the ability to analyze masses of information are transforming the insurance industry. A new competitive landscape is shaping up. New players emerge, such as InsurTech companies. The technology giants with their unrivalled access and information about consumers and customer preferences are eyeing the insurance market as well. Technology also alters the paradigm among traditional insurers. Those players with the necessary resources, skills and knowhow invest in digital technology and expand their clout over smaller competitors.

Technology promises to sharply reduce cost and inefficiencies across the entire insurance value chain. Technological advancements not only improve the quality and efficiency of risk assessment, pricing, underwriting, distribution, general administrative processes and claims management, but also translate into substantially lower transactional cost through so-called disintermediation. The insurance value chain is characterized by a relatively high number of players – such as agents, insurers, brokers, reinsurers – through which risk is transferred from its origin to the ultimate risk carrier. Each player adds a further fee or commission.

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## **Gartner's Glossary:**

«*Digitalization* is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business.»

«*Digitization* is the process of changing from analogue to digital form, also known as digital enablement. Said another way, *digitization* takes an analogue process and turns it to a digital form without any different-in-kind changes to the process itself.»

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The digital revolution will lead to customization of products. As data and analytics improve, insurers will gain deeper insights into the risk they take, adjust pricing to reflect their risk assessment and finally tailor their product to the profile of the risk and the customer. Ultimately, that should reduce cost, potentially improve profitability and increase the appeal of the product.

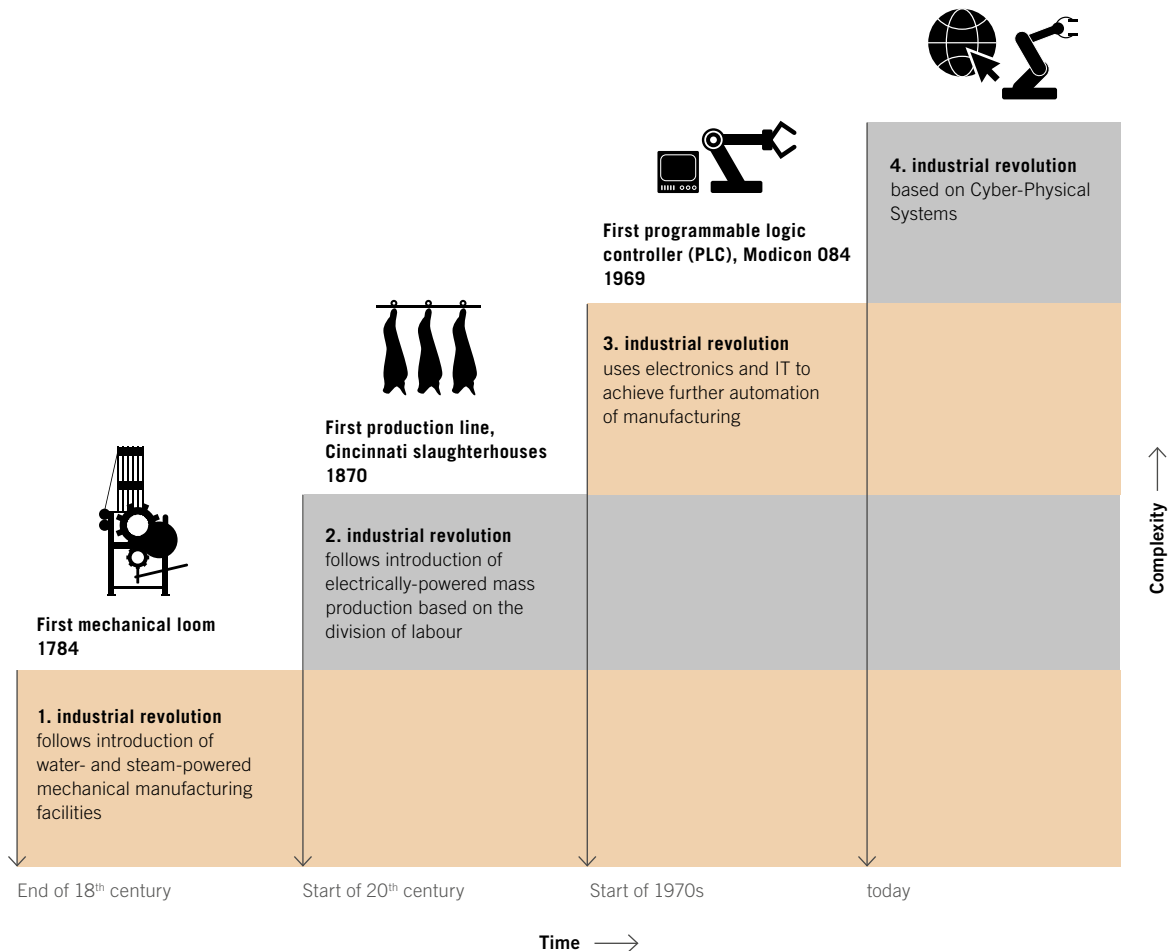
Finally, connectivity adds a further dimension to the potential of digital technology. As devices start to communicate – for example, when an app or telematics device delivers vehicle and driver performance data to the insurer to adjust pricing – the internet-of-things (IoT) is expected to create a magnitude of new insurance solutions, which again affect its overall price, cost and quality of service. Digitization and digitalization could, therefore, make insurance products more affordable, appealing, engaging and accessible, thereby enlarging the market by bringing more risk protection to more people worldwide.

# Africa's insurance industry: between digitization and digitalization

In many cases – in particular in Africa's frontier markets – insurers are still in transition, moving data, and contracts and documents stored on paper to digital files. This conversion opens up a myriad of new opportunities while eliminating plenty of market inefficiencies.

Others in more advanced markets, who have transgressed from digitization to digitalization, suddenly see the potential to reach out to previously inaccessible client segments and markets, better understand customer preferences and respond with improved services or provide pricing commensurate with the underlying risk. These players start adopting new technologies such as artificial intelligence (AI), blockchain, join ecosystems or digital platforms.

**Chart 1:** The 4th industrial revolution



Source: German Research Center for Artificial Intelligence, 2011

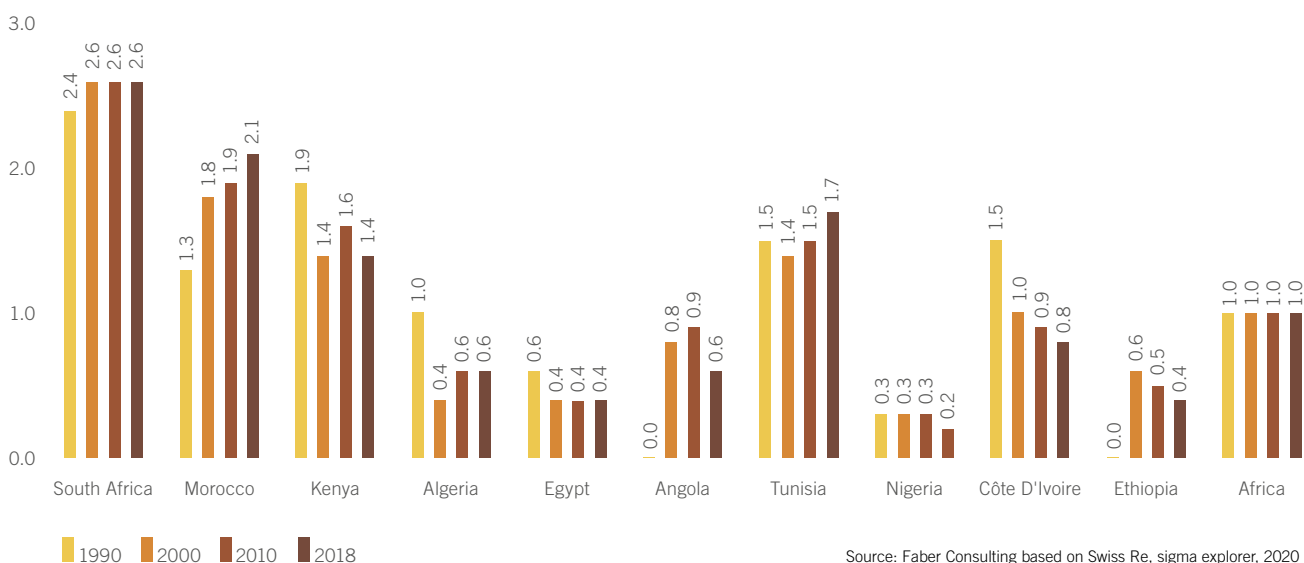
## Opening the door to deeper insurance penetration

The massive expectations vested in digital technology are also valid for Africa's insurance markets. Many pundits believe that technology promises to eventually unlock the door to modernizing not only insurance but the continent's economies altogether. Digitization is hoped to advance economic growth, bring about progress, encourage innovation, improve financial inclusion and facilitate access to insurance.

According to Swiss Re, about 70% of global economic losses for valuable assets are uninsured.<sup>1</sup> The rate is even higher in Africa, where insurance penetration is low – except for South Africa. In 2018 the global average penetration in non-life insurance stood at 2.8% of non-life premiums as a share of GDP, or at 1.5% for the emerging markets. Africa – except for South Africa – ranked far below that rate with Morocco at 2.1%; Kenya at 1.4%, Algeria at 0.6% and Nigeria at a low of 0.2%.

In the least developed and frontier markets, insurance is still mostly a commercial product predominately purchased by international companies. However, in most emerging markets, two personal lines – motor and health insurance – often account for two thirds of the market. While on average motor has a share of approximately 44% of all non-life premiums in emerging markets, in Nigeria – Africa's largest insurance economy – it amounts to a meagre 16% and in densely populated Egypt only 30%. For the ten largest African non-life insurance markets, the average for motor insurance merely amounts to a share of 42%.

**Chart 2:** Non-life insurance penetration in %, 1990-2018



Source: Faber Consulting based on Swiss Re, sigma explorer, 2020

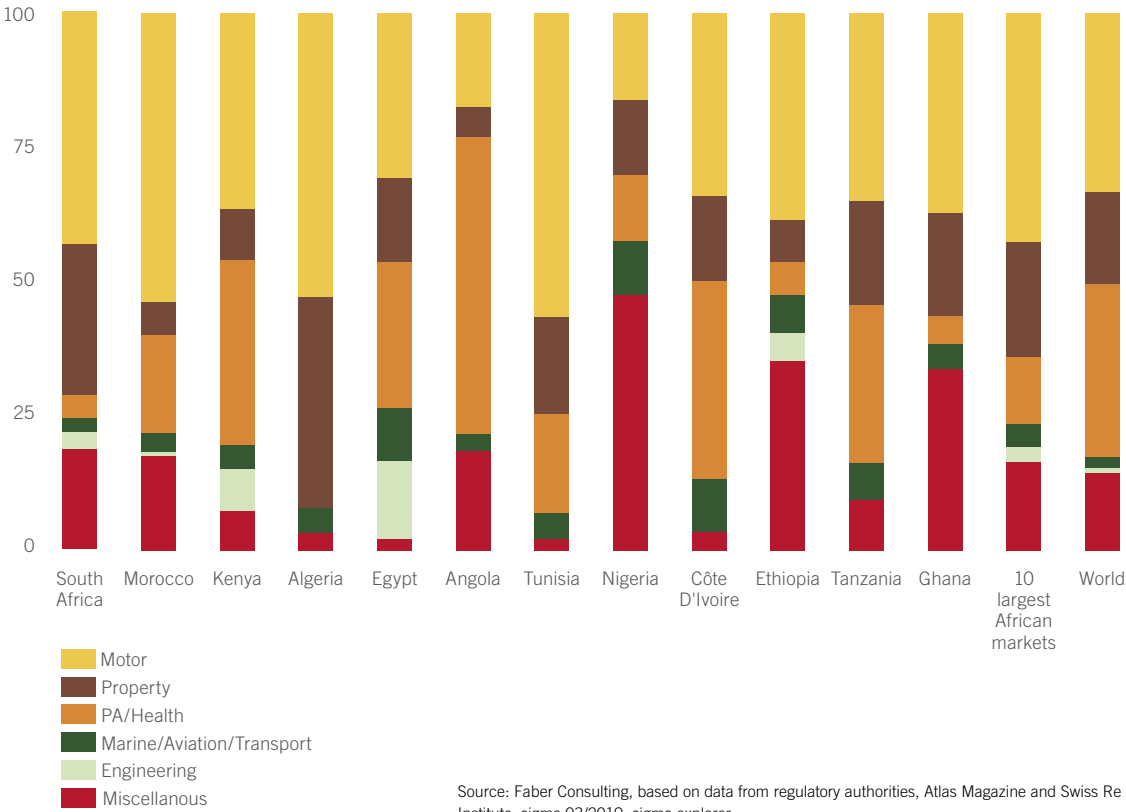
<sup>1</sup> Swiss Re Institute, Digitally-driven change in the re/insurance industry – disruption or transformation, December 2018



# Africa's insurance industry: between digitization and digitalization

In Africa – even more so than in the rest of the world – insurance is still a product predominately sold, not bought. Consumers' awareness of the benefits of insurance products is limited while trust is low, partly due to poor experiences. Mis-selling and fraudulent practices are commonplace – in particular in motor insurance where fake insurance certificates are frequently sold to consumers that turn out to be invalid only once a policyholder claims damage – further undermining confidence in the product. Insurers thus struggled to increase the premium volume above underlying inflation. In 2018 global non-life insurance premiums grew by 3% in real terms. However, the Middle East and Africa was the only region worldwide where premiums contracted by -1.3%.

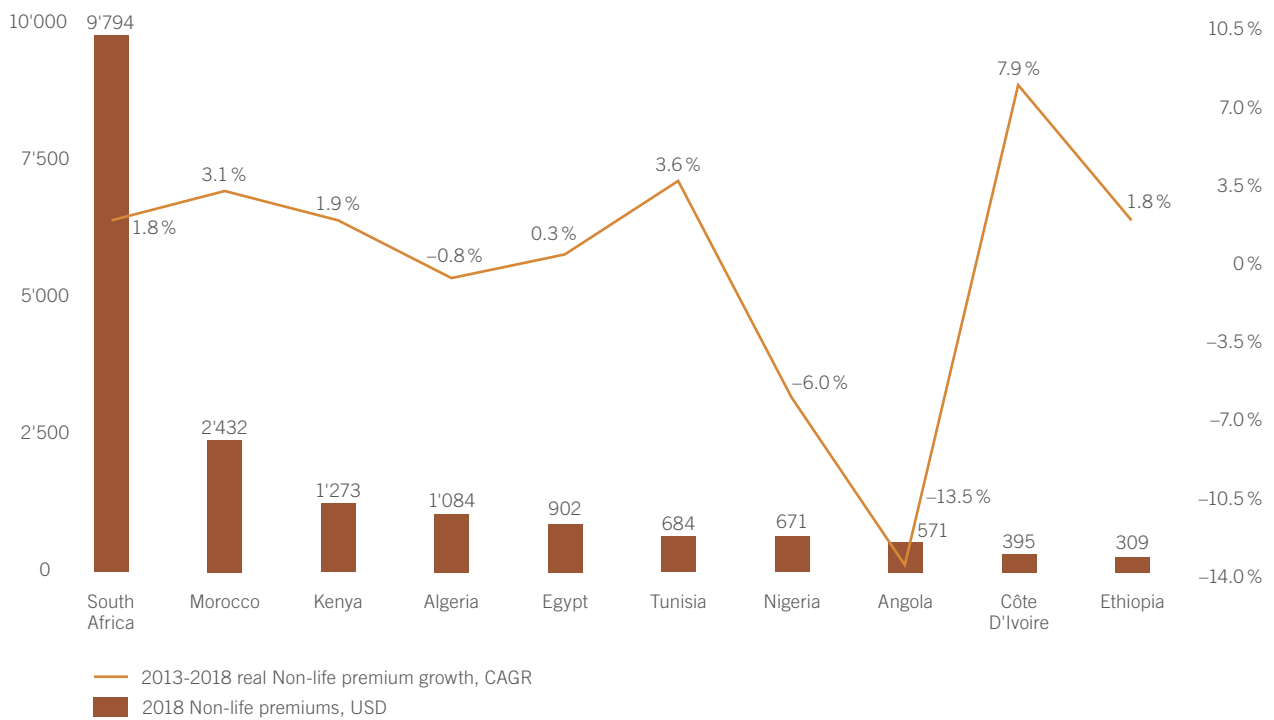
**Chart 3:** Non-life lines of business split in %, 2018 and 2019



Source: Faber Consulting, based on data from regulatory authorities, Atlas Magazine and Swiss Re Institute, sigma 03/2019, sigma explorer

## Africa's insurance industry: between digitization and digitalization

**Chart 4:** Non-life premiums (USD million), 2018 and non-life real premium (adjusted for inflation) compound annual growth rate (%), 2013-2018\*



\* 2013 – 2018: Non-life insurance premiums grew by CAGR 0.9%, Africa  
2013 – 2016: Ethiopia; 2013 – 2017: Angola, Tunisia

Source: Faber Consulting, based on data from regulatory authorities, Atlas Magazine and Swiss Re Institute, sigma 03/2019, sigma explorer

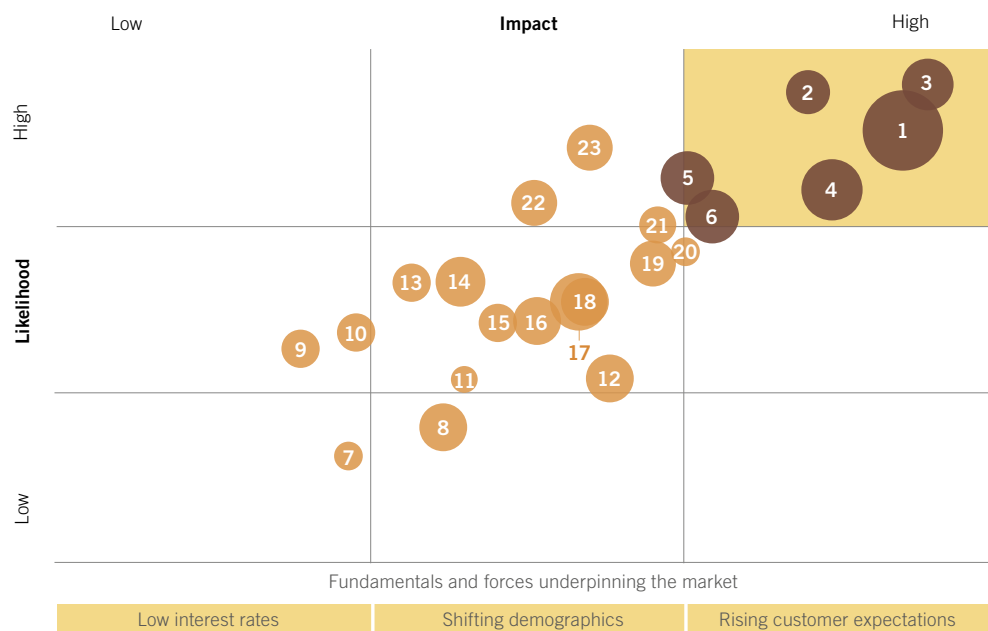
## Technology holds the promise for a brighter future

On a global scale, insurers are keen to grow and defend their footprint and enhance their efficiency, and in the current market environment this will be even truer for Africa. In that regard, technology assumes a top position. In fact, according to a 2019 study by EY, technology and namely digitization ranked as two of the top six most important trends that will define the insurance market for the next three years. Among the remaining 17 key insurance trends that EY surveyed another five are related to technology, such as AI, blockchain and the Internet of Things.

Given the relevance and complexity of digitization, insurers select different strategies to familiarize themselves with the technology. Most African insurers are in a state where they are keen to assess the implications of digitization for their operations, weigh-up the opportunities and threats involved, but also the costs. Some insurers, which are already more advanced in their own digitization, have started to engage with InsurTech players. By seeking a partnership, they gain access to technology while limiting the extent of their personal investment. To most African insurers, technology is expensive and difficult to obtain. Besides, local talents are scarce and sought-after. Insurers, therefore, partner with proven or established technology providers or platforms. Finally, many international players operating in Africa, or those that cover most markets, seek a mixture of activities, combining their own digital capabilities with direct investments in incubators to learn, try out different approaches and develop individual market responses.

**Chart 5:** Top trends through 2022: Highest impact, greatest likelihood

- 1. Achieve cost efficiency
- 2. Win the war for talent
- 3. Manage regulatory pressures
- 4. Digitize distribution
- 5. Master emerging and disruptive technology
- 6. Navigate the risks and opportunities of climate change



Source: 2020 Global Insurance Outlook - The drive for transformation and growth, EY, 2019

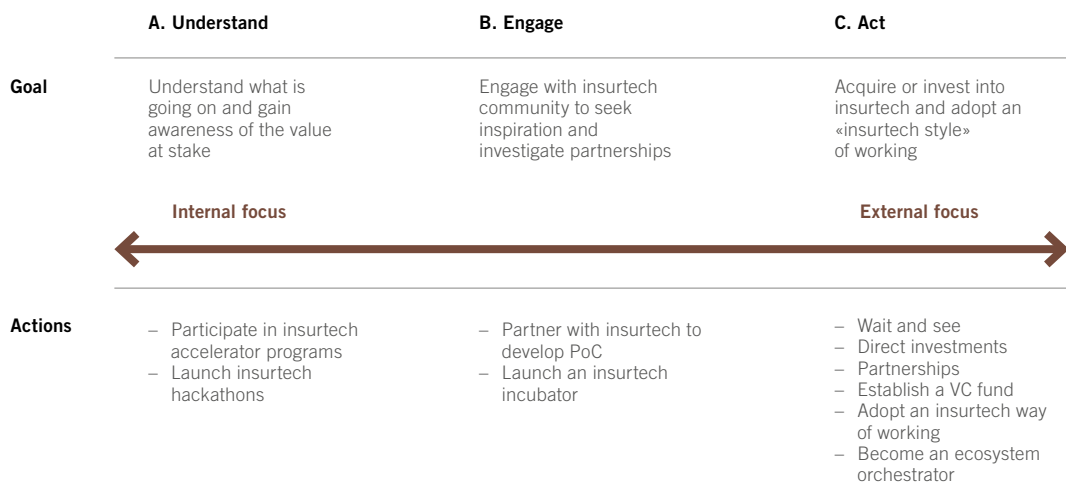
## Africa's insurance industry: between digitization and digitalization

In light of the opportunities that technology provides to insurers worldwide, investments in digitalization have been rising steadily. Initially started by investors from outside the industry, today, more than 60% of all transactions are carried out by insurers.<sup>2</sup> According to Willis Towers Watson, which analyses investments into the InsurTech sector, almost USD 20 billion was invested globally in technology players over the past 10 years. Although this excludes the investments of insurers to expand their digital capabilities organically, these figures may serve as an indication for the overall growth of technology and the aspirations in it.

In its quarterly report, Willis Towers Watson assumes that in the short-term the pace of investment will most likely continue. Still, over the next 10 years, it is highly likely that those firms that make it as winners will have either been acquired, or will not be requiring any further capital. For the past decade, investments have flowed almost equally into InsurTechs dedicated to the Life & Health and the Property & Casualty sector.

InsurTech players typically focus on a specific function in the insurance value chain that they aim to support through their digital solutions. Based on 2019 data, 19% of InsurTech companies are focused on pricing and underwriting, 45% are primarily dedicated to quoting, binding and issuing, 28% focus on administration and central management systems and 8% on claims processing. The overwhelming focus on the process to quote, bind and issue includes the point-of-contact with customers and is thus the area of distribution and sales where InsurTechs are believed to generate the most significant impact. That is also true for Africa, where our survey found insurers predominately collaborate with InsurTech companies to improve their access and service proposition to clients. In the fourth quarter of 2019, almost 60% of all transactions into InsurTech firms worldwide have been dedicated to players in distribution or to Managing General Agents (MGAs) leveraging digital technology.

**Chart 6:** Insurance incumbents have started following three phases of digitization



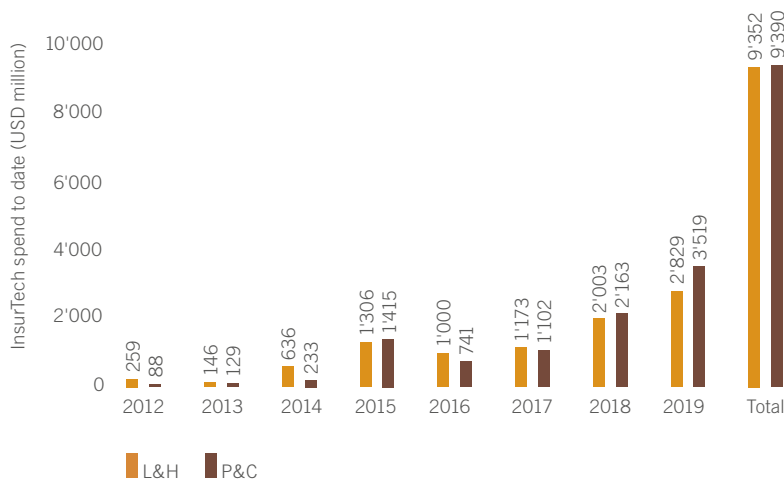
Source: McKinsey, Driving real impact with digital and analytics, 2018

<sup>2</sup> Swiss Re Institute, Digitally driven change in the re/insurance industry – disruption or transformation; Dec 2018

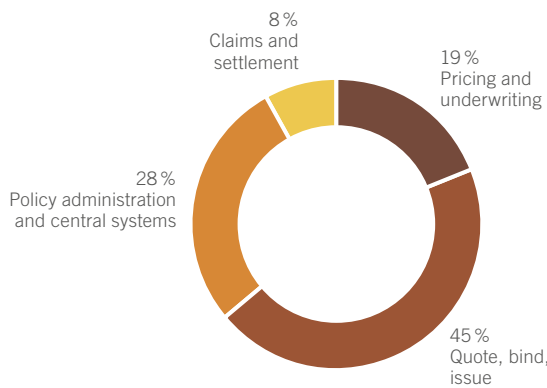
# Africa's insurance industry: between digitization and digitalization

As a result of investments into distribution, innovation in this part of the insurance value chain has risen in tandem. This comes as no surprise. To both, insurers and InsurTechs, the sales function in insurance lends itself particularly well to digitization. First, from an insurers' perspective, the distribution of insurance products - especially in personal lines - is costly and inefficient. In most markets - particularly in Africa - insurers rely on large agent networks. Although they demand a substantial fee for their service, mis-selling is commonplace. These networks typically only cover urban centers and provide limited access to large rural areas, while, due to intermediation, insurers have no ownership of their customer-relationships. Digitization may help to overcome some of these deficiencies, as products will become accessible via mobile networks even in rural areas.

**Chart 7:** InsurTech spend – steadily increasing



Breakdown of the InsurTechs in focus in the functional chain



Source: Willis Towers Watson, Quarterly InsurTech Briefing, Q4 2019

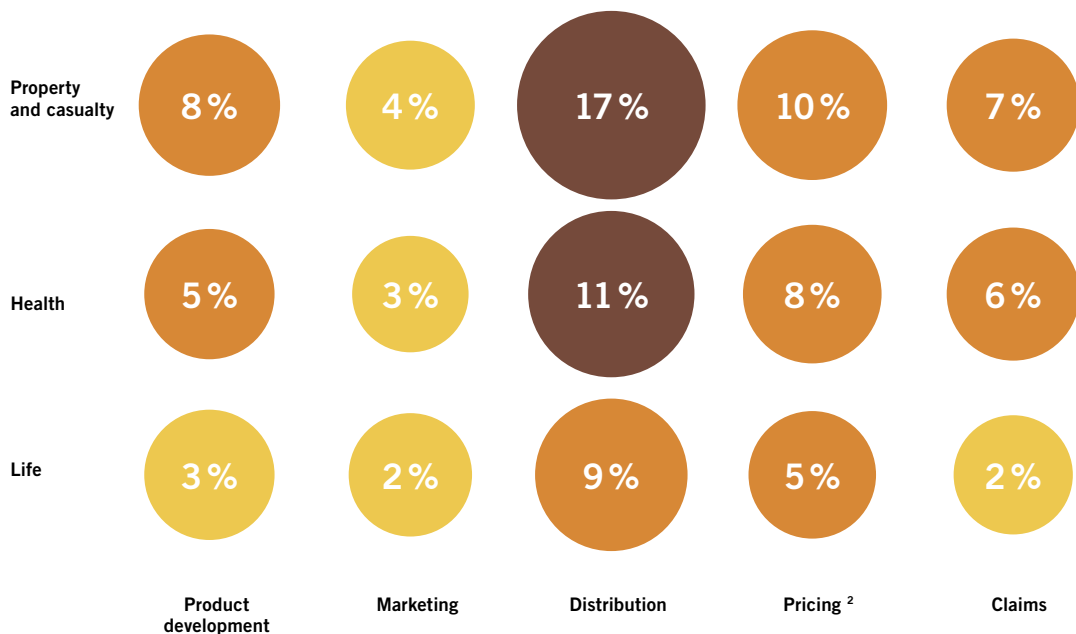
## Africa's insurance industry: between digitization and digitalization

Second, technology provides access to the more attractive middle-class segment of insurance clients who are younger, more mobile, tech-savvy and more open to innovation and consumption. And finally, insurers have become more customer centric in their search to increase sales per client and profitability through a better service proposition. Most importantly though, the digital interaction with the customer provides insurers with more profound insights into their risks, a better understanding of customer behaviour and attitudes, and with access to their data.

InsurTech players, by contrast, are keen to establish large or dedicated ecosystems that tie consumers to a platform. While typically the insurer retains the risk, provides the necessary capital and assures thus the regulatory compliance, the InsurTech player creates an environment that enables new types of engagement with customers, the development and distribution of new products and services as well as access to consumer segments previously underserved with traditional insurance products.

**Chart 8:** Where are InsurTechs focused?

Number of innovations as % of total in the database<sup>1</sup>.



Share of innovations in insurtech database

■ <5% ■ 5-10% ■ >10%

<sup>1</sup> ~500 best-known commercial cases registered in the database (excluding wealth management-related innovations).

<sup>2</sup> Includes underwriting and policy issuance.

Source: McKinsey (2017)

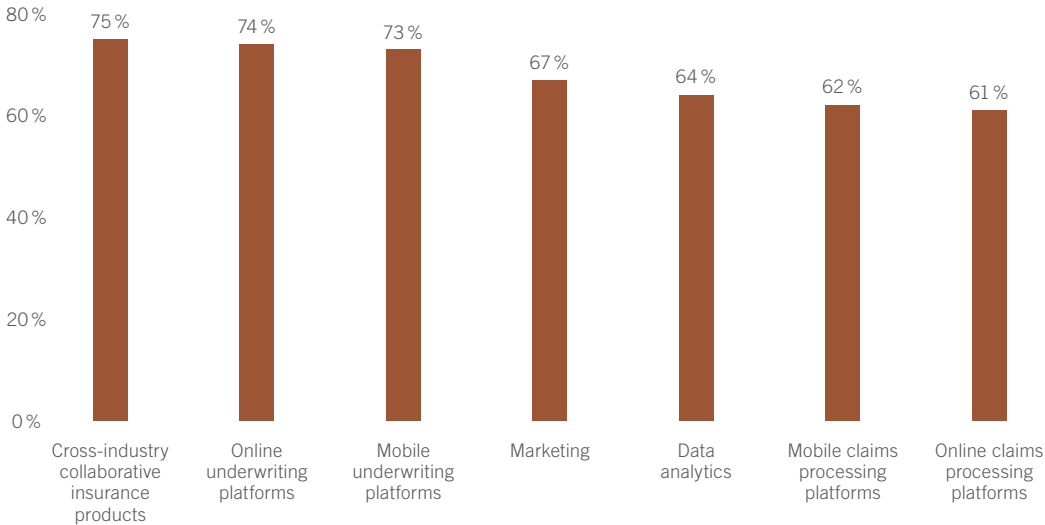
**Digital platforms enable insurance distribution to the underinsured**

In a 2016 survey by EY, in seven East and West African markets, technology platforms and ecosystems – in particular those facilitating the collaboration across industries – were seen as the most significant enabler to spur growth. To capitalize on the opportunities provided by digitization, the executives participating in the research emphasized that African insurers have to establish the capabilities to reach out to their customers through platforms based on mobile or internet access and provide quotations and underwrite as well as receive, vet and pay claims.

Platforms are business models that allow multiple participants, such as consumers or producers of different origin or industries, to interact seamlessly, creating and exchanging value.<sup>3</sup> The most successful examples in this regard are business to consumer platforms (B2C) like Amazon, Alibaba or Facebook. At the same time, ecosystems provide a variety of services focused around a specific topic or need, such as health, travel, mobility or in a business-to-business (B2B) context, the procurements of commodities, ingredients or products as well as the marketing or sales of certain products. The rise of these systems is obviously technology-enabled – driven by connectivity, the ubiquity of data and the emergence of artificial intelligence which facilitates to analyze and process the data and information.

With the likes of Uber, Airbnb or WeChat, ecosystems have become commonplace. By 2025 McKinsey expects around 12 distinctive ecosystems will cover most services that cluster around some fundamental needs. The consultancy assumes that by 2025 these systems may serve as platforms through which one-third of global revenues or USD 60 trillion is transacted. For insurers, the most relevant systems will be those that address services targeting mobility, housing, health or savings.

**Chart 9:** Cross-industry collaborative products are building blocks for growth



Source: EY 2016

<sup>3</sup> McKinsey, Digital insurance in 2018, Driving real impact with digital and analytics

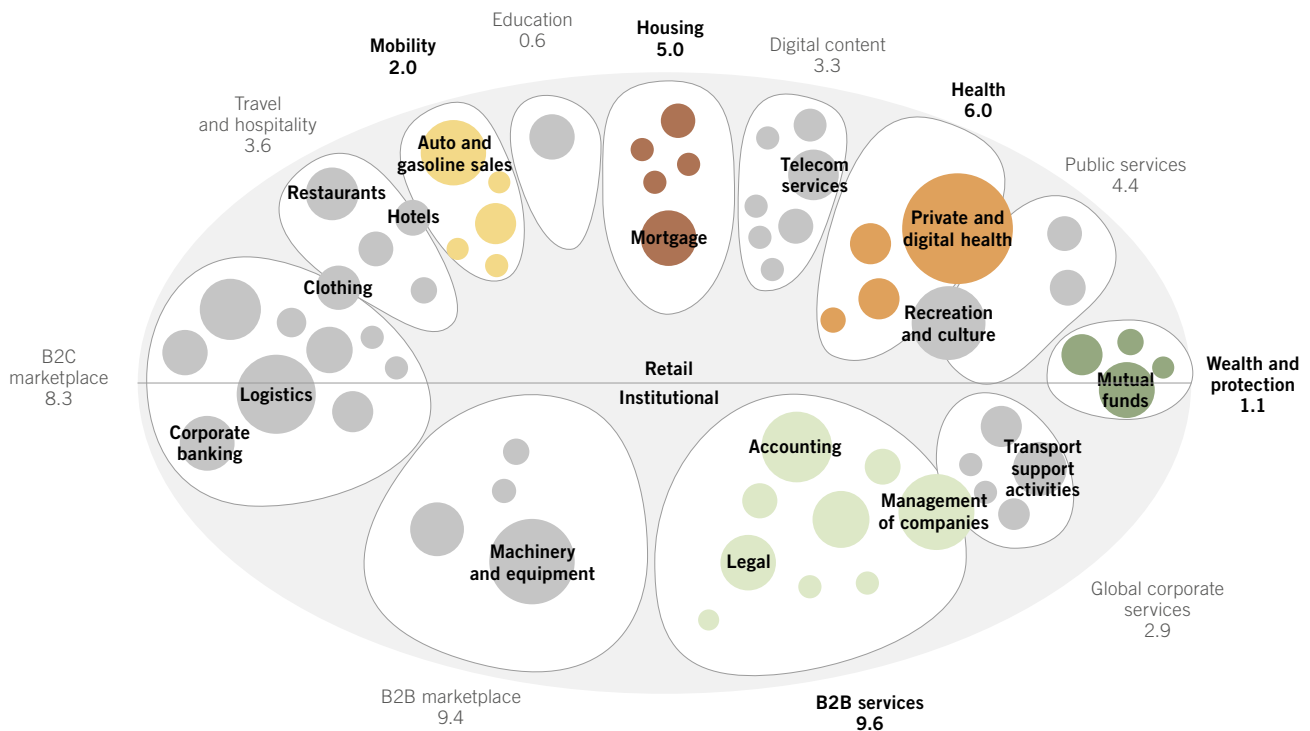
# Africa's insurance industry: between digitization and digitalization

For the past decade, Africa has seen the emergence of a multitude of digital platforms. Typically, they join together workers, micro, small and mid-sized enterprises (MSME) as well as consumers who traditionally would have transacted in the informal economy. Through their interaction on these platforms, they become part of the formal economy, and as such are changing the nature of many African economies.

Digital platforms may help overcome barriers to low insurance penetration in Africa by transforming the delivery of insurance products to underserved consumer segments. According to insight2impact (i2i), a global resource centre that seeks to improve financial inclusion, the platforms have been able to establish a loyal client base which holds unique insights into the financial needs of their users and – similar to mobile network providers – can serve as a low-cost distribution channel for insurance products.<sup>4</sup>

**Chart 10:** New ecosystems are likely to emerge in place of many traditional industries by 2025

Estimated total sales in 2025 (USD trillion)



Circle sizes show approximate revenue pool sizes. Additional ecosystems are expected to emerge in addition to those depicted; not all industries or subcategories are shown.

Source: McKinsey (2017b)

<sup>4</sup> insight2impact, <https://i2ifacility.org>

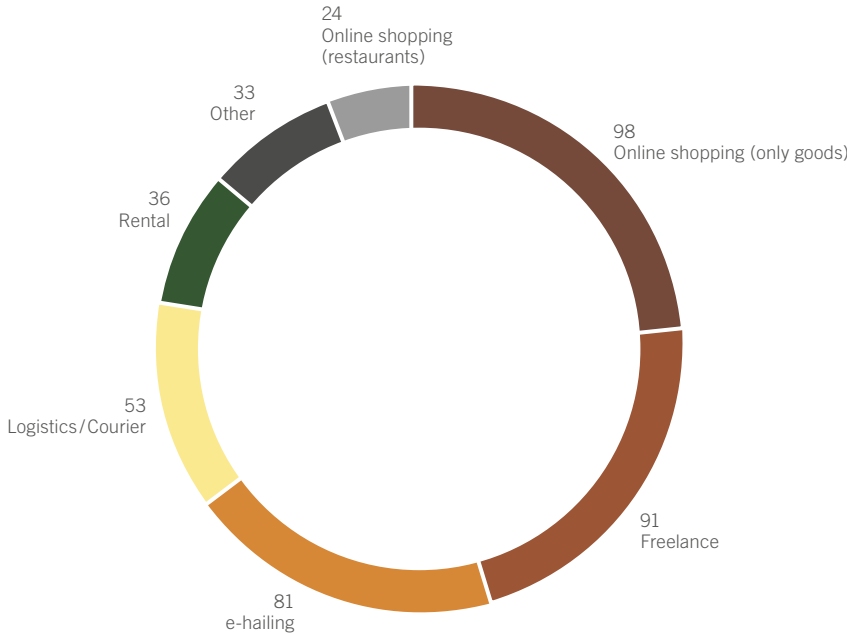


# Africa's insurance industry: between digitization and digitalization

Although predominately focused on East, South and Western Africa, i2i currently lists on its website more than 300 platforms which operate in Africa. More than 80% of these are of African origin. They platform cluster around services such as online shopping and online restaurants, freelance working, e-hailing, logistics & courier and rental services. Roughly 10% of these platforms offer insurance products to their users. For the large part, insurance products are embedded in a service rather than offered as an optional add-on. Platforms that match consumers to providers of asset-sharing services such as the rental of cars or homes have embedded liability products, which are only valid during the period that the asset is being shared. Rent my ride, a motor-vehicle sharing platform in South Africa has embedded insurance coverage that provides up to USD 365 000 liability cover valid while the car is rented out.<sup>5</sup>

Similarly, insurance products offered by freelance platforms, which connect employers to freelance workers, are often embedded too, offering accident and disablement products to platform workers when working under contract. The same concept works for logistics and courier platforms that connect drivers, owners of vehicles and goods to be delivered, insuring either driver, vehicle or goods. Jumia, one of Africa's biggest online shopping platforms, partnered with the insurer AXA Mansard to offer voluntary property, health and life insurance products that can be added to a consumer's online shopping and paid for either online or in cash.

**Chart 11:** Digital platforms in Africa\*, 2019



\*African countries: South Africa, Nigeria, Kenya, Ghana, Uganda, Tanzania, Zambia, Rwanda

Source: insight2impact, Africa's digital platforms, www.i2ifacility.org, 2019

<sup>5</sup> The potential of digital platforms as distributors and enablers of insurance in Africa, 2018

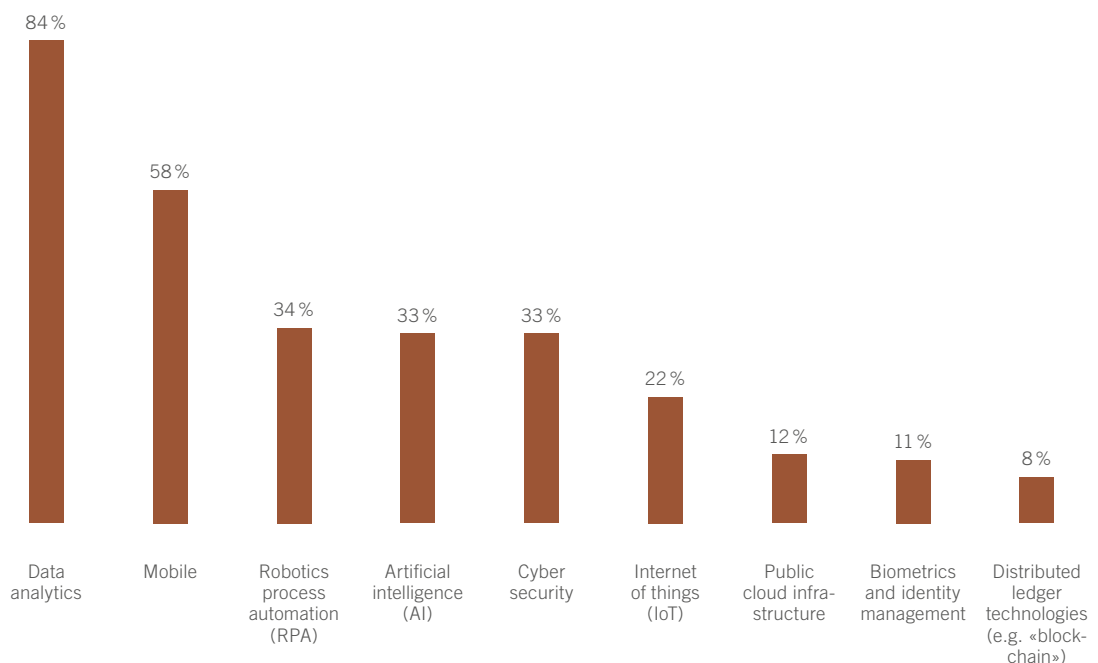
# Africa's insurance industry: between digitization and digitalization

## Mobile networks facilitate customer engagement

Given the rising importance of ecosystem and digital platforms for the future of the insurance sector, insurers are investing heavily to ensure better risk insights and customer engagement models.<sup>6</sup> In particular data analytics, mobile technology, artificial intelligence as well as the Internet of Things and blockchain are vital ingredients to succeed in the digital world.

Access to the internet, mobile technology and payment systems are preconditions to engage with the new digital service provision. However, as connectivity is still closely related to GDP, mobile technology penetration and access to the internet in Africa remains low, in particular in rural regions. By 2018, Africa had only 24% of unique subscribers to the mobile internet, although that rate is predicted to grow at an annual rate of more than 10% for the next five years to reach a penetration of roughly 40% by 2025. The picture is brighter for access to mobile phones with 47% of unique subscribers of the total population and growing at an annual rate of close to 5% to reach a penetration of 50% by 2025.<sup>7</sup>

**Chart 12:** Relevant areas of technology investment over the next 12 months



Source: PwC Global FinTech Survey 2017, Insurance Sector Participants

<sup>6</sup> PwC: Global InsurTech Report - Insurance's New Normal

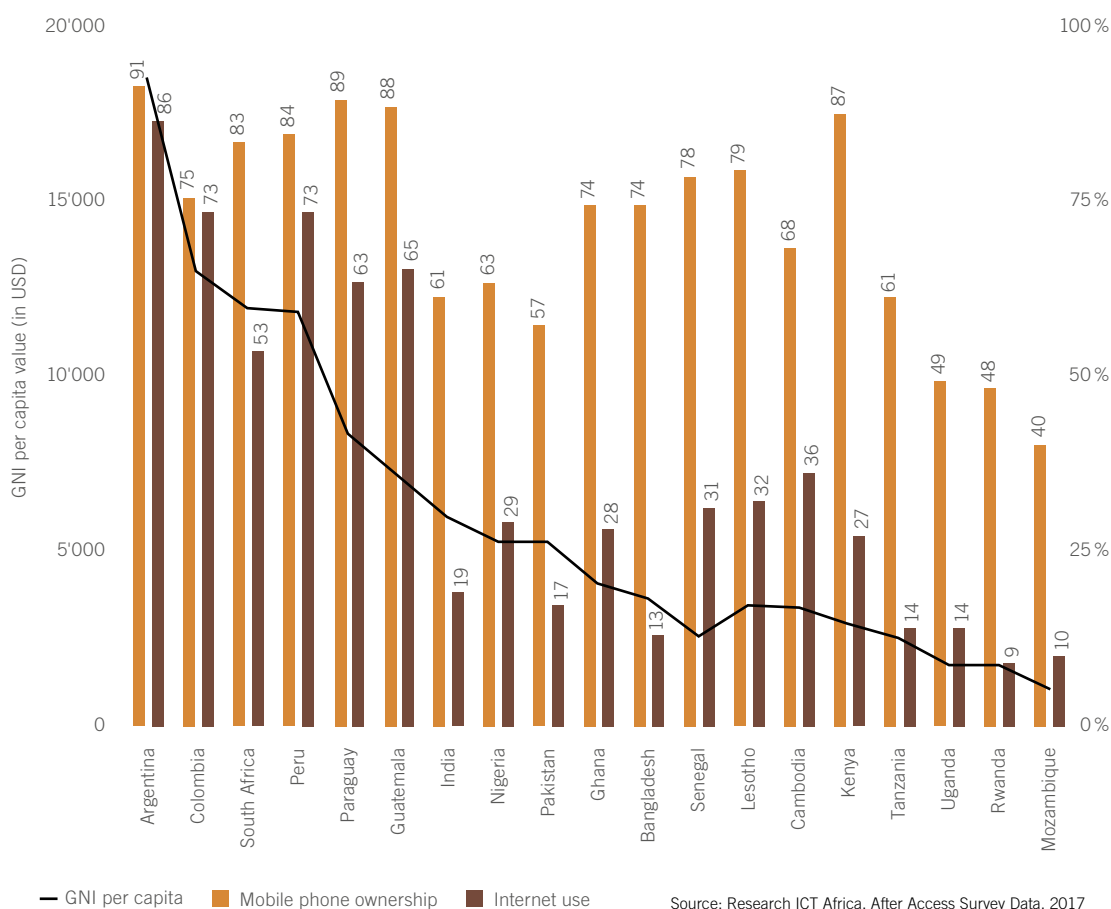
<sup>7</sup> World Bank Group: Africa's Pulse, An analysis of the issues shaping Africa's economic future, 2019, Volume 19

## Africa's insurance industry: between digitization and digitalization

In 2018, mobile technologies and services generated 8.6% of GDP in Sub-Saharan Africa. Mobile ecosystems have become an important economic factor, supporting almost 3.5 million jobs – directly and indirectly.<sup>8</sup> By 2023 the contribution from the mobile economy is expected to reach USD 185 billion or 9.1% of the GDP of Sub-Saharan Africa. The mobile-enabled platforms are seen to increasingly disrupt traditional value chains and based on local-tech start-ups aiming to eliminate inefficiencies in conventional business models – such as in insurance. Traditional insurance, in which the insurance provider designs the product and sells it to the consumer through brokers and agents, is perceived as increasingly unsustainable.

Mobile network operators (MNO) – similar to ecosystems – are cost-effective distribution channels for insurance. However, mobile insurance – which is mainly based on payments systems such as airtime reductions and mobile money - frequently distributes microinsurance products geared to low-income clients. The digital platforms, by contrast, reach a much more diverse group of customers because they offer a wider variety of payment mechanisms such as credit/debit card, mobile payments, digital wallets, bank transfer, PayPal and cash.

**Chart 13:** Mobile phone and internet penetration overlaid by GNI per capita



Source: Research ICT Africa, After Access Survey Data, 2017

<sup>8</sup> GSMA: The Mobile Economy – Sub-Saharan Africa 2019

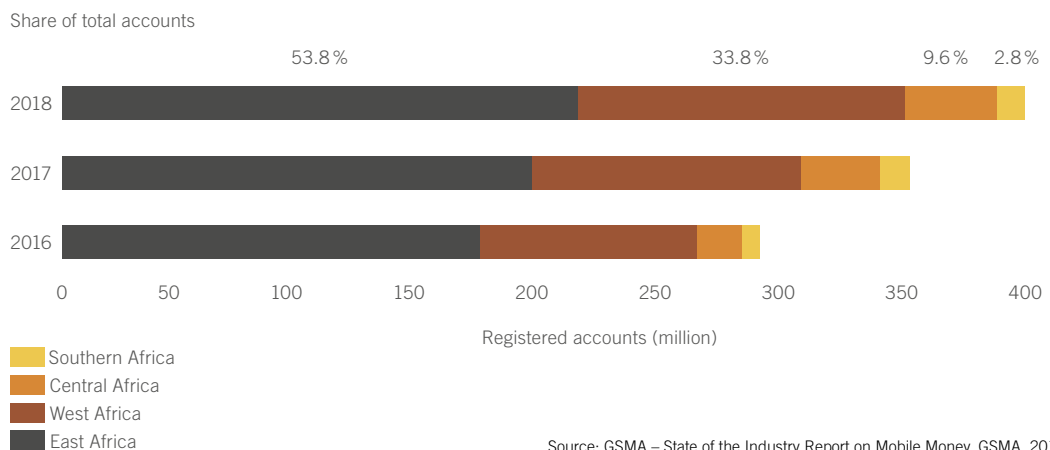
# Africa's insurance industry: between digitization and digitalization

## Mobile Money Services pave the road towards a higher financial inclusion

Mobile money services, or more broadly, digital financial services (DFS), are thus another crucial ingredient to the development of insurance in the digital age. Africa is seen as a hot-bed for mobile money services. By the end of 2018, Sub-Saharan Africa had close to 400 million registered mobile money accounts, nearly half of all global money accounts worldwide.

Mobile money services are seen as an essential stepping-stone to increase financial inclusion in Africa. As the International Monetary Fund (IMF) highlighted in its report on FinTech in Sub-Saharan Africa, a well-functioning payment system is indispensable to reduce the costs of exchanging goods and services. However, promoting financial inclusion and development implies going beyond payments. There is broad demand in the region for many other financial services that are underdeveloped, such as the provision of several types of credit services, cross-border payments, various forms of investment products, and insurance services.<sup>9</sup>

**Chart 14:** Nearly 9 in 10 registered mobile money accounts are in East and West Africa



Source: GSMA – State of the Industry Report on Mobile Money, GSMA, 2019

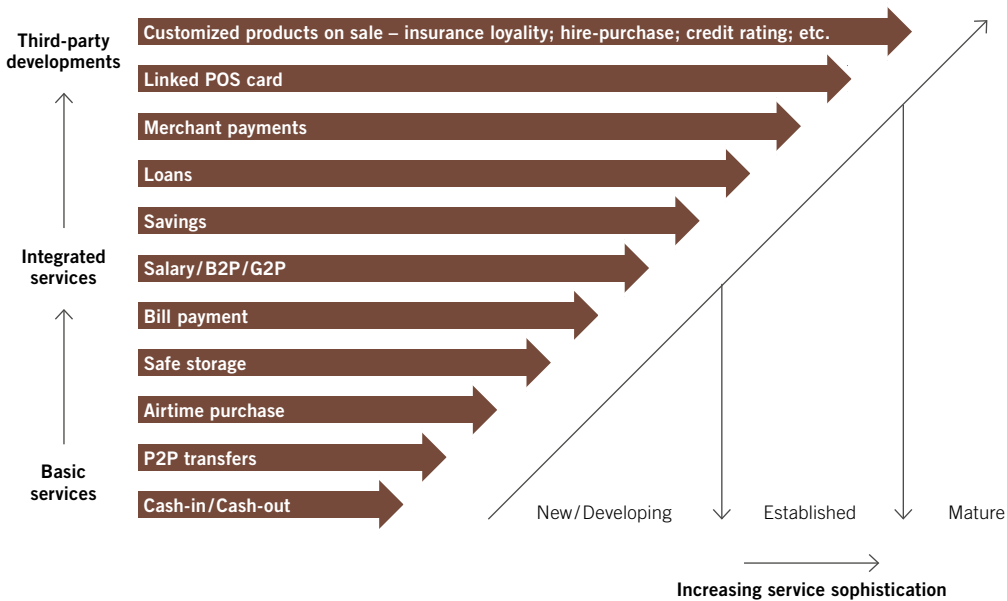
<sup>9</sup> International Monetary Fund, FinTech in Sub-Saharan African Countries: A Game Changer? 2019

# Africa's insurance industry: between digitization and digitalization

As the International Monetary Fund found in a study it conducted in Uganda, the most active mobile money users in Uganda are small-scale entrepreneurs. Some 42% used digital financial services for business transactions. DFS is thus seen as a game-changer for the financial sector that will also impact the broader economy.<sup>10</sup>

In Sub-Saharan Africa, mobile money initially took off with person-to-person transfers, reflecting the nature of the economies characterized by its high degree of labour migration and dependency on social networks. As markets mature, demand for a variety of financial services rises, among them airtime top-ups, safe storage, bill payments and some more straightforward government-to-person transfers and business-to-person payments. In the next stage, demand turns towards savings products, credit, and merchant payments. Finally, in the most advanced markets, providers may offer insurance or products-on-demand, such as solar power or electricity.

**Chart 15:** DFS service evolution as markets mature



Source: International Finance Corporation, Digital Access - The Future of Financial Inclusion in Africa, 2018

<sup>10</sup> IFC, Digital Access - The Future of Financial Inclusion in Africa, 2018

### **Digitalization to curb insurance fraud**

The digitalization of insurance may also serve to address one of Africa's most endemic problems – high levels of insurance fraud, particularly in the motor and health lines of business. In Kenya, InsurTech company Bismart recently conducted a study in Nairobi, which showed that despite having paid approved agents for their motor covers, nearly 40% of the subscribers held fake car insurance certificates. Some market participants assume the figure could be even well above 50%. In Kenya alone, insurance fraud is believed to cost local insurance companies, about 8-10% of their annual turnover. It may well be responsible for their weak profitability as premiums stay relatively high. At the same time, the claims settlement process remains cumbersome and confusing.<sup>11</sup>

In response, Kenya's insurers have come up with a virtual motor insurance certificate and an Integrated Motor Insurance Data System (IMIDS). Rolled-out in October 2019, the system enabled the industry to issue insurance certificates to clients via digital platforms and introduced a centralized repository of motor insurance data. Both components allow authenticating the validity of a policy.

Digitalization will also help to curb fraudulent claims, which are frequent in motor insurance. While it increases the cost of doing business- due to investigations, huge claims ratios and insolvency - it also erodes consumer confidence in the industry. Insurers even miss out on investment opportunities as they have to put up high reserves for potential motor claims.

According to Deloitte's Insurance Outlook Report 2019, InsurTech firms are well-positioned to tackle fraud in the insurance sector. Through technology and vast data reserves, they can put in place processes to detect fraud, making use of Big Data, data mining and artificial intelligence. InsurTech can help to determine data patterns and identify the likelihood of specific claims being fraudulent. By developing a machine learning tool, insurers can analyze each claim, compare it against predetermined rules and rank the claim in the order of the most likely to be fraudulent. This will highlight results that can be further investigated for their probability and ultimately lead to their discovery of a false claim.

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<sup>11</sup> Atlas Magazine, 19.04.2019, 40% of motor vehicle insurance policies in Kenya seems fraudulent.

## Regulating the digital technology in insurance

Today, most digital innovations in insurance relate to distribution or the optimization of internal processes. This is likely to change as digitalization increasingly affects product development and claims settlement. As new technology becomes available, incumbent insurance companies, as well as InsurTech players, are starting to offer more innovative products and services.

Regulators and policymakers have to play a crucial role in ensuring that consumers and industry reap the benefits of digitization. They must strike the right balance between guaranteeing high standards of consumer protection and fair competition on the one hand while enabling innovation on the other. The regulation will play an essential role in supporting the integration of new technologies and data into the insurance business. In addition, when monetizing the potential of digitalization, insurers will also need to comply with the privacy and data protection requirements of the consumers or markets that they operate in.

National authorities around the world have started to take a variety of initiatives to support innovation in a digital environment and to promote competition in the insurance market. Some regulators are taking innovative approaches. The Financial Conduct Authority (FCA) in the UK, similar to other jurisdictions, has developed a regulatory sandbox in collaboration with existing insurers and new entrants as part of Project Innovate. It demonstrates the need for maintaining a level playing field between traditional players and new entrants and finding the right balance to encourage innovation while protecting consumer needs.

### **Regulation: Paper requirements**

One of the main factors for augmenting technology-driven cost efficiency is the ability to process data throughout the process digitally. Any disruption of these processes, e.g. through the use of written materials on paper, will just add complexity. Therefore, innovation in consistently digital processes must be encouraged to offer consumers a fully digital experience by providing information in new digital forms. The paper-driven nature of these information disclosure requirements will hamper digital innovation.

### **Regulation: International data flows**

International data flows are of particular importance for reinsurance business. Reinsurance is by nature a global business that requires detailed data to provide protection. Restrictions on data movement and data localization pose a challenge for many types of reinsurance and artificially limit the reinsurance capacity. This reduction in capacity could lead to inadequate reinsurance programs, increase the possibility of basis risk (different coverage between original insurance and reinsurance contract) and remove certain reinsurers from the market. Restrictions on data movement and data localization reduce the ability to accurately assess the risk to which a cross-border (re)insurance group is exposed to by limiting its ability to centralize, monitor, manage and analyze cross-border data.

**Regulation: InsurTech**

Regulation and supervision should be activity-based (i.e. 'same activities, same rules') to ensure that customers are adequately protected regardless if they buy their insurance from an incumbent or a new InsurTech player.

Technologically neutral regulation is critical, but how these standards are met may vary. Rather than automatically introducing new rules to respond to new market developments, policymakers should examine how the application of existing regulations and policy approaches could be adapted to new developments without leading to significant regulatory changes. All elements of the insurance value chain have to be adequately regulated and serve the regulatory objective of insurance protection. New InsurTech start-ups have to be included in this regulation since the average customer does not distinguish between an established supplier or an InsurTech start-up.

**Regulation: Big Data regulation**

While the use of Big Data in insurance has real growth potential, insurers are still exploring the opportunities that its use can offer consumers throughout the insurance value chain. To ensure that consumers can fully reap the benefits of Big Data by insurers, any future regulatory framework should support innovation. Regulators and supervisors should encourage the exchange of information and experience between insurers on new tools and best practices.

In addition to the supervision of algorithms and (partially) automated processes, supervisory authorities should be concerned with market analyses on Big Data and artificial intelligence, the importance of data in competition, the limits of financial supervision in view of new market participants and business models, and the use of Big Data and artificial intelligence in the prevention of money laundering.


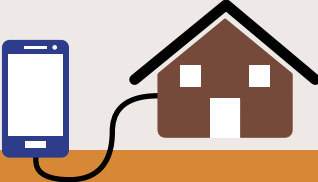


**Regulation: Internet of Things**

Insurers generally do not produce or control the online platforms that generate data, nor the data collection devices that make up the Internet of Things. If manufacturers of devices and owners of platforms have the ability to restrict access to raw data (either by the customer or by potential competitors), this could lead to a monopoly on access to Big Data. This is relevant for both the retail and commercial sectors. The Internet of Things, therefore, raises pressing questions, such as who can access networked vehicles, smart homes or other networked devices. Here, consumers will need robust data privacy rights. An undue concentration of data-based market power should be avoided.

Besides, regulators and supervisors should keep in mind potential barriers to a functioning market and fair competition. Where the consumer who owns and uses an interconnected device has the right to determine the use of the data generated and to make use of it by consenting to a specific processing of that data, data interfaces in consumer products should be open and follow interoperable technical standards to allow access to the data that the consumer wishes to share. This is a significant factor in the market for road vehicles, where the user can decide who has access to vehicle data.



Chart 16: Big Data analytics – policy examples

<b>Tailored policies</b>	
<b>Motor insurance – telematics</b>	
<p>New technologies, such as telematics with its real-time, wireless transmission of data, can give drivers access to more tailored insurance policies(eg. «pay as you drive» or «pay how you drive»), as well as lower premiums for certain drivers. This is because the data can give insurers a much better understanding of an individual's driving, and therefore make it easier to refine a driver's risk profile.</p>	
<b>Tailored policies</b>	
<b>Property insurance – smart meters</b>	
<p>New technology means policyholders can benefit from more tailored property insurance, as well as increased awareness and additional risk-reduction services, which can have a positive impact on premiums. This is because by using sophisticated tools to analyse more data, insurers can tailor cover more accurately than they have traditionally, when premiums have been calculated based on information about a property's structure and its level of exposure to crime or weather-related events.</p>	
<b>Prevention</b>	
<b>Property insurance – floods</b>	
<p>Prevention is one of the cornerstones of any insurance scheme, and this is especially true for floods and other weather-related disasters. Without adequate prevention measures in place, certain properties would be very difficult to insure. The use of big data analytics can allow consumers to be advised on the type of prevention measures needed to make properties insurable.</p>	
<b>Prevention</b>	
<b>Health insurance – wearables</b>	
<p>Several insurers offer disease management programmes for people with cronic illnesses, such as diabetes or coronary heart disease. By using big data, it is possible to monitor an individual's health and provide them with lifestyle tips and health advice. As a result, consumers become more aware of the preventive measures they need to take to reduce the risks associated with cronic diseases and control medical costs.</p>	



Together with  
our communities  
in the fight  
against Covid-19

**US\$ 3.3 Million  
Committed to  
Support Stakeholders  
(Africa CDC of AU, Host  
Cities & Insurance  
Associations)**

# Survey results

## **Africa's sizeable untapped insurance markets require innovative digital solutions**

Africa's re/insurers are looking at a variety of strategies to improve insurance penetration in their markets by differentiating their products and services. Digitalization is one of the most promising avenues to reduce the protection gap, customize re/insurance products and better respond to customer needs, reduce costs and bring new products to market. To capture these benefits, insurers and reinsurers need to be visionary and daring in a rapidly changing market environment.

Apart from South Africa, insurance penetration remains low in most African insurance markets. This has led to the emergence of new business models and digital products that aim to be simpler, more customer-centric and can accommodate new forms of consumption. The introduction of mobile sales and mobile money payments systems has already paved the way for additional growth in many African countries.

The interviewees are well aware of the many opportunities that digitalization provides to Africa's insurance markets, but care should be taken not to put the cart before the horse. It is essential to respect key prerequisites related to the advent of new digital markets, namely the formation of human capital, appropriate technology infrastructure and the strengthening of the legal and regulatory framework.

With these foundations, it is possible to build a digital product offering that is beneficial for all. There is a sense of urgency amongst African re/insurers to act sooner rather than later on digitization. The majority of companies represented in this survey are choosing a multipronged approach to digitization, to advance faster and to capture promising collaboration opportunities. African re/insurers are already making significant investments in digitization, and more will follow over the longer-term. 52% of interviewees indicated that they currently invest annually up to 2% of their gross premiums written into their digitization. In comparison, 48% stated that they even spend 3% or more to advance the digitization of their company.

*«At Assurances Générales du Cameroun we are in the process to digitize our entire value chain. In a second step, we will work with our third-party providers to go further in providing efficient, simple and affordable insurance solutions thanks to digitization. An effective regulatory framework would be very helpful and go far in supporting insurers to advance on the path of digitization.»*

**Martial Sojio Feujio, Directeur Général and CEO, Assurances Générales du Cameroun (AGC)**

*«The regional insurance regulators in Africa should ideally study the weak points of the insurance system and address them by matching international best practice and further by levelling the playing field for all participants, including for insurers and banks.»*

**John Lentaigne, Acting CEO, African Trade Insurance Agency**

## Survey results

### African re/insurers confirm – Digitalization of value chain is inevitable

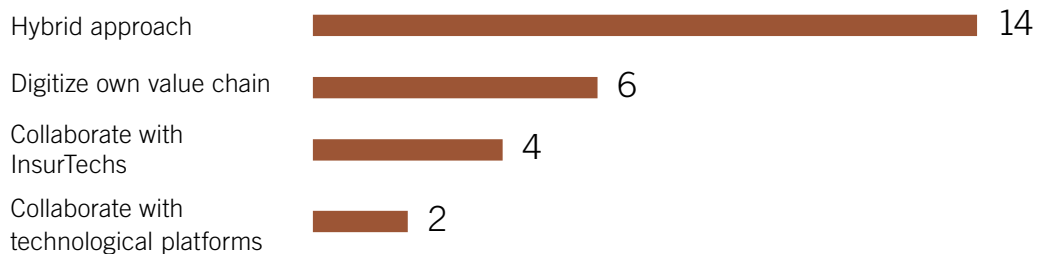
The majority of companies, or 54%, opt for a multipronged approach to digitization. To move forward faster, they test what works best, improve collaboration with their intermediaries or to capture promising opportunities to collaborate with InsurTech companies. This is particularly true for large companies, among them the global reinsurers. They have the means to follow a more aggressive digitization strategy, often collaborating with or investing in more than one partner. Many companies indicated that their internal value chain is already entirely or mostly digitized.

The remaining 46% of companies are taking a sequential approach to digitization. Many companies start by digitizing their own value chain before engaging in new technology partnerships. The digitization is expected to improve all processes across the value chain, satisfy external customers and increase transparency, productivity and efficiency.

For 15% of the respondents, engaging in a partnership with one or more InsurTech companies is the most promising entry point to access the new technology. These companies collaborate with InsurTechs because they seek to offer consumers faster and easier access to insurance cover, while at the same time granting more autonomy in insurance matters. A partnership between young start-ups and insurers is often strategic and beneficial to both parties.

Around 10% of the African insurers interviewed team up with a digital platform or distribution partners mainly to broaden their access to customers. In this partnership, each party focuses on their own area of expertise.

**Chart 17:** Most promising strategies for re/insurers to embrace digitization (number of total mentions)



*«InsurTech companies seek to provide consumers with faster and easier access to insurance coverage, while at the same time allowing more autonomy in insurance matters. InsurTechs are taking advantage of all technological advances to position themselves in all areas of the insurance industry. A partnership between young start-ups and insurers could prove to be both strategic and beneficial to both parties.»*

**Lamia Ben Mahmoud, Président  
Directeur Général, Tunis Re**

*«Our digitization strategy places great emphasis on co-operations with platform providers. By entering into such partnerships, we ultimately aim to provide high-value services to our clients.»*

**Thobile Shava, Executive Head:  
Broking, Willis Re South Africa**

## Survey results

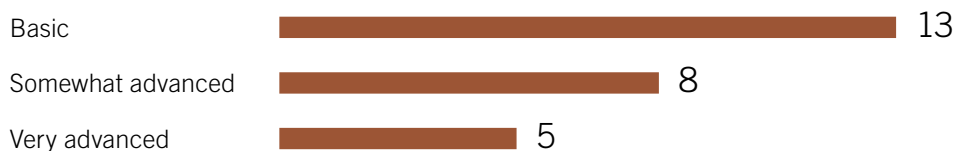
### Half of the African re/insurers are advanced in their digitization process

Half of the interviewees describe the state of their own organization's level of digitalization as basic. Their focus is to digitize their own value chain to improve their efficiency and reduce cost. This group is quite heterogeneous focused on either still selecting or implementing the appropriate software to digitize their operations or they are in the process to digitize part of their product offering. To both of these groups, however, the lack of domestic expertise is the main hurdle to advance the digitization of their franchise further.

Another half of the interviewees categorize themselves as either slightly advanced or very advanced in their digitization processes. Almost a third (31%) of these assess their state of digitalization as somewhat advanced. They have more often than not entirely digitized their internal processes and focus now on improving the interaction with their clients. Typically, this group has reduced its physical records, works paperless or has its manual processes digitized and frequently uses social media to interact with customers. The executives of this group stated that regulation is sometimes a hurdle to move forward with the digitization of all records (e.g. some regulators do not accept electronic signatures), but that often customers still struggle with the new digital world.

Roughly 20% of interviewees, mostly the global re/insurers, are well advanced in their digital strategies. Supported by a hybrid approach, they have made very good progress and are well ahead of most of their regional and local peers.

**Chart 18:** The state of digitalization in your organization (number of total mentions)



*«We have for some years been working to steadily improve our digital capabilities as a company. The challenge, however, has been lack of competent hands in information and communication technology to drive our vision for digitalization and the prohibitive cost of robust and efficient software packages, given the size of an average company in Sierra Leone.»*

**Dr. Nduka O. Anyaso, Group Managing Director/CEO, International Insurance Company (SL) Ltd.**

*«In Eritrea the overall state of a digital infrastructure is not advanced yet. As the only insurance provider in the country we are currently in the process to advance our own back-office and administrative systems, using an advanced integrated application system in our operation. Once that is accomplished, we will turn to the front-end, but that will depend on the overall state of preparedness of our clients and customers as well.»*

**Zeru Woldemichael, General Manager, National Insurance Corporation of Eritrea**

*«The Ethiopian insurance market is still in the infant stages of digitalization. Although the potential impact on industry growth and efficiency is widely recognized, most companies currently focus on the digitization of internal processes.»*

**Fikru Tsegaye, Manager Business Development and Corporate Affairs, Ethiopian Re**

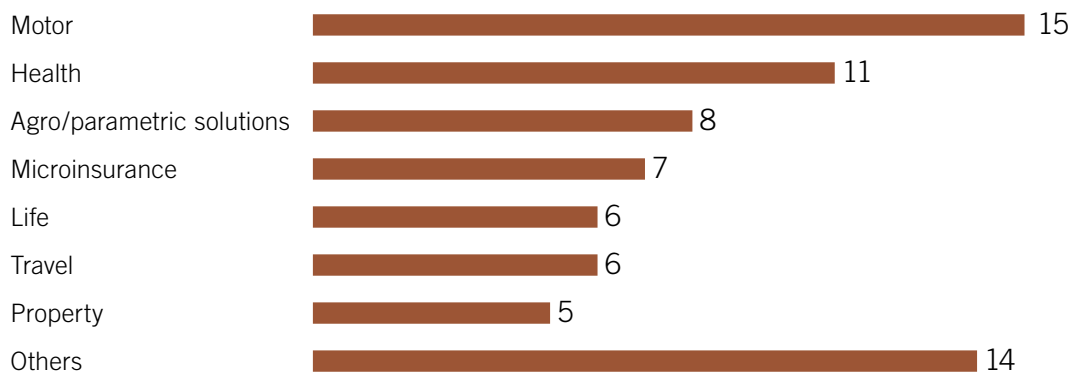
## Survey results

### African re/insurers believe that motor will be the first and most widely digitalized line of business

Most executives agree that personal lines – in particular motor and health – will benefit most from digitalization. These lines are highly standardized and generate about 70% of the premium volume in most African markets. Compared to complex commercial and specialty risks, personal lines is more generic and requires only a limited amount of consultation, which in many African markets is provided by a sales agent. These services can be digitised, as illustrated by the following successful example of a collaboration between the Nigerian insurer Cornerstone and one of the country's leading telecommunications providers, Airtel. In 2014 the two companies partnered to provide Nigeria's first life and hospital cash insurance policy to mobile phone subscribers at no additional cost. The size of the insurance cover is based on the amount of airtime that a subscriber recharges to his phone per month.

In the non-personal lines of business, agricultural insurance (including parametric solutions) and microinsurance are most frequently mentioned as lines to be digitized as well. One example is the Replanting Guarantee insurance offered by ACRE. The policy insures the seed and fertilizer input costs. Farmers activate their insurance cover by sending a text message to their seed and fertilizer distributor. The easy sign-up process and the pay-out into mobile wallets require no action from the farmer and make the product suitable also for individuals with limited financial literacy.

**Chart 19:** What lines of business will be digitized first (number of total mentions)



*«In Ghana, we expect digitization to have its strongest impact on personal lines, mostly motor insurance, which is by far the largest line. Sales and profitability will benefit substantially as digitization provides access to additional consumer segments, reduces the risk of moral hazard*

*and fraudulent sales which are quite prevalent in Ghana, lowers cost and thereby increasing the efficiency of the distribution process.»*

**Aretha Duku, Managing Director,  
Ghana Union Assurance Company  
Limited**

## Survey results

### **Digital technology reshapes customer expectations and redefines the boundaries of insurability**

The interviewees are convinced that in the long run most insurance products will be distributed digitally. However, in the short to mid-term insurers will still work based on a hybrid business model, where traditional and digital distribution channels will operate in parallel, with the latter steadily replacing the former. As a result, some insurers face cannibalization effects, while others try to minimize those effects by designing products that are dedicated to either the traditional or the digital channel. A key aspect is, that as insurers are ramping up digitization, investments and costs will increase before they start to pay-off.

The new digital distribution channels are expected to provide several benefits: increase the level of insurance penetration, improve consumers' confidence through greater transparency, enhance distribution efficiency, share more and better information with customers and finally increase direct sales. In particular, mobile distribution in combination with different forms of mobile money is seen as the most promising avenue to distribute personal lines products and enhance the customer experience.

Traditional distribution channels will come under pressure. Many interviewees are convinced that with the digitization and mobile or online sales, agents as the interface to the customer will be disintermediated and either reduce or even disappear as the middle-men. In particular agents and small brokers, who do not have the means to go digital, will face a tough time because of alternative digital distribution channels becoming more widely available. While today human interaction is still dominant, in the future this will be reduced or move to those lines of business that are more complex or strongly personalized.

Digitization will also force insurers to rethink their traditional roles and adopt an ecosystem mindset, if they are to capture growth by collaborating with new partners. Climate Risk Enterprise in Africa (ACRE) distributed replanting guarantee insurance based on weather index insurance models and mobile technology, thus substantially lowering the cost of customer acquisition and claims assessment. The placement of registration cards in purchased seed bags enables small-holders to activate insurance cover via a simple text message. The distribution of policies through seed and fertilizer sales enables ACRE to aggregate policyholders efficiently and to expand its scale.

*«The low insurance penetration in Nigeria is, in part, a consequence of the lack of trust in insurance companies. Digitization will not only promote simpler and cheaper solutions but hopefully will also help educate customers. If digitization broadens the extent of the financial protection, in particular, to low- and middle-income earners, then insurers would have come a long way.»*

**Adetola Adegbayi, Executive Director General Business, Leadway Assurance Company Ltd.**

*«At this stage, as a broker with a skills-intensive offering, our focus is to first digitize our own value chain. Distribution and sales will only come later, as these processes require the partners in a value chain to interact equally seamlessly. That is not yet the case as the various players of Africa's insurance industry are at very different stages of advancement.»*

**Jean-Alain Francis, CEO, EIIGeo Re (Mauritius) Ltd.**



Mobilising resources  
for the development  
of the insurance  
industry and risk  
management in Africa

- We are training 1,000 young African insurance professionals in 2020
- US\$ 3.3 million committed to the fight against Covid-19 in Africa
- African Insurance Award to Celebrate innovation and outstanding performance

## Contact



## Survey results

### African re/insurers believe that a high share of products will be sold digitally in the long-term

According to our interviewees, currently up to 5% of insurance premiums are generated digitally. Insurers are optimistic that this share will increase significantly in the longer-term with a majority of executives stating that over 20% and up to 50% (indicated by several executives) of insurance premiums will eventually originate from digital sales.

All agree that going forward personal lines is the most likely to be sold online and motor is the most promising and immediate line to be transformed, while life and health products will take longer.

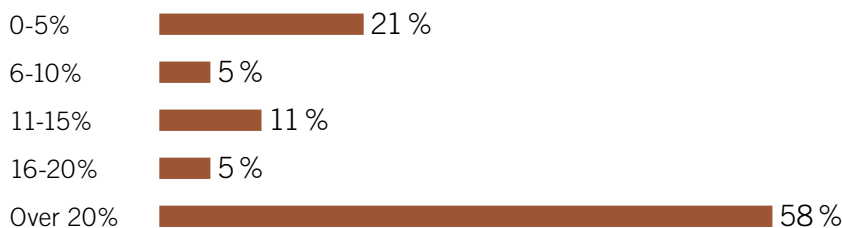
The main barriers to digitization are: a low level of financial literacy of policyholders, limited insurance awareness, low income, little trust in insurers, a lack of access to the online products, insurance agents that dominate the market and the complexity of products. The main factors to promote digitization are a high mobile phone penetration, the rising number of young clients, a growing middle class and compulsory insurance schemes.

**Chart 20:** Share of insurance premiums generated digitally (% of mentions)

#### Short-term (up to 2 years)



#### Long-term (5-10 years)



*«Highly standardized products, such as motor insurance policies, are well suited for online distribution. As this is the most important line of business for us, we expect that in the next 2–5 years 40% of our policies will be sold online and this will drive a lot of efficiencies in the company.»*

**Donbell Mandala, CEO,  
NICO General**

*«Digitization has become unavoidable and indispensable; from now on the company has to think strategically. In Algeria, the personal lines are those which hold more than 50% of market share and cover all categories, without distinction of age, sex or profession. It is therefore only natural that they should be given priority in the digitization*

*process. As for the other lines of business, they will follow at a later stage.»*

**Hadj Mohamed Seba, Chairman  
and CEO, Compagnie Centrale de  
Réassurance**

# Connecting Africa's fragmented insurance sector for more efficiency

by Alexandre N'Djore, Chief Executive Officer | Digitech Group CI

## **DIGITECH AFRICA LTD: Company profile**

Digitech Africa Ltd (Digitech) is an international start-up offering innovative digital solutions. Founded in 2018 in the Seychelles, today the company also has offices in Cote d'Ivoire and South Africa. Digitech's solutions are based on new information and communication technologies. The firm specializes in the development, integration and commercialization of professional solutions and consumer services. Digitech offers the opportunity for businesses to enter the digital age by internally dematerializing certain functions and by externally strengthening their productivity and competitiveness through new digital interfaces.

### ***Why is the insurance penetration so low in many African countries?***

The risk value chain in Africa is quite disconnected and fragmented – it goes all the way from the reinsurer, to the insurer, to the insurance broker and other intermediaries and finally to the policyholder, leading to a generally low insurance penetration of around 3% (excluding South Africa with a total penetration of 17%).

### ***Does Digitech offer solutions that can bring together the various insurance players?***

Yes, at the moment we offer two types of solutions that bring together different players of the insurance sector. Today, roughly 50 reinsurers are operating in Africa and their main information management systems and channels are emails and excel sheets. This vast amount of information could be processed far more efficiently with new technology. Our first product – called Hyperion – is a fully digital-enabled dashboard, which connects the accounting system of the reinsurer directly with that of the cedant. It can do the necessary calculation, for instance, billing or premium calculations, in real-time. Every month, insurance companies can submit millions of policies directly through this interface at lower costs and in an efficient manner, ultimately increasing the policyholder's satisfaction. Today we also have around a billion mobile phone users across the entire African continent. Thanks to our second solution called Multiverse, insurers can connect to any mobile phone user in Africa and sell insurance policies, regardless of the mobile network operator or the type of phone that the customer is using.

### ***How does the process look like for the policyholder?***

Thanks to our product, the mobile phone user can buy an insurance solution in just a few minutes based on a simple five-step customer journey. It starts with the identification of the policyholder, and it continues with the onboarding process, followed by the issuance of the electronic policy documentation, collects the premiums, and ends with the claims process in case of a loss.

### ***Can you explain the technology used behind your solutions?***

Digitech is at the forefront of the digital technology revolution. All our infrastructure is proudly hosted on Amazon Web Services, which gives us access to a complete suite of powerful Cloud-Based technologies including Machine Learning and Big Data. Not to mention, all our infrastructure is compliant to the strictest norms such as PCI 3DS, PCI DSS and GDPR. Our applications are cloud-native and API enabled, which translates to an unparalleled flexibility and agility when it comes to deployment.

### ***What are the main opportunities that digitization creates for Africa's re/insurers?***

The digital transformation needs to happen first within the re/insurance companies. Most re/insurers have all their vital information on paper, and this has been the case since the insurance sector was founded. We're currently in discussion with one of our clients on how to digitize 30+ years of data – going from all paper to zero paper.

***But the insurance process is known to be very cumbersome?***

Correct. Quite often, the re/insurance process is complicated, especially claims management. It can take months for a claim to be paid in Africa. So, why can a company like Lemonade settle a claim within seconds? Well, they use machine learning algorithms and chatbots. In Africa, we have tremendous potential to improve our claims management.

***What about the sales process?***

Automation can make every aspect of the insurance process more efficient. Currently, we are advising a company with 300 sales-people on how to increase sales through digitization. Thanks to augmented reality, our client will be in a position to increase his sales drastically. What do I mean by augmented reality? Our system can extract a precise profile of the customer based on data we find on social media and enables us thus to offer the customer not one but several policies that fit his requirements.

***In which part of the value chain is digitization used most frequently in Africa?***

The most typical application is in distribution. In my opinion, the most significant potential, however, rests in the collaboration between insurance players and the digitization within the companies.

***How well are Africa's re/insurers prepared to take advantage of the new technology?***

My honest answer – there is a lot to be done. Companies in the insurance sector still invest mainly in improving their legacy systems instead of taking on new technology.

***Why are re/insurers not getting more mileage out of the new technology?***

First, new technology requires investments. Second, the new technology takes time to mature. In other words, installing a new technology means taking a risk, and it means the insurer will not recover the investments overnight. Very few companies today have the vision and the appetite to fully embrace new technology.

***Will InsurTech companies replace traditional insurance players in Africa?***

Not in the foreseeable future. The main reason is that few regulators in Africa are promoting technology or innovation, unlike in Europe or North America. Another reason is that insurance has traditionally been plagued with a trust issue. People are going to take quite some time before they are comfortable with a digital player that operates without offices or people to contact. Another problem is the limited financial education of people in Africa. In my opinion, the best model is, therefore, a collaborative model.

***Will digitization increase the insurance penetration in Africa?***

Absolutely. Today the distribution network of insurance companies is focused on the urban centres of Africa. In Cote d'Ivoire, 90% of the insurance branches are concentrated in Abidjan, the economic capital. Thanks to digitization, it will no longer matter where a person is based as long as they have a mobile phone or internet connection. They will be able to buy insurance protection from any place, at any time.

## Survey results

### **African re/insurers are tackling the entire value chain sooner rather than later**

Almost 70% of interviewees stated that they will drive forward their digitalization strategy in the next two years. The remaining 30% do not expect to move as swiftly, but transform the value chain over the long-term (total of 68 mentions versus 28 mentions for the longer-term). Several executives said their companies are working on all stages of their value chain to push forward digitalization.

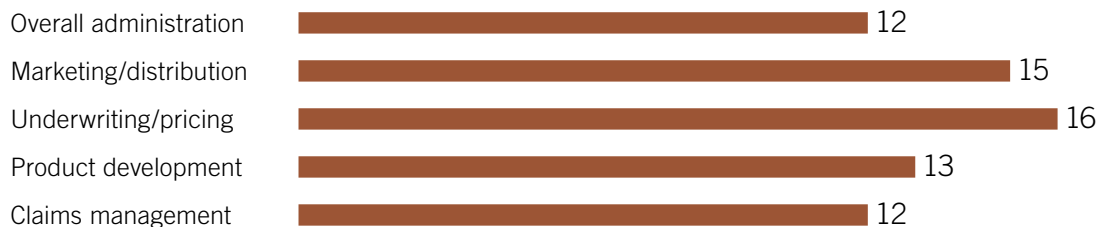
In the short-term, defined as over the next two years, underwriting and pricing are viewed as the parts of the re/insurance value chain that will benefit the most from digitalization, immediately followed by marketing and distribution. In these areas, players expect some quick wins.

In the longer-term, defined as 5-10 years, the focus shifts to claims management, followed by product development and general administration as functions in the value chain to be digitized later. These areas require advanced digital solutions, which are either not readily available or will be developed in the coming years.

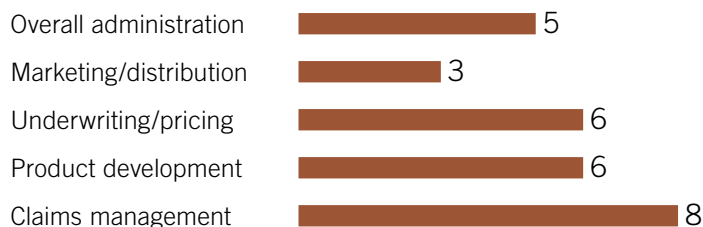
Participants also pointed out that digitization will transform the relationship of insurers with reinsurers into a partnership where they will exchange data and information more freely and thus enhance risk management and improve the accuracy of information.

**Chart 21:** Part of the value chain affected most by digitization (number of total mentions)

#### *Short-term*



#### *Long-term*



## Survey results

### **Africa's re/insurers believe that standardized products will be digitized first**

Those lines of business that are based on simple contracts and sold in high volumes of small transactional value will be digitized first. The policies are already quite standardized (e.g. micro insurance, SME insurance) and their sales process requires minimal human interaction. It is no surprise that nearly all interviewees agree that personal lines have the most significant potential for going digital in the short-term.

However, insurers still need to overcome some hurdles to convert these products into the digital world:

- Regulators have to become more open to digitize products – in particular in accepting electronic signatures and documents
- The level of financial literacy and insurance awareness still needs to improve. Insurers have to broaden their communication and education via social media (e.g. Facebook), radio and TV
- Insurers need to assure that legacy portfolios and systems do not become an obstacle to innovation
- Digitization in Africa is closely tied to the mobile phone penetration. In some countries, such as Eritrea, those levels still need to improve if insurers are to succeed in increasing their online sales.

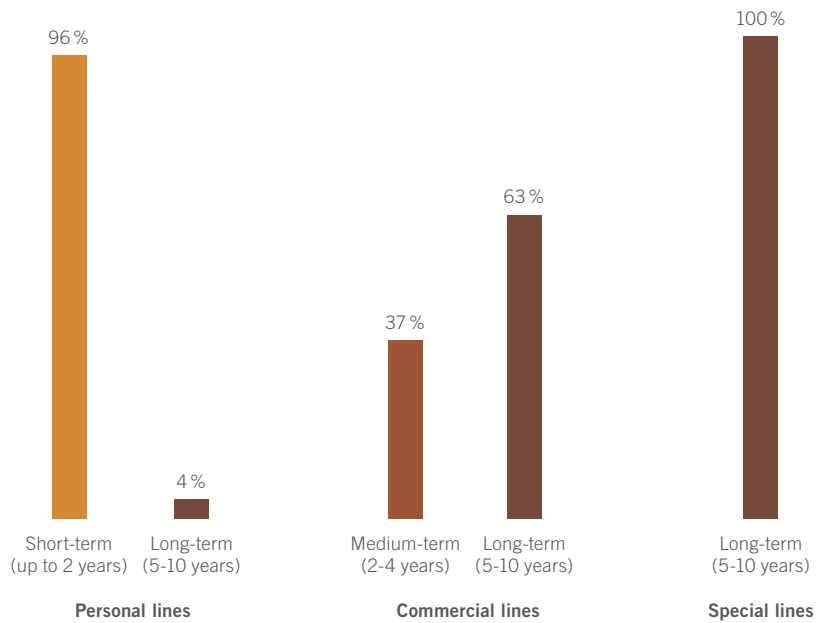
The interviewees are more sceptical when it comes to the potential to digitize commercial and specialty lines. While some respondents are confident that commercial lines can be digitalized in the medium-term (defined as 2-4 years), a majority expects this process to take another 5 to 10 years. However, some insurers doubt altogether that the more sophisticated lines of business can be digitized successfully, as they require a high degree of tailoring, have a limited potential for standardization and entail a high level of human interaction. In addition, in some countries regulators still request physical documentation as contractual proof. One exception mentioned by several interviewees is weather / agricultural index-insurance products.

*«For us as a reinsurer, we expect a significant positive impact of digitization on our claims management. ZEP-RE is committed to quality service. Our interactions with clients through claims management shape their view of the quality of our service, hence digitizing this component will enhance ZEP-RE's value proposition the most.»*

**Alexio Manyonde, CIO, ZEP-RE**

## Survey results

**Chart 22:** The lines of business with the most significant potential for digitization (in %)



*«In our markets we see that the digitization of the sector is being primarily introduced through platforms and/or major global players. Agricultural insurance is a good example where digitization already plays a key role as a lot of these policies are now index-based and the use of parametric technology can be applied to quantify risks or assess claims. We see cyber insurance heading a similar route where digitization will contribute to enhancing the insurability of a risk.»*

**Matt England Lee, Director of Africa, CKRe Limited**

# Survey results

## African re/insurers expect digitization to impact premium growth positively

The majority (>80%) of the interviewees are convinced that digitalization will have a positive impact on insurance sales in the short and longer-term. However, there is a limited consensus as to the magnitude of that effect.

Interviewees expect that it will take time for this growth to materialize. In the short-term, according to 68% of interviewees, the impact of digitalization on premium growth will only be modest (neutral or slightly positive). In the longer-term, 86% said the effect of digital technology will boost premium growth (positive or very positive).

**Chart 23:** Expected impact on premium growth (percentage of total mentions)

	<i>Negative</i>	<i>Neutral</i>	<i>Slightly positive (less than 5%)</i>	<i>Positive (5-10%)</i>	<i>Very positive (more than 10%)</i>
Short- and medium-term (below 5y)	0%	18%	50%	23%	9%
Long-term (5-10y)	0%	7%	7%	50%	36%

*«Our current investments in digitization focus on product development, underwriting and claims management. In particular in claims management we expect that an enhanced data quality and transparency will also lead to faster claim payments.»*

**Rudolph Humavindu, General  
Manager Reinsurance, Namib Re**

# ARIBI - African Reinsurance and Insurance Blockchain Initiative

*By Africa Re*

Among the long list of promises that digitization holds, technology is expected to significantly improve efficiency and reduce the operating cost of insurers and reinsurers. That is particularly true for the blockchain technology. To harness its advantages for the African reinsurance industry and to also facilitate the access of Africa's primary insurers to the key technology in the future, Africa Re launched, together with other African reinsurers, the African Reinsurance and Insurance Blockchain Initiative (ARIBI) in 2019. This collaboration among African reinsurers aims to develop a first blockchain application that may serve as a pilot for the African insurance industry.

According to a report by PwC concerning the benefits of blockchain to the global reinsurance sector, the technology will enhance risk understanding and enable cost savings of up to US\$ 5 billion – US\$ 10 billion through faster, more transparent and accurate policy placements, claims settlements and improved compliance checks.<sup>12</sup> More efficient data processing and reductions in terms of claims leakage and fraud indicate that blockchain solutions could remove 15% to 25% of expenses. Furthermore, the faster placement of policy and settlement of claims may significantly boost client satisfaction and retention, thereby unlocking further value.

Based on the above, Africa Re estimates that African reinsurers stand to gain a reduction in expenses between US\$30 million and US\$ 100 million from the adoption of the technology. Based on market data from 2017, the return on equity of the African reinsurers may improve by 1 to 3 percentage points.

African reinsurers have to enhance their profitability to deal with a market environment which is increasingly more volatile, uncertain, complex and ambiguous. Since the financial crisis and the continuous increase in excess capacity ever since, the underwriting performance of most African reinsurers has deteriorated. In light of mounting competitive pressure, rates declined while operational costs increased. Simultaneously, the markets were confronted with worsening claims experiences, higher commissions and charges as well as a volatile macroeconomic environment. While obviously the blockchain technology will not be able to address all these industry issues, it can contribute to improve the competitiveness of the Africa's reinsurers, generating efficiency gains, reducing frictional costs and minimizing moral hazards.

## **Africa's reinsurers collaborate to advance blockchain technology on the continent**

In light of these advantages, Africa Re initiated the African Reinsurance and Insurance Blockchain Initiative (ARIBI). In the project, the African Reinsurance Association (ARA) and its members under the leadership of Africa Re seek to explore and exploit the potential of the blockchain technology. In particular, its underlying distributed ledger technology has demonstrated that blockchain significantly enhances contract certainty and transparency across the entire value chain from the risk origination to the ultimate risk carrier, the reinsurer or even the capital market. As such it provides access to data and analytics, reduces cost, eliminates fraud and strengthens the reliability of the overall system. The joint project of Africa Re with the African Reinsurance Association will initially start with the development of a first blockchain product for reinsurers and selected insurers. At a later stage, additional stakeholders of the industry, including insurers and brokers, will be integrated to broaden the application of the project and demonstrate its benefits to other industry participants.

<sup>12</sup> PwC, Blockchain: The \$5 billion opportunity for reinsurers, 2016



The ARIBI initiative was first launched at the 46th AIO General Assembly and Conference, which took place in Johannesburg, South Africa, in spring 2019. Wider buy-in was built with a presentation at the 24th AIO Reinsurance Forum that was held in Tunis, Tunisia, in autumn 2019. After these meetings, a technical steering committee, representing most African reinsurers, was formed. Following a further meeting at the 44th Annual General Assembly of the FANAF (Fédération des Sociétés d'Assurances de Droit National Africaines) in Libreville (Gabon) in early 2020, the membership among African reinsurers was further expanded. Today ARIBI has most of Africa's reinsurers onboard with the unified goal of leveraging the blockchain technology to solve some of the industry's most teething problems.

### **Africa Re's investment in B3i**

In addition to ARIBI, Africa Re invested in an InsurTech company – B3i, a Switzerland based blockchain technology provider, that was incorporated in 2018 and is owned by 20 insurers and reinsurers worldwide. B3i develops standards, protocols and network infrastructure to remove frictions in risk transfer to ultimately accelerate the access of end consumers to insurance and provide them with a better product and service experience. Along with other blockchain players, B3i is convinced that its technology can optimise and automate market-wide processes, generating significant savings in time and cost. As the blockchain technology matures B3i expects it to converge with other digital technologies to form digital platforms that will not only offer efficiencies in existing business processes but will catalyse the development of new and innovative business models. By investing in B3i, Africa Re will maintain access to first-hand information on the development of the new technology from one of the industry's most advanced blockchain leaders.

## Survey results

### African re/insurers expect profitability of digitization to only materialize over time

The interviewees are less upbeat about the impact of digitalization on profitability. Upfront investments are significant and their amortization will take time. Furthermore, many insurers expect that gains on profitability will ultimately be passed on to customers as competition is fierce.

In the short-term, 48% of interviewees expect profitability to be negatively impacted or at best remain unchanged, as investments into digital technology are significant. The remaining 52% hope that investments are compensated through an increase in volume or higher margins. In the long run, there is a slight shift towards a more positive impact on profitability. 25% of executives expect a neutral effect on profitability given margins will have to be shared with clients, while 75% believe in a slightly positive to very positive impact.

**Chart 24:** Expected impact on profitability (percentage of total mentions)

	<i>Negative</i>	<i>Neutral</i>	<i>Slightly positive (less than 5%)</i>	<i>Positive (5-10%)</i>	<i>Very positive (more than 10%)</i>
Short- and medium-term (below 5y)	30%	18%	35%	13%	4%
Long-term (5-10y)	0%	25%	42%	25%	8%

*«Atlantique Assurances Cameroun IARDT, part of Atlantic Financial Group Central and East Africa, has benefited from the group's wider digitization program. As a result, we launched two digital products, AssureTous Santé and AssureTous Accident, aimed at low-income people. We are currently in the process of extending these products to the middle- and high-income segments. Our goal is to digitize all of our products by 2022.»*

**Norbert Ngniwake, Directeur Général/CEO, Atlantique Assurances Cameroun IARDT**

*«SCOR is in the process of accelerating its use of new technologies as stated in its new strategic plan 'Quantum Leap' – such as artificial intelligence, robots, blockchain, big data, multi-cloud and satellite imagery – to provide its clients with selected, innovative products, service offering and provide more efficient support. SCOR has been alongside its African clients for more than 40 years and will continue to accompany their transformations.»*

**Hedi Hachicha, CUO, Head Africa & Middle East, SCOR P&C Reinsurance**

## Survey results

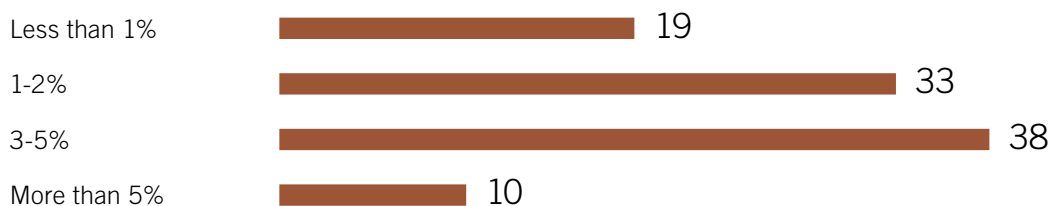
### **African re/insurers are already making significant investments in digitization, and more will come**

52% of interviewees indicated that their current annual investments in digitization, relative to their gross written premium, are up to 2%. The remaining 48% invest 3% or more into advancing digitization in their company. These investments match observations made in emerging markets in South-East Asia, where insurers are also willing to invest where they can identify a return within the next few years.

Almost 20% of respondents indicated that investments into digital technology are taken at group-level for the benefit of all branches. Of the remaining 80%, 19% currently invest less than 1% into digitization, a third invests 1% to 2% and 38% invest between 3% and 5% and about 10% of interviewees stated that they spend more than 5%.

Of the total 26 respondents, 15% have indicated that the current levels of investment in digitization will increase over the coming years and 4% reported that their level of investment would decrease from a high level as they see their digitization as an upfront investment that is non-recurrent on an annual basis.

**Chart 25:** The share of revenues invested in digitalization initiatives (percentage of total mentions)



*«We are seeing that the digitization of existing portfolios proves to be quite challenging to most insurers. They need to resolve the riddle of how to muster the high investments needed for the new technology, while the margins of their future digital products will be lower. As a result, any successful digitization strategy has to demonstrate that it will go hand in hand with a significant gain in scale.»*

**Salvatore Orlando, Head of Region  
MEAR, Partner Re Europe SE**

*«Digitization represents a huge opportunity to increase productivity, income and economic growth in Cameroon. To achieve this goal, it is important that all of us - the nation, the government, the sectors - invest in digitization without delay.»*

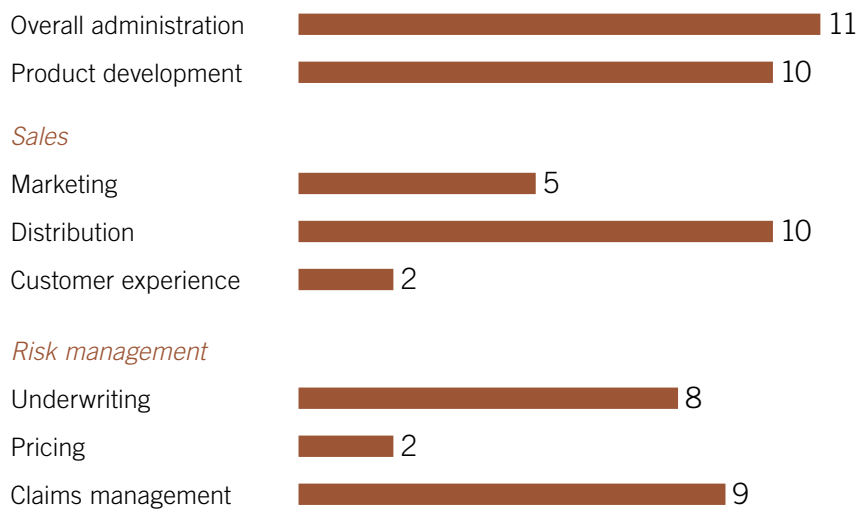
**Léonce Augou, Directeur général  
and CEO, Chanas Assurances**

## Survey results

### African re/insurers invest most in risk management and sales

According to our interviewees, Africa's insurers focus on enhancing the overall customer experience. The key question they asked themselves: Does my investment add value to the customer? Therefore, a third of investments are directed towards marketing and distribution, while the overall administration is only second, supporting all elements of the value chain. 18% of interviewees invest predominately in product development and an equal share of insurers in underwriting and pricing.

**Chart 26:** Which part of your value chain do you invest most in? (number of total mentions)



*«We expect to see a multitude of benefits from the digitization of the insurance value chain. It will not only drive sales but will also push efficiency levels up, allowing insurers to charge lower rates whilst remaining profitable. This however, is not without risk, we as insurers must shift our thinking in terms of controls to match the inherent risks like cyber security breaches, etc.»*

**Stephen Chikovore, Managing Director, UAP Insurance Uganda Limited**

*«Munich Re supports insurance companies in using digitization to improve their business, be it in products, services, underwriting or claims settlement. Ultimately, the focus is on the end customers – the policyholders – who should be provided with insurance solutions that meet their changing needs. And in their insurer they should have a competent partner who provides quick and uncomplicated assistance, particularly when they suffer a loss.»*

**Belhassen Tonat, Head of Non-Life, Munich Reinsurance Company of Africa Limited**

## Survey results

### Regulators should adopt digitization more proactively

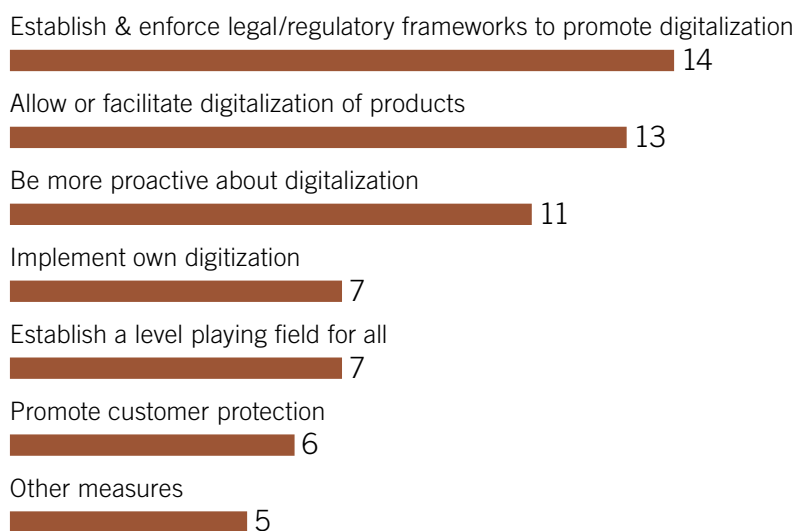
All interviewees agree that the support from regulators is vital for the re/insurance sector to embrace digitization in Africa. However, approximately 85% of the interviewees believe that regulators need to do more to help the advancement of the African digitization of the insurance industry. Only 15% are satisfied with the current actions taken by their local regulator.

The most frequently mentioned recommendation for regulators is to establish and enforce a legislative and regulatory framework that encourages the use of new communication and information technologies. The second most important recommendation to regulators is that they should support the digitization of existing and new lines of business.

In general, most interviewees think that regulators need to tackle digitization more proactively given the speed at which new technologies emerge and new players enter the market with the potential to disrupt established industry practices. According to the respondents, regulators need to understand how digital innovations work and are applied to ensure the proper assessment of new products and services to ultimately protect policyholders. As prerequisite regulators have to embrace digitization themselves to faster and better assess current trends (e.g. through data management) but also to speed up the interaction with their regulated entities.

Another vital aspect emphasized by our interviewees is their expectation that regulators should assure a level playing field among insurers. At the international level they should endorse that best practices are shared while at the continental/regional level that should promote a harmonization of practices and within each market that similar practices are followed across sectors (banking is often more advanced than insurance). Within the insurance sector they need to assure that both incumbents and new players have equal access to the market and that the interests of customers are protected at all times.

**Chart 27:** How regulators should respond to the digitalization in re/insurance (number of total mentions)



# Challenges and opportunities for a fully digitalized insurance solution provider

by *Devesh Biltoo, Chief Executive Officer of Quantum Insurance, Mauritius*

## **Quantum Insurance Mauritius: Company profile**

In 2014, Quantum Insurance obtained a license from the Financial Services Commission (FSC) to transact short-term insurance in Mauritius. It was the first company to offer fully integrated end-to-end online direct insurance solutions in the country. Quantum Insurance has an exclusive focus on personal lines business. The company is part of the Hershten Group, which is licensed as a Global Business Company by the FSC. The group has a strong foothold in the financial services industry and is supported by in-house IT and Application Development teams based in Israel and India.

### ***Please provide an overview of Quantum's business model***

We were the first end-to-end online direct insurance company established in Mauritius and our market entry was supported by a comprehensive marketing campaign. Even though there were some early adopters, we also came across a lot of people sitting on the fence. Due to the nature of our business model, our company is a capital-intensive but not labour-intensive venture. Currently, we have a staff headcount of 35 employees. Our value proposition is based on offering a unique customer buying experience and the provision of quick and superior value-adding services. It is not based on price. When we started our operations, we decided that our investments in IT should amortize over five years. We expect to break-even this year and generate a profit in 2021, which means we are on track. As the local market is relatively small, from the very beginning, we were planning to spread out to other African countries. Therefore, the scalability of our model is crucial. But even when expanding, we will remain focused on our target group of tech-savvy young professionals and entrepreneurs.

### ***Please describe the technology used by Quantum Insurance***

We are using a custom-built multi-currency software with integrated interfaces and a parameterized rule-based system. Our clients get involved in the data capturing process and the system without any additional manual input performs all the algorithms in terms of policy administration. Only if the offered underwriting risk is outside of the defined profile, the risk is assigned to a different queue for the validation of underwriting information which involves manual intervention. That way, we can harvest the productivity gain inherent in the system.

### ***What is the profile of a typical Quantum Insurance customer?***

Our target customers are mainly young people who don't want to spend substantial time on insurance buying. Most of them are experienced insurance buyers. 45% of our customers are between 20 and 45 years old and belong to the middle class. These customers appreciate that we help them to demystify insurance: With a dis-intermediated model, our turnaround time is fast, and the online customer buying experience is coupled with a high transparency of pricing and coverage conditions. With a renewal ratio above 80%, our customer loyalty is considered to be high, much higher than for business conducted through other channels of distribution. It is much easier for us to stay in touch with our clients directly. From their point of view, the speed of delivery makes the difference.

### ***Looking beyond Mauritius, what are the key benefits of digitalization for African insurers? And what are the pitfalls – if you would have to give a recommendation?***

In traditional markets, in particular if brokers or agents are involved, insurance often remains the ownership of the intermediaries in terms of product knowledge, service and risk transfer mechanism. But insurance needs to be demystified and simplified as most customers want to be

engaged and feel empowered. Digitalized insurance services need to be designed in a way that customers can make and enjoy such an experience. The fundamental mistake you could make is to try something new based on established systems, procedures and organizational structure. You need to deploy new resources and that's not always easy within an existing organization. So in the end, a lot of it is about corporate culture. And: Technology is not a question of generation any longer.

***What kind of impact do you expect from the COVID 19 crisis on online / direct insurance companies in general and on Quantum Insurance in particular?***

We expect consumers to accelerate the adoption of online insurance. In particular in small markets, such as Mauritius, customers were used to walking into businesses. During the COVID 19 crisis, this was no longer possible, so buyers were somehow forced to try out something new. For many of them it was the first pleasant online insurance buying experience.

***In Africa, insurers often complain about a high degree of fraud in personal lines. Digital products are perceived to help overcome this phenomenon. What is the attitude of regulators? Are they supportive to the launch of digital products?***

Our algorithms help us to detect fraud, but unfortunately we couldn't build on a similar centralized infrastructure and mechanisms that are available in many developed insurance markets. For example, in Europe, information on driving offences is centrally stored and accessible to all insurance companies. In Africa, this is not the case yet, we therefore had to build our own information library and establish our own profiling criteria. Data analysis, observed correlations and the associated conclusions are of crucial importance for the success of our business model. Regulators in most African countries are catching up in respect of either building, fostering or promoting such central databases. Regulators should appreciate the transparency enhancement that comes with digitalization, which will lead to greater homogeneity and fair treatment of all policyholders.

«Africa Re has joined and invested in InsurTech initiatives around the world, including the B3I (Blockchain Insurance Industry Initiative) based in Europe. The Blockchain or Distributed Ledger Technology (DLT) has demonstrated the capability to address some industry issues around reconciliation, standardization, difficulty to share business among African insurance and reinsurance players, cost duplication, manual operations, data integrity, risk accumulation concerns, fraud, payments delay and claims delay. In brief, this technology will result in greater business growth and exchange, efficiency, transparency, contract certainty and accelerated payments.»

**Dr. Corneille Karekezi, Group Managing Director and CEO, Africa Re**



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Prepared by

