COVID-19 and challenges around remote onboarding and digital insurance sales in sub-Saharan Africa

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Problem statement: COVID-19 restrictions make traditional sales (typically in-person) challenging or impossible.

Insurance sold in person: Across seven SSA markets, EY (2016) found that that agents and brokers accounted for 47% to 62% of policies based on premiums.

In-person sales are expensive, inefficient and geographically restricted, limiting the feasibility of expanding the reach of individual retail sales.

COVID-19 has made enabling remote sales a priority for insurers across African insurance markets.

FSPs typically undertake the onboarding/KYC process physically; however, movement restrictions have limited accessibility .

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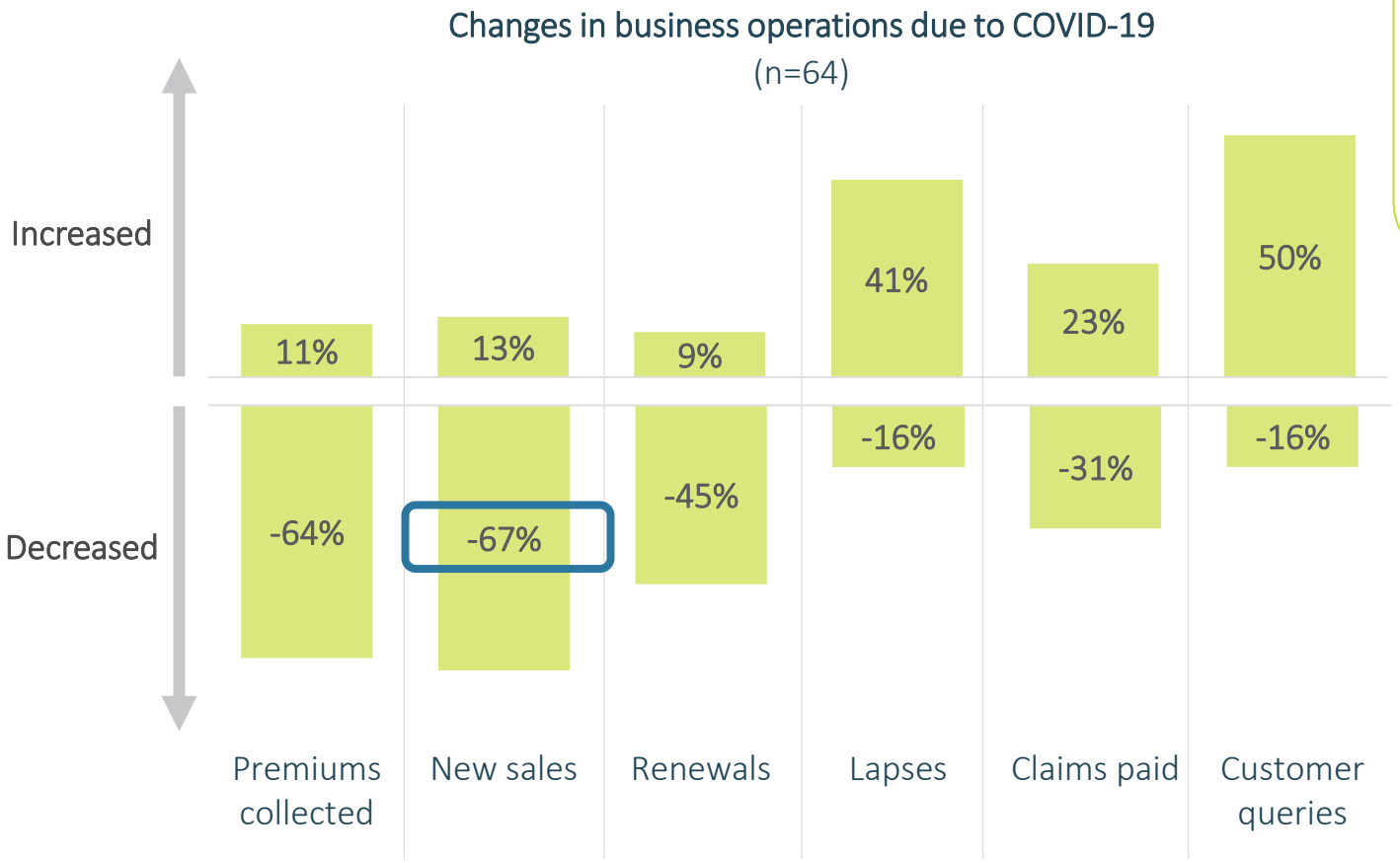
Current impact of COVID-19 on operations

67% of respondents experienced a reduction in new sales.

63% of insurers, microinsurers and insurtechs have digitised, or are in the process of digitising, their sales as a result of COVID-19 (n=48)



Source: FSD Africa, OESAI & Cenfri (2020)

A step back: What is required to do remote sales?

Step 1:
Enable digital contracting

Step 2:
Enable CDD/KYC that allows remote onboarding of customers

Step 3:
Ensure consumers are able and willing to engage digitally

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Step 1: Enable digital contracting

Regulatory requirements and internal capabilities

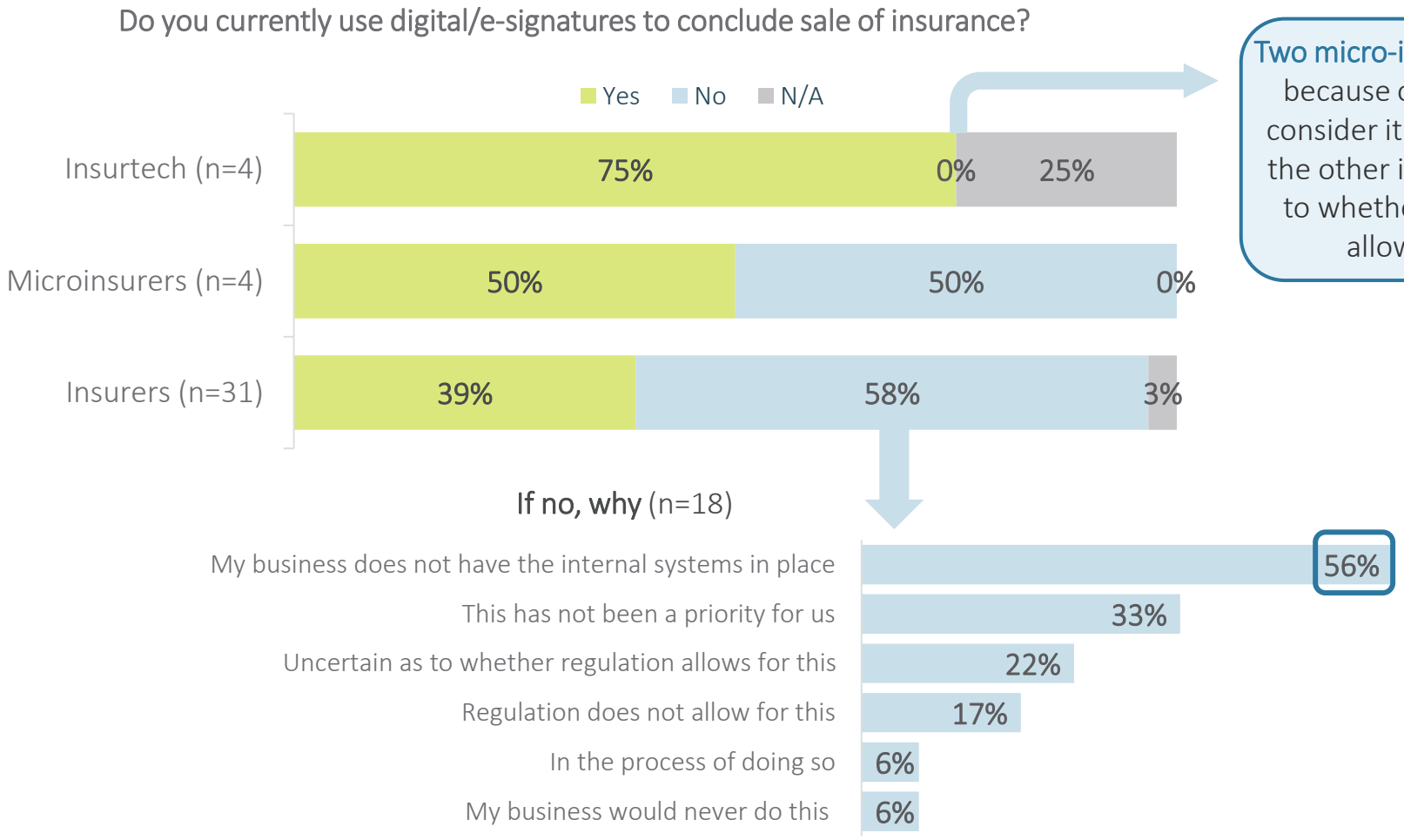
- Is there an electronic, transactions and communications Act that permits digital signatures and electronic contracting?
- Has the insurance regulato acknowledged that electronic contracting is permitted for insurance policies?
- Is industry aware that digital contracting is legal?
- Do industry players' systems enable digital contracting?

Sub-Saharan African markets that permit e-signatures

Source: multiple

Step 1: Enable digital contracting

44% of insurers, microinsurers and insurtechs currently use digital/electronic signatures to conclude the sale of insurance contracts.



Source: FSD Africa, OESAI & Cenfri (2020)

Step 2: Enable remote identity proofing (CDD and KYC)

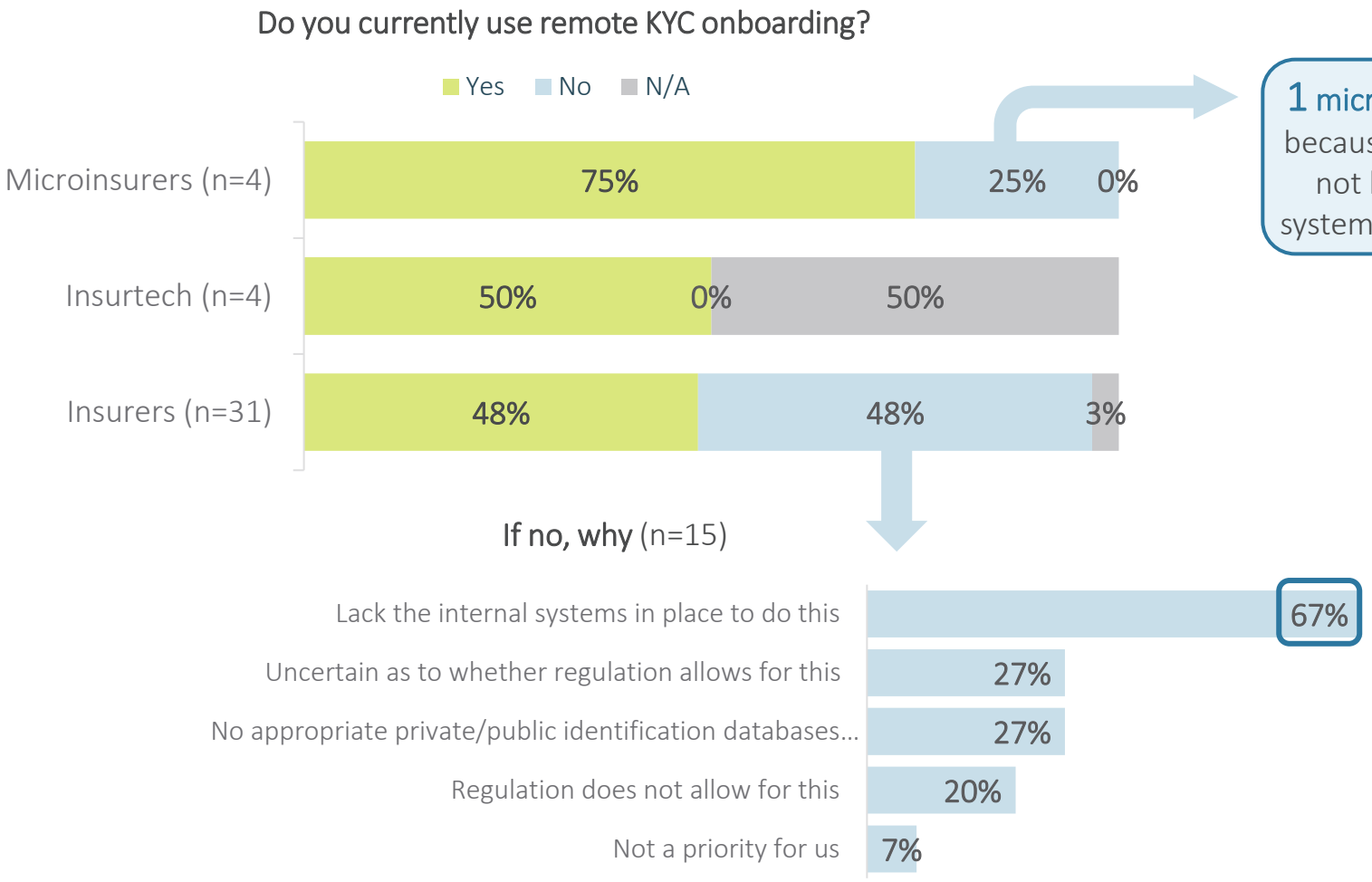
45% of individuals in sub-Saharan Africa lack an official ID.

- CDD and KYC are necessary to onboard new customers.
  - However, this usually requires in-person engagement to validate ID, which undermines the ability to do digital, remote sales.
    - Financial service providers collect a set of documents, which are then verified in person by specialists.
    - It ensures documents are legitimate and that the person is who they say they are.
- Remote onboarding necessary, but not widely adopted
  - Regulatory barriers
    - CDD regulation is prescriptive and inflexible: may require process to be done in person
  - Contextual barriers
    - Perceived to be higher-risk or less robust than in-person
  - Provider challenges
    - FSP processes are set up to support in-person KYC
    - Lack of robust digital identity systems

Source: ID4D, 2018.

Step 2: Enable remote identity proofing (CDD and KYC)

51% of insurers, microinsurers and insurtechs currently use remote KYC onboarding.



Source: FSD Africa, OESAI & Cenfri (2020)

Step 2: Enable remote identity proofing (CDD and KYC)

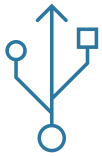
Remote identity proofing is superior to in-person

- Remote onboarding is not necessarily **higher-risk**.
  - FATF clarified in its digital ID guidance that remote onboarding using appropriate digital ID systems may be **standard** or even **low-risk** compared to in-person (referred to by FATF as remote **ID proofing**).
  - Digital ID systems use increasingly robust methods for verifying physical documents.
  - They also carry additional information that is useful for identity proofing (transaction data, location data, etc.).
- Use of digital identity may **enhance financial inclusion**
  - Digital footprint can be used **instead** of documents.
  - Technology to **replace** physical documents (e.g. GPS for proof of address)
  - Can **automate** the proofing process and reduce costs for FSPs
- Use of digital ID can **improve application of risk-based approach**.
  - Digital footprint can be used to shape identity over time, allowing for a better understanding of risk.
  - ML-TF controls can be updated continually or even automatically to align with identity risk profiles

Step 2: Enable remote identity proofing (CDD and KYC)

What does remote identity proofing look like?

Collect identity information electronically



Examples:

- ID number and picture
- Name
- Fingerprint
- Mobile phone number
- Email address
- Picture of proof of address
- Selfie and GPS
- Independent digital ID number/tag

Verify identity information

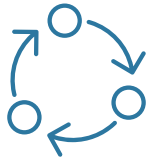
- Verify against database
- Retrieve additional data
- Digital document verification (e.g. OCR technology)

Can be significantly more robust than in-person documentation checking

Assess level of identity assurance

- How well do I understand the identity of this client?
- What controls should be put on the account to mitigate ML-TF risks?
- Establish unique identity

Continually proof the account



Collect and analyse data collected from ongoing authentication

- IP address, geolocation, etc.
- Continually align account controls with risk

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Step 2: Enable remote identity proofing (CDD and KYC)

What can regulators do to align?

Short term

1. **Provide guidance to FSPs on the usage of digital ID databases.** Map ID systems and databases available, then provide guidance on how FSPs can leverage these for customer verification.
2. **Remove legal constraints that hinder the adoption of digital ID systems.** Remove barriers like the requirement of physical documentation and face-to-face onboarding.
3. **Establish a coordinated test-and-learn.** Facilitate dialogue and cooperation while enabling testing grounds for new technologies.

Medium to long term

1. **Regulators need to align their regulations and legislation with FATF recommendations.** Develop a comprehensive regulatory environment that enables the risk-based use of reliable digital ID systems by regulated entities.
2. **Consider developing a national digital identity proxy system.** Regulators should develop their own digital ID systems to enable a multitude of services like G2P payments.
3. **Establish a data protection and privacy regime.** Establish a DPP system to protect against the risk of data misuse and data loss.

Step 2: Enable remote identity proofing (CDD and KYC)

What can FSPs do to align?

Short term

1. **Assess the law as it pertains to CDD**. Understand CDD requirements according to regulation and what flexibility exists.
2. **Revise outdated policies and practices**. Remove barriers, i.e. the assumption that non-face-to-face transactions are high-risk and outdated practices like the requirement of weak physical identifiers.
3. **Leverage databases and innovative technology.** FSPs have three options:
   a) Officially recognised ID systems – using digital IDs recognised/developed by government
   b) Identity systems not recognised by the regulator – require additional assurance checks
   c) Identity systems with low levels of assurance for ID proofing – require authentication controls

Medium to long term

1. **Develop a collaborative approach to CDD and ID proofing.** Greater information-sharing can reduce costs and increase effectiveness.
2. **Work with government and industry to develop databases.** Share data with government to collaboratively develop nationally recognised databases.

Step 2: Enable remote identity proofing (CDD and KYC)

What can market shapers do to align?

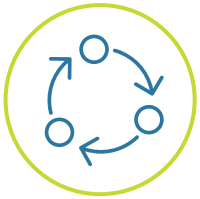
1. Provide support and guidance for market players
   - Review regulation and identify key gaps
   - Technical assistance for government and FSPs
2. Identify key leverage points for market development
   - Identify potential regtech, suptech and other innovations that can be leveraged
   - Facilitate partnerships between identity providers and other market players
   - Fund the development and testing of ID systems
   - Facilitate multi-stakeholder forums on digital ID implementation for CDD in Africa
3. Disseminate information
   - Create awareness of the digital systems available, their benefits and the barriers being faced when implementing them
   - Thought leadership and guidance on the use of identity proofing innovations

Step 3: Ensure consumers are able and willing to engage digitally

How can you ensure that customers are able, willing and empowered to purchase policies remotely?

Understand what prevents and drives digital consumer behaviour in your context

Conduct consumer research to understand realities of the target group and their current perception of and barriers to concluding insurance sales digitally, as well as the contexts in which consumers make insurance decisions.



Design for a seamless digital process

- Keep consumer realities in mind (e.g. what % of the population has an ID?)
- Create simple and bite-size instructions
- Test UX design with your target group to make sure that the process is simple and that they understand the content
- Ask for the bare minimum of information and find other ways to get everything else
- Use familiar digital channels to reach out (e.g. WhatsApp, Facebook, etc.)
- Ensure easy access to customer service (e.g. bot, call centre or messaging centre)
- Be clear on data privacy and usage

Continuously test and iterate your approach

- Ensure you can easily monitor and track consumer purchasing behaviour (e.g. track at what stage of the buying process consumers drop off)
- Test and iterate your approach and apply behavioural tweaks through nimble evaluations
  - Effective, simple messaging, usability of digital engagement, framing, etc.

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About Cenfri

Cenfri is a global think-tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About FSD Africa

FSD Africa is a non-profit company that aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK aid from the UK Government. FSD Africa also provides technical and operational support to a family of 10 financial market development agencies or "FSDs" across SSA called the FSD Network.

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