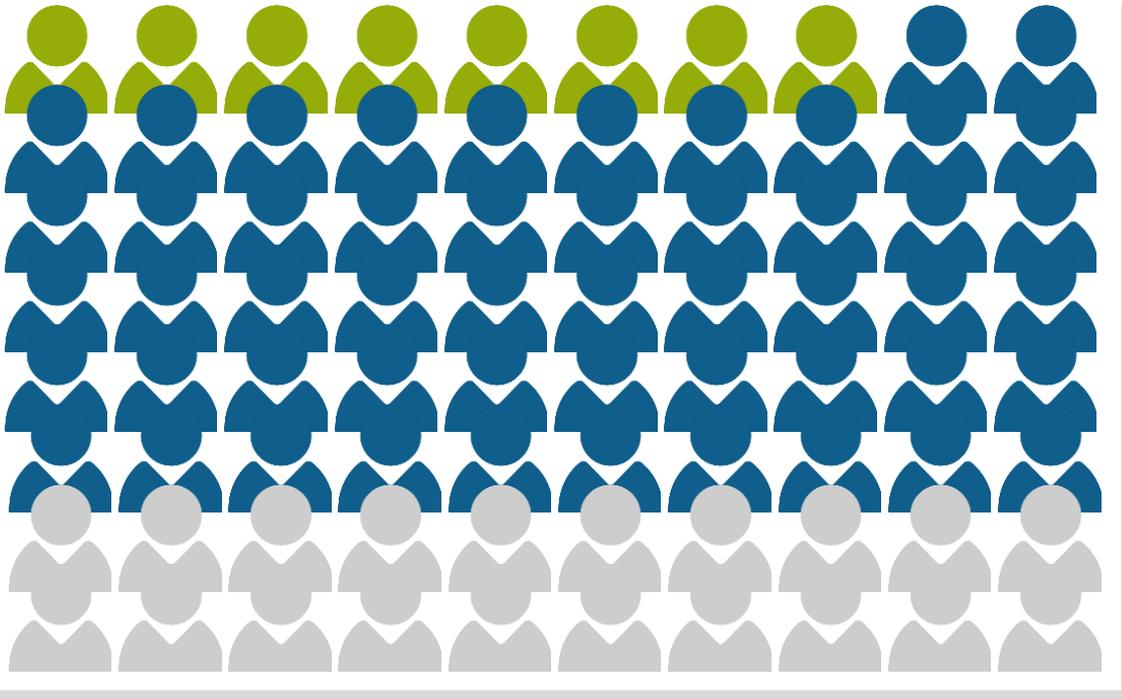


Ten years, eight trends: Where does inclusive insurance go from here?

1. The world of risk is changing.
2. Insurance matters more than ever.
3. Challenges in market development persist.
4. Technology and data present opportunities to overcome market development challenges.
5. Governments have a role as enablers and providers of responsible insurance services.
6. Integrated risk management solutions can improve value for consumers and small businesses.
7. New provider landscape creates new opportunities but also brings challenges.
8. Market facilitation need remains key.

1. The world of risk is changing, with new consumers and new risks emerging.



Insurance penetration
is between 10% and
20% globally

One billion people will
enter the consuming
class (earning more
than USD10 a day) by
2025.



Future of
work



Increased
migration



Climate
change



Changing asset
ownerships

- **New consumers:** One billion people will enter the consuming class (earning more than USD10 a day) by 2025; and, for the first time in history, the number of people in the consuming class will be larger than those struggling to meet their basic needs.
- **New risks:** The world is becoming riskier. The Global Risk 2017 report ranked extreme weather events and natural disasters as top risks in terms of likelihood and impact. Risks are also changing. The shared economy and changing nature of asset ownership among younger consumers will shape their insurance and risk needs in the future.

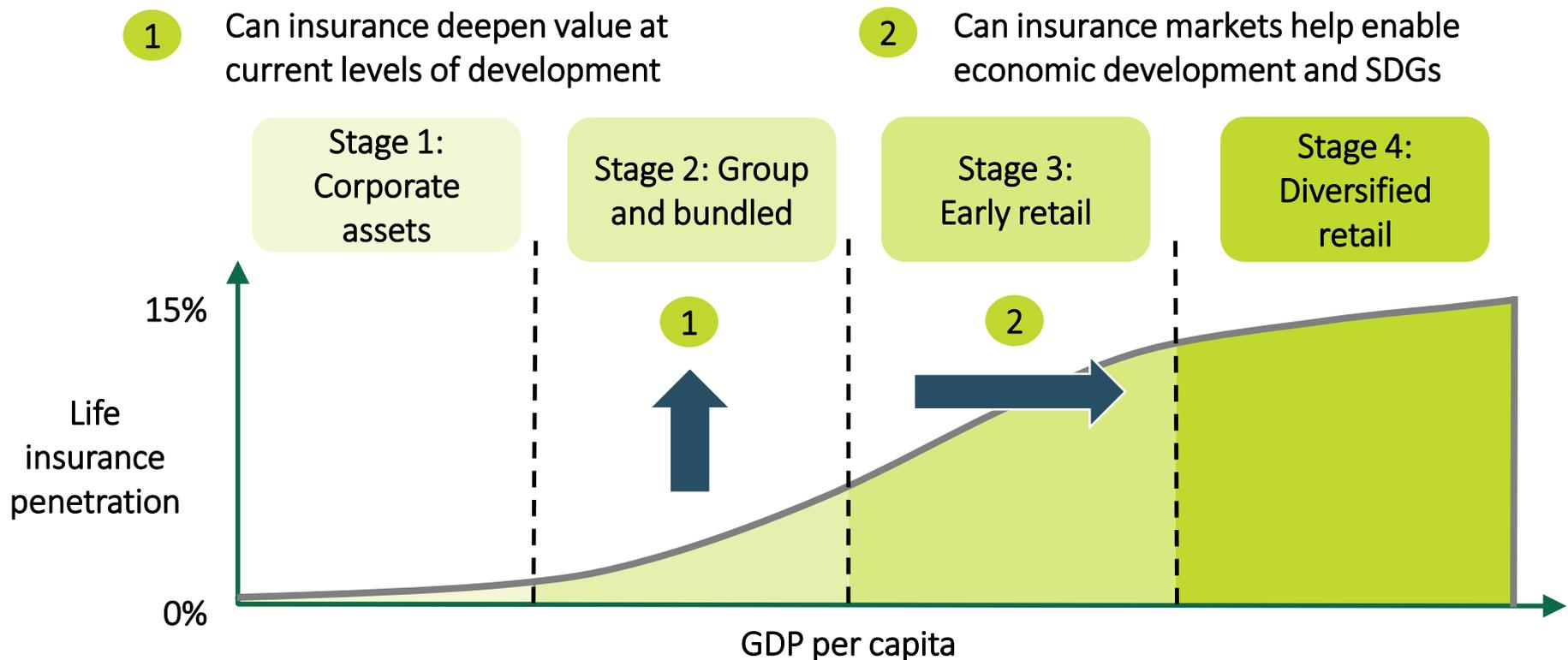
2. Insurance matters more than ever.*



* Coloured SDG icons indicate those that insurance can contribute to.

- The insurance industry has the **potential to make significant contributions at both the micro and macro levels**. In a developed insurance market, households and enterprises are more resilient. At the macro level, insurance companies can contribute to capital market developments. The industry needs to leverage this potential to make larger contributions and to draw attention to them, in turn contributing to many of the SDG goals.

3. Challenges in market development persist.



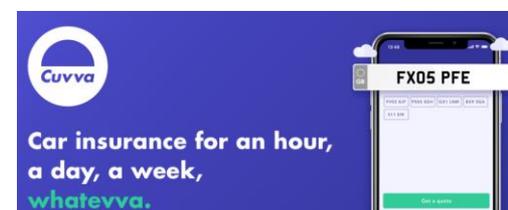
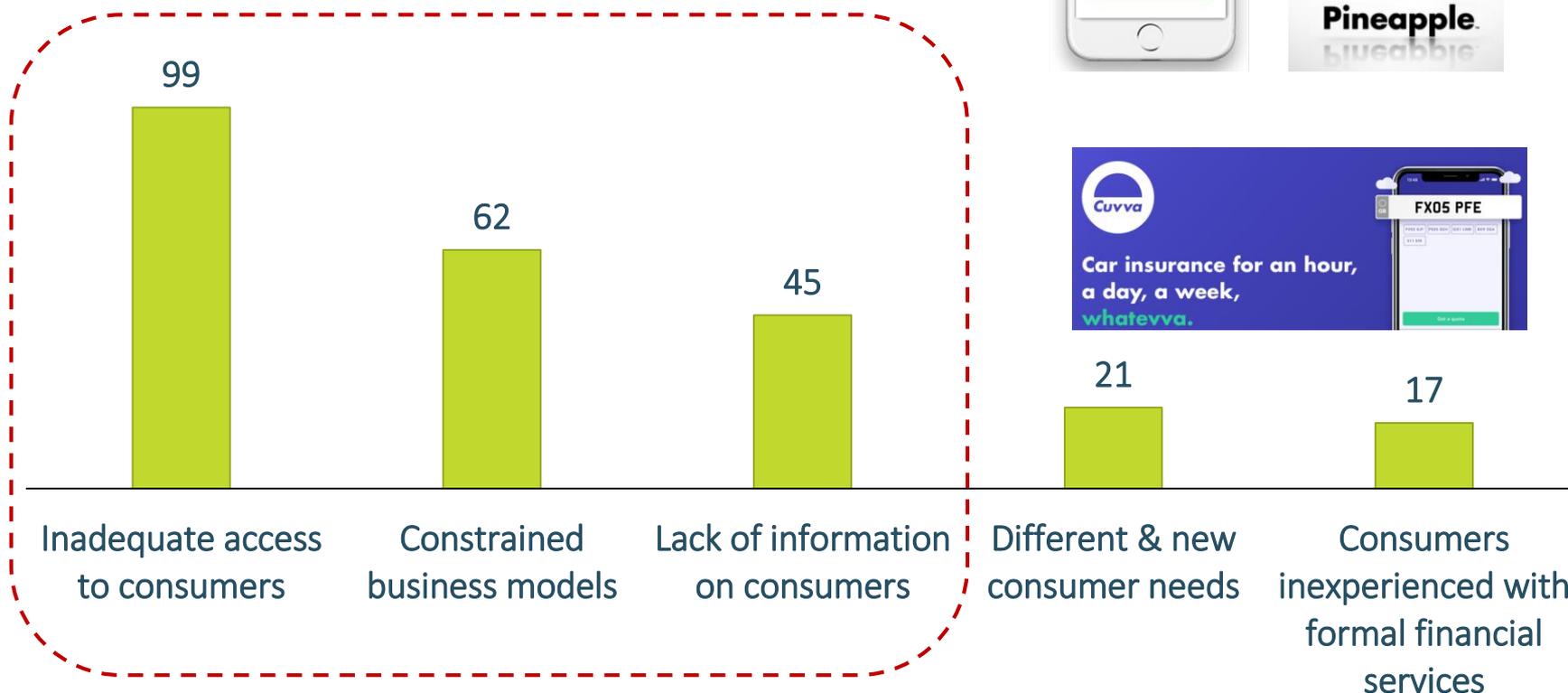
- The **last 10 years have seen scale, but value has been elusive**. Scale has been driven on the back of large aggregators like banks, microfinance institutions, mobile network operators (MNOs), retailers and utility companies, but products offered through these channels typically speak to the needs of these aggregators and offer little value to consumers. However, they still provide important incremental gains in risk management and large gains in terms of people reached.
- **Most developing countries are stuck in Stage 2 of market development**, with limited choice and use and a tendency to offer low value, evident by low claims ratios and the preference by consumers to use other mechanisms to manage risks (even if they are covered).
- There is a **need to improve value and experiment with new technologies to deepen voluntary use** for those that can afford and provide government assistance for those that cannot.

4. Technology and data present opportunities to overcome market development challenges.

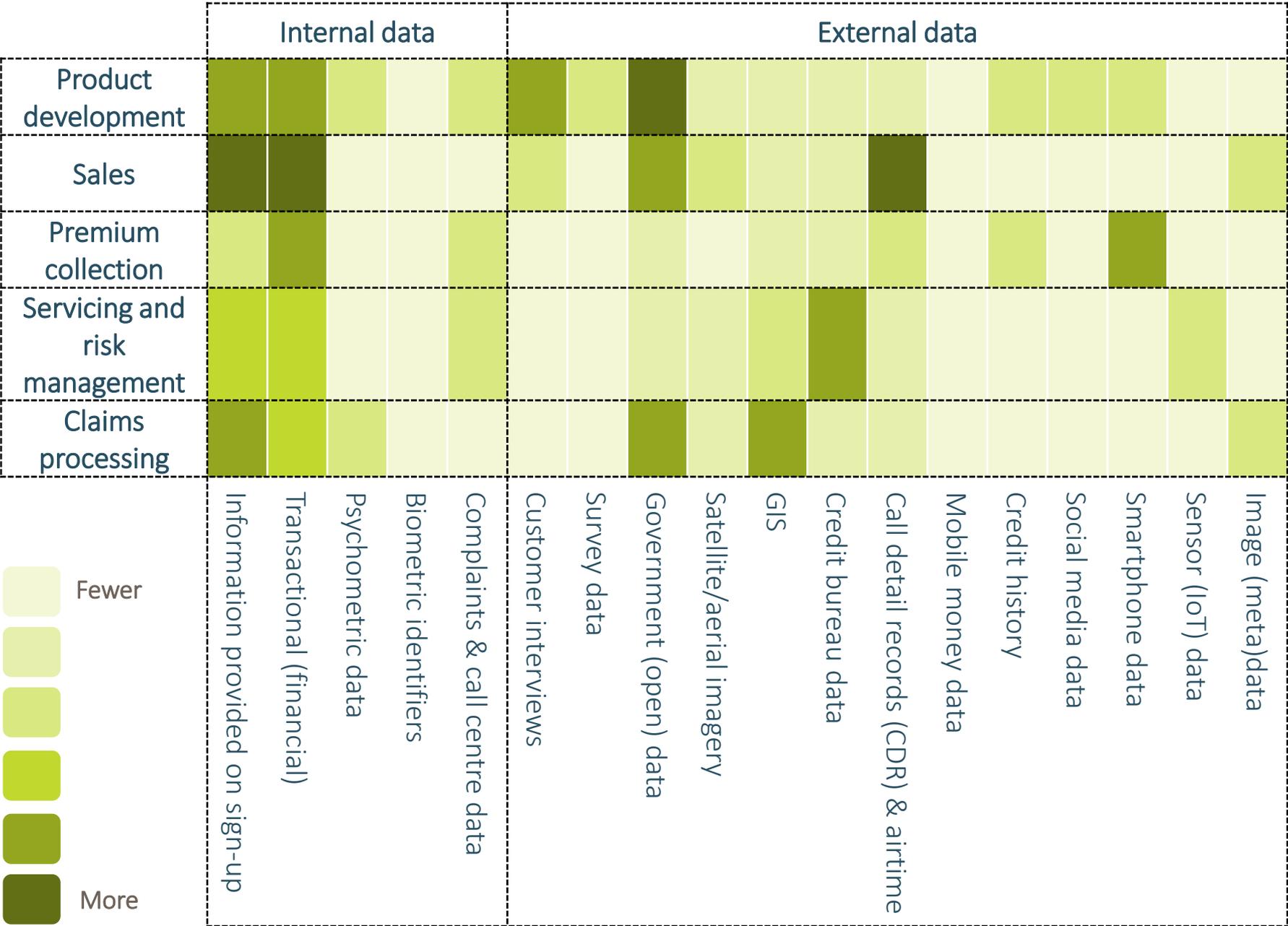
Preliminary findings show that most technological and data innovations are focused on business problems, but technology and data are creating new opportunities for consumer solutions:

- **Better aggregation.** New technologies and digital platforms are looked to as the new distribution channels to support scale in microinsurance (after MNOs). But, unlike with MNOs, they aggregate a broader range of consumer groups (e.g. merchants) and facilitate a more diverse range of transactions.
- **Enhanced outbound capacity to engage consumers in a meaningful way.** Smartphones and digital platforms enable access to new data sources that can be used to identify relevant risks and target consumers with insurance products that fit into an existing behaviour (e.g. fly delay insurance in China).
- **New and relevant covers.** With digital solutions, such as telematics and the Internet of Things (IoT), allowing for instant individual pricing, real-time data collection and automatic claims processing, new kinds of products such as usage-based and on-demand insurance are emerging, which would work well for the low-income and emerging segments as they should be simpler, cheaper and easier to sell.
- **More payment options.** Technology can get closer to the consumer and helps to build outbound capacity and integrated payment mechanisms. For example, a study on digital platform study across eight countries in sub-Saharan Africa found that platforms accept a range of payment options, including card (70%), cash (38%), mobile payments (37%), bank transfers (27%) and PayPal (20%).

Insurtech mostly focused on improving existing business models, but pockets of innovation show potential to improve value for consumers.

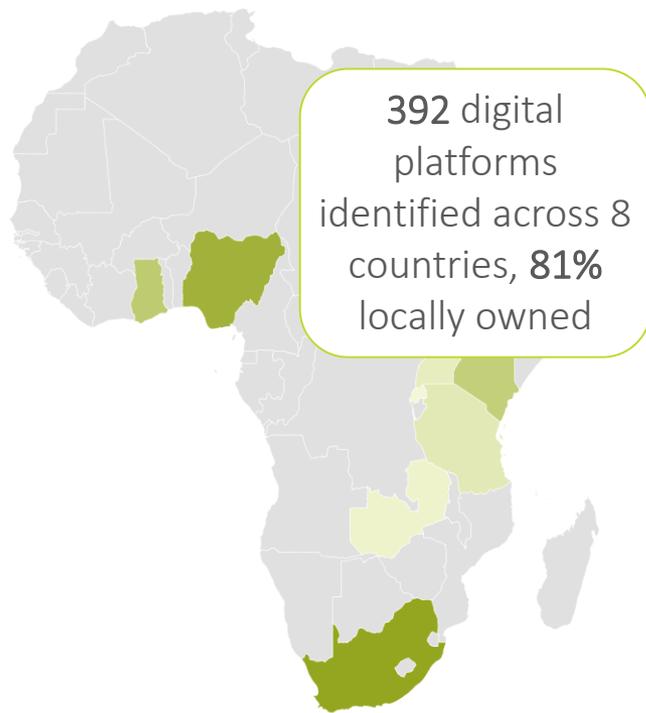


Many innovative use cases for data in inclusive insurance, but the business case remains unclear.

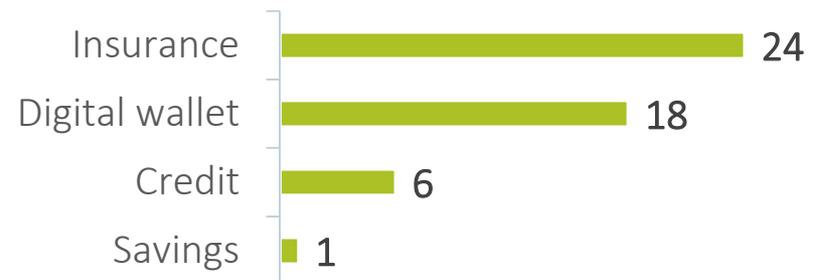


Emerging digital eco-system in sub-Saharan Africa offers potential for inclusive insurance

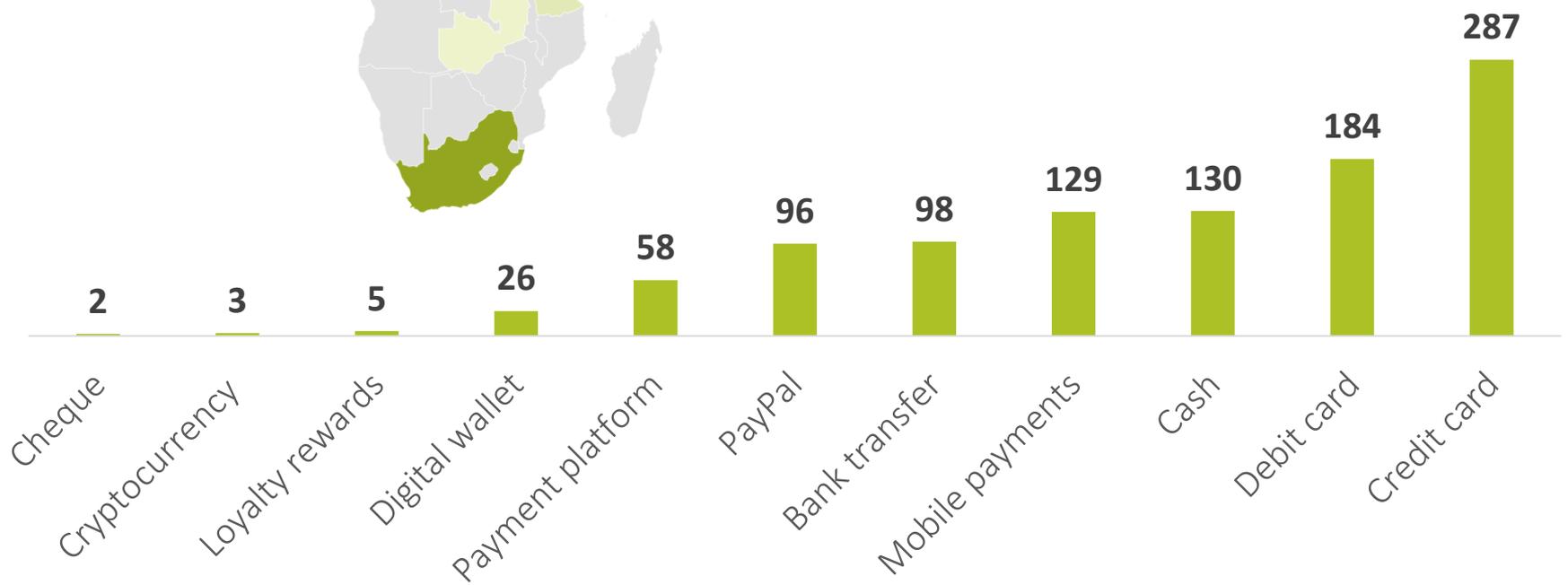
No. of digital platforms by country



Platforms offering financial services by type



Payment instruments offered by platforms



5. Governments have the role of enablers and providers of responsible insurance services.

Enablers

Providers



Regulating for responsible data innovation:
The role of insurance regulators in dealing with risks relating to consumer data protection and privacy

GLOBAL FINANCIAL INNOVATION NETWORK (GFIN)



- Governments are increasingly using insurance to achieve public policy objectives, especially those related to universal health coverage, food security and climate change adaptation using policy and regulation to build conducive environments, but also as a provider or procurer of services.
- Government and insurance associations should push for the provision of responsible insurance. Responsible insurance provision requires the delivery of appropriate products in an *accessible, transparent, fair, responsive* and *respectful* way to *informed* consumers who can use those products effectively.

6. Integrated risk management solutions can improve value for consumers and small businesses



- Hire vetting companies to check **driver's competency**
- Hire specialist driver-training firms ensures drivers received **adequate training**
- Prerequisite that all vehicles are roadworthy and if they are valued at more than USD20,000, they must be fitted with a **tracking device**

It is not possible for consumers to manage all of their risks through insurance. Of course, insurers would have never argued otherwise, but if the objective is sustainable development, rather than just selling more insurance policies, a more integrated approach to support risk management is required. Two trends are emerging in risk management to support the impact of insurance:

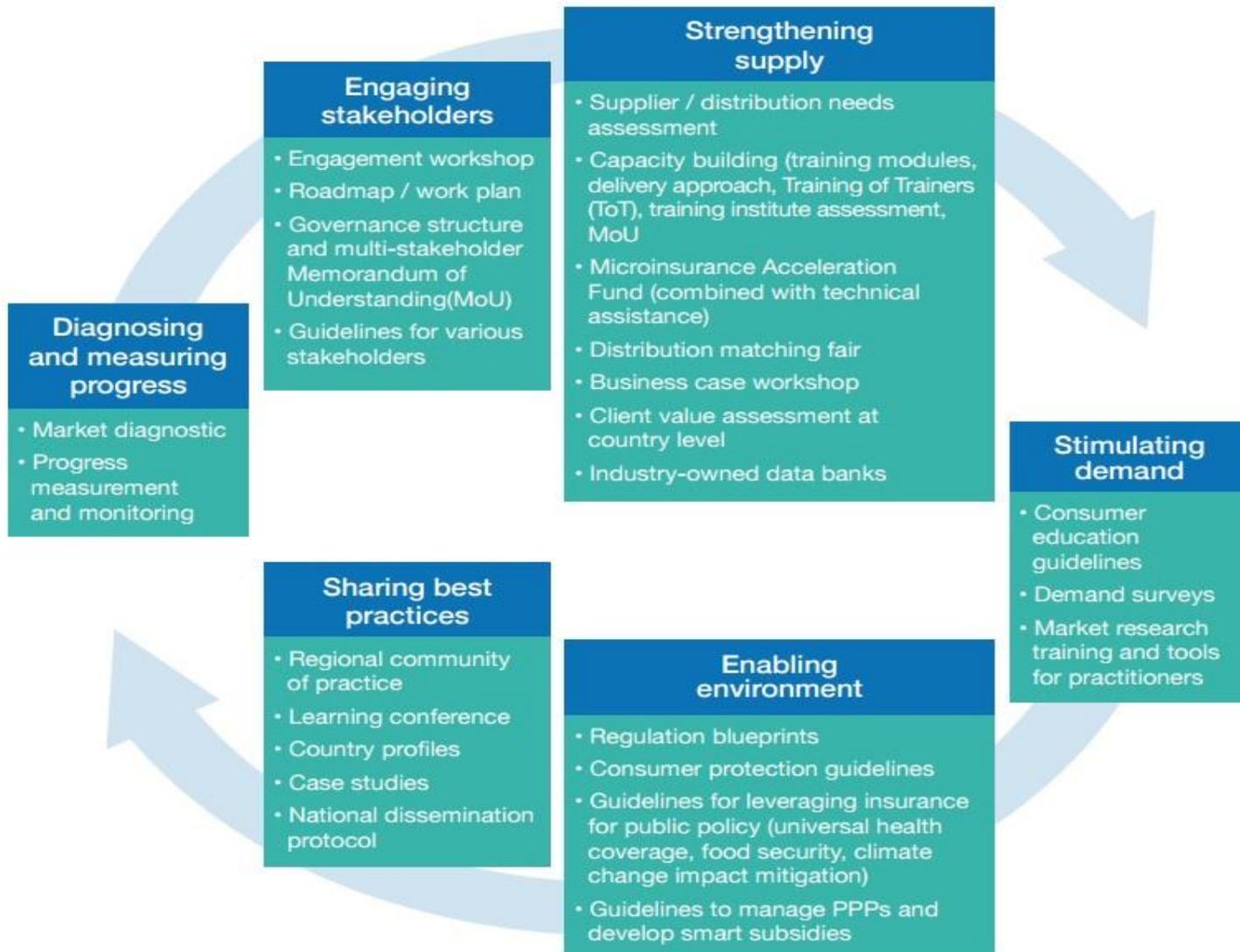
- **Bundling of services:** Consumers often do not take up insurance because the opportunity cost of them giving up money today for money in the future is too high, given their limited incomes. Insurers are increasingly bundling non-financial services, such as offering access to health consultations, discounted pharmaceuticals, among others, to increase the value for consumers.
- **De-risking of value chains:** Insurers are increasingly focusing on risk management to support businesses and value chains in emerging markets to build their resilience.

7. New provider landscape creates new opportunities but also brings challenges

Insurers could lose their role as the primary insurance providers, as other types of organisations that are more nimble and better able to respond to client needs acquire insurance licences. This includes the re-invention of mobile insurance driven largely by technical service providers, as well as the entrance of digital platforms as distribution channels. On the other side, new partnerships with fintech and insurtech firms bring opportunities for insurers to reach customers directly and bundle insurance with an array of services. We foresee three trends in the changing provider landscape:

- **MNOs 2.0:** MNOs leveraging improved mobile technology and data to offer better value products – often with integrated risk management services – to consumers to move beyond loyalty and freemium products to offer paid-for products
- **Beyond mobile:** Digital platforms as the new distribution channel to support scale in microinsurance (after MNOs). But, unlike with MNOs, they aggregate a broader range of consumer groups (e.g. merchants) and facilitate a more diverse range of transactions. Insurance can either be offered directly to users (purchase) or required by platforms to use (create market).
- **Re-inventing agency:** The use of technology and data can also enable the viability of traditional brick-and-mortar models. Technology and data can bring down the cost of policy administration and ongoing communication with consumers to enable face-to-face sales by providers and investment in infrastructure closer to the communities they are trying to reach.

8. Market facilitation need remains key.



The substantial opportunities provide reason for optimism. There is a need for longer-term foundational interventions that allow markets to develop. Market facilitation is imperative to guide and support across the supply, demand and regulatory dimensions. Without establishing a broader facilitative environment, innovations may be short-lived, not achieve scale or offer poor value.

Thank you!

About Cenfri

The Centre for Financial Regulation & Inclusion (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 seeking to unlock development outcomes through inclusive financial services and the financial sector more broadly.

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Impact Insurance Facility

About the ILO's Impact Insurance Facility

The ILO's Impact Insurance Facility is enabling the insurance sector, governments, and their partners to embrace impact insurance to reduce households' vulnerability, promote stronger enterprises and facilitate better public policies.

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