

# Unlocking risk management for enterprise development in Sub-Saharan Africa

Webinar | May 2019



# Agenda

- Overview
- Role of insurance for enterprise development – in principle
- Role of insurance for enterprise development – in practice
- Imperatives for economic development
- Closing remarks and discussion

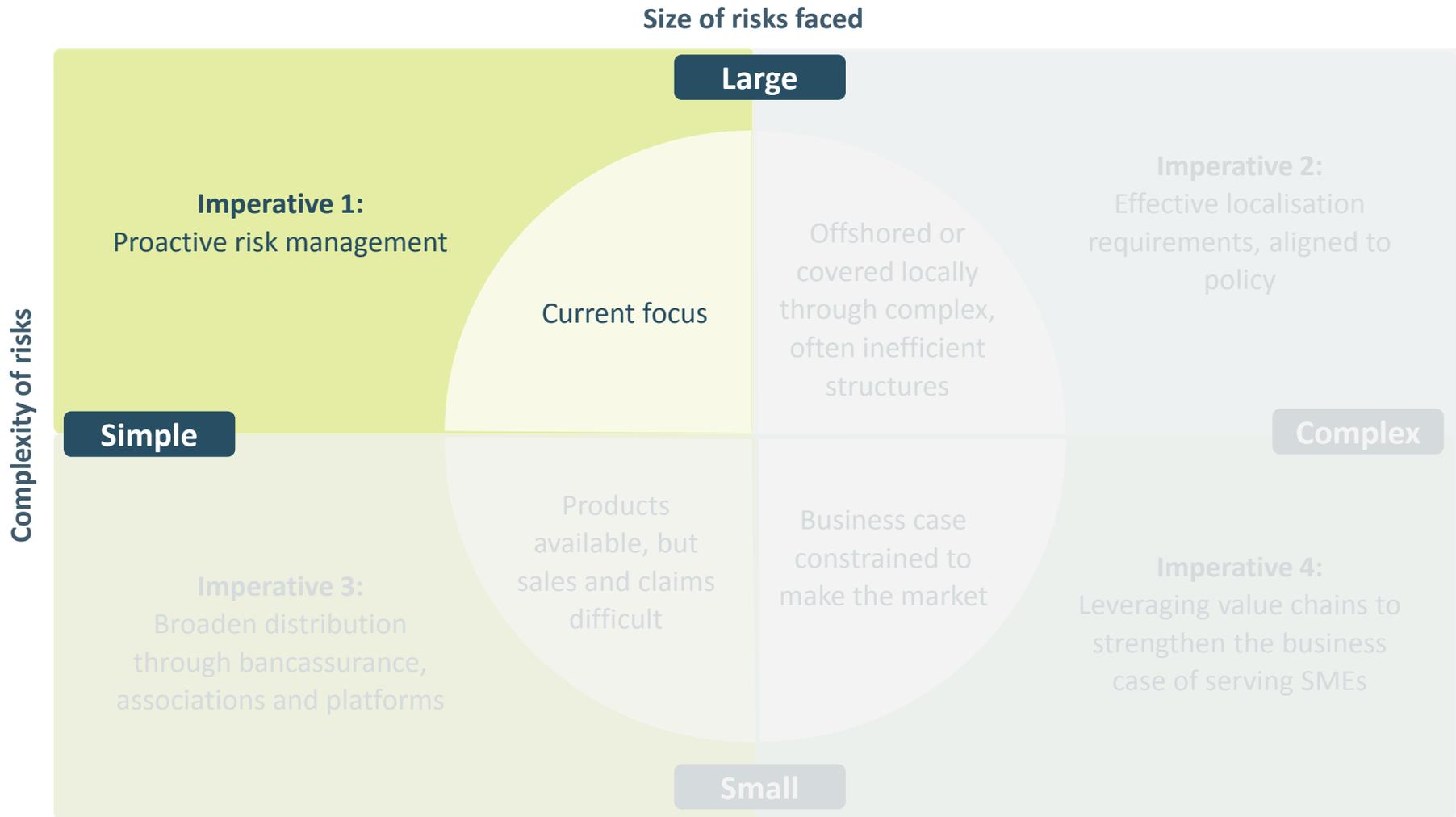
# Background

- **Objective:** Understand how insurance can contribute to sustainable and inclusive growth
- **Approach:** Diagnostics into the role that insurance market development has on the long-term economic development path of a country
- **Guiding questions:**
  - What is the current and potential role of insurance to support economic development in developing countries?
  - How can insurance contribute to more inclusive growth in these countries?
  - Given our limited portfolio of countries, what gaps do we have?
- **Audience:** Policymakers, regulatory authorities, development partners and insurance companies

# Why look at insurance for SMEs

- SME development is a main **development priority** across sub-Saharan African national agendas.
- SME development is a key driver of **economic growth, employment and innovation**.
  - MSMEs account for 90% of businesses and are a source of more than 50% of employment worldwide (IFC, 2015).
  - Formal SMEs contribute up to 33% of emerging market GDP and up to 45% of total employment (OECD, 2017).
  - MSMEs can play a key role in developing and commercialising innovations. The size and flexible nature of smaller businesses enable them to implement new innovations relative to larger corporates.
- However, **insurance support is limited**, and most available products **fail to account for the nuanced needs of SMEs**.

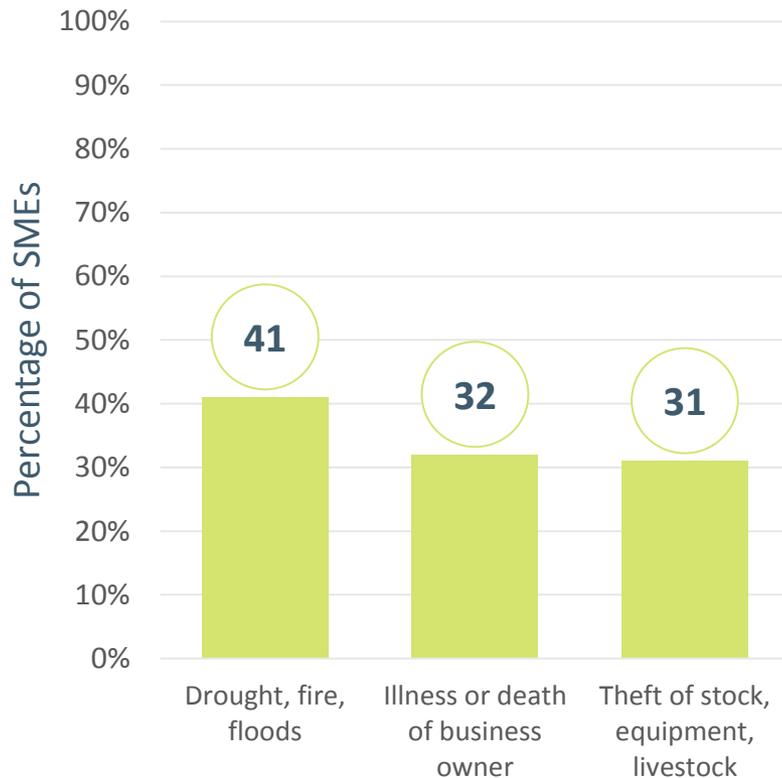
# Enterprise risk management practices observed and proposed policy imperatives



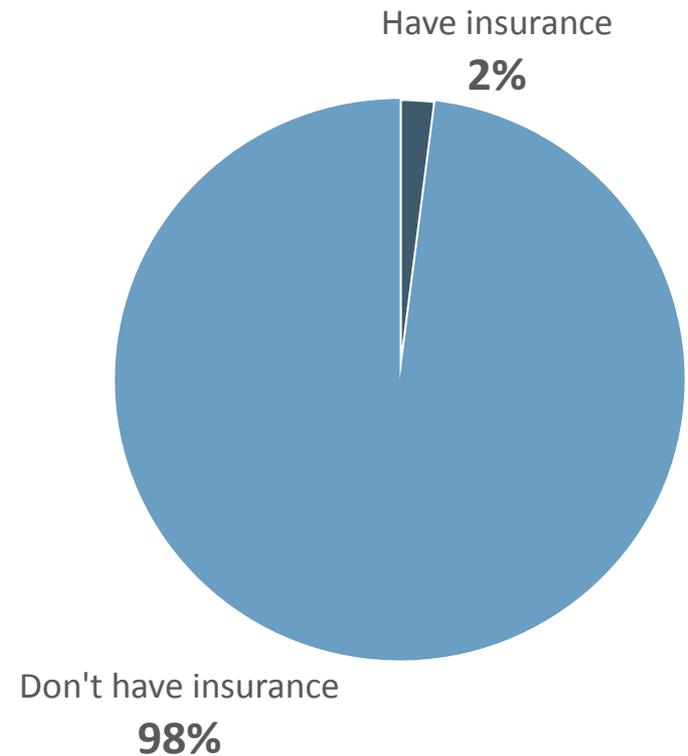
# Africa's risk protection gap

Many SMEs are exposed to insurable risks but remain uncovered.

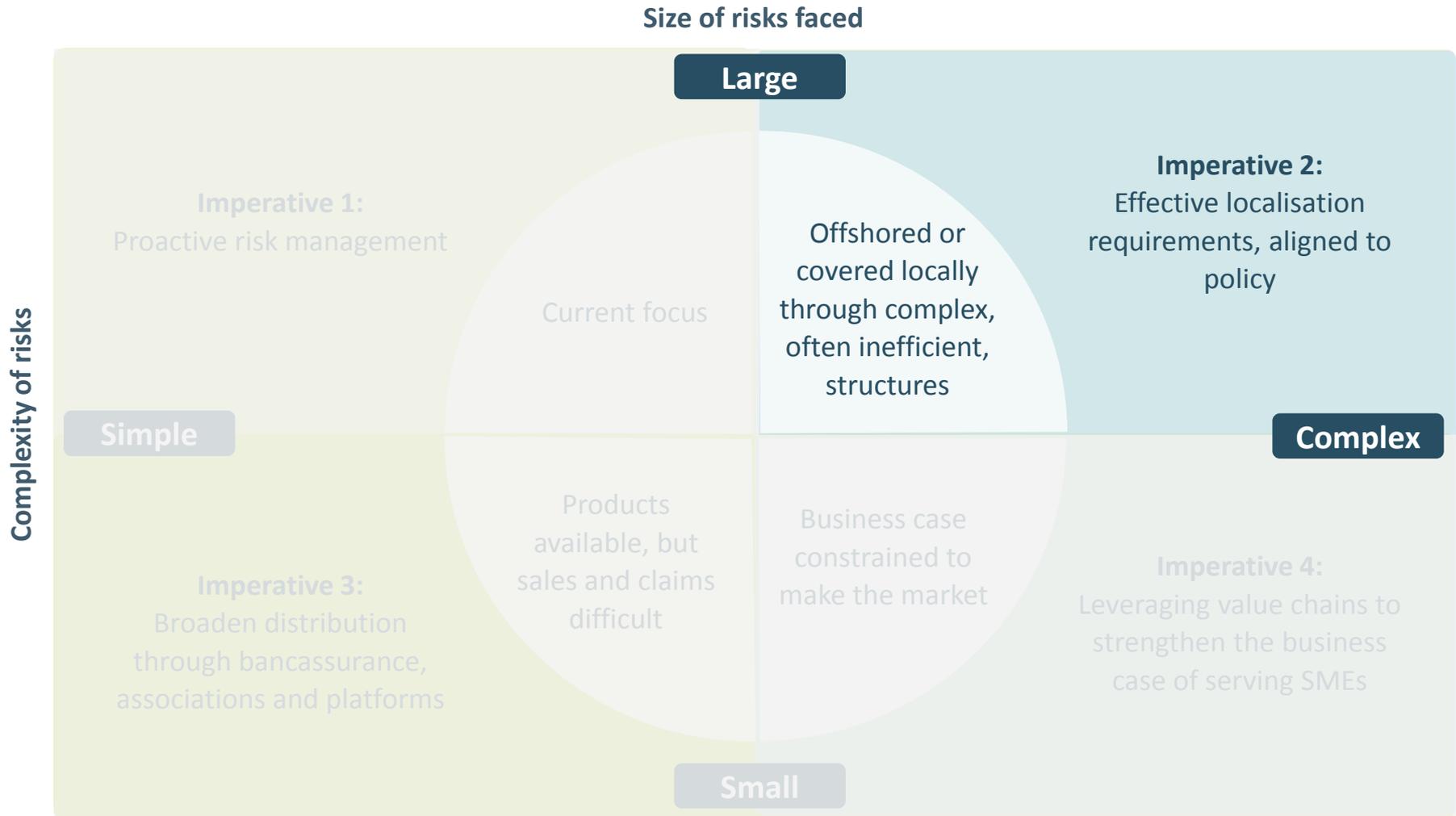
Main business risks experienced by MSMEs in Malawi



Insurance take-up by MSMEs in Malawi



# Enterprise risk management practices observed and proposed policy imperatives



# Localisation

Localisation policy has implications for the adequacy of risk cover available to domestic enterprises and the cost of doing business locally.

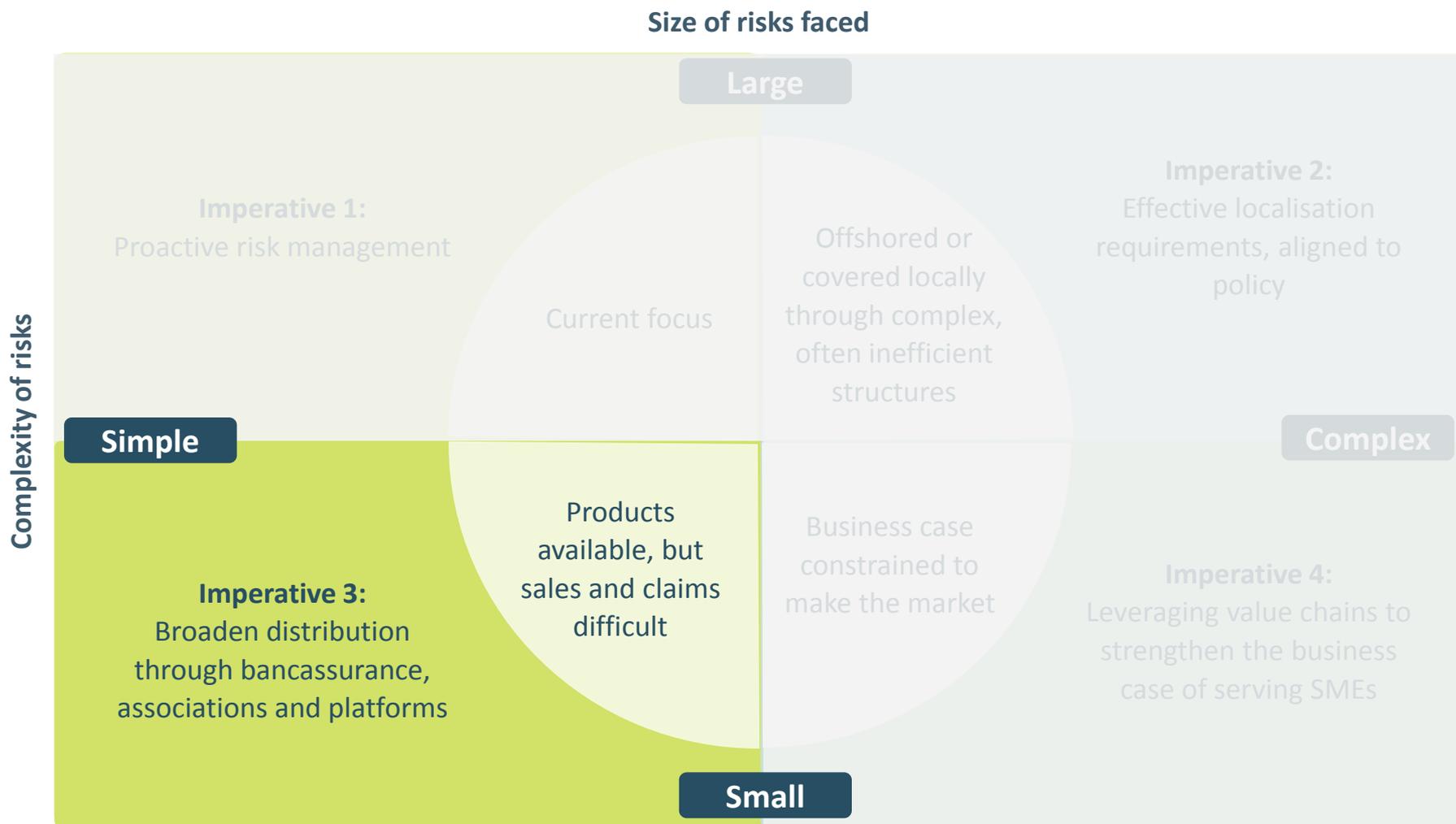
**Limited local capacity to serve large business needs.** Large corporate risks are mostly covered via global reinsurance markets rather than domestically. **Of non-life risks across Ghana, Kenya and Nigeria, 47% to 81% are transferred offshore,** despite localisation requirements.

**Localisation requirements introduce inefficiencies.** In Ghana and Nigeria, local content requirements have been instituted to develop local insurance markets. However, this has introduced inefficiencies to the market and may keep otherwise unsustainable businesses afloat.

- In Ghana, only around 20% of applications to offshore risk are accepted.
- In Nigeria, anecdotal evidence from stakeholders highlighted challenges in the effective working of local risk pools.
- In Kenya, domestic reinsurance companies raised concerns about the localisation policies of neighbouring countries like Tanzania, limiting their ability to bring regional risk exposures onshore.

All throughout, transparent and efficient processes for implementation should be advocated. Where necessary, **global risk pools should be allowed to frictionlessly complement domestic insurance capacity, in line with economic objectives.**

# Enterprise risk management practices observed and proposed policy imperatives



# Imperatives

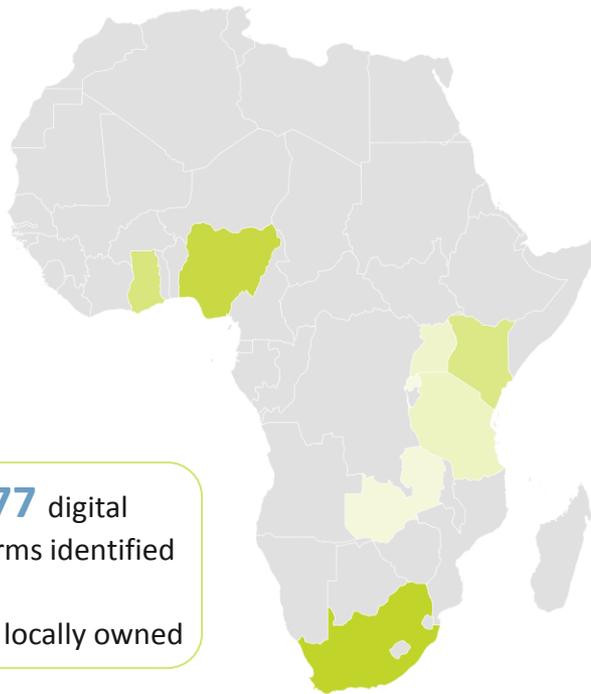
## Leveraging broader distribution channels

- **Unlock alternative distribution channels:** The traditional broker-driven model is not cost-effective and often cannot access unnetworked, hard-to-reach SMEs. Other channels need to be explored, for example:
  - **Partnership models** with mobile network operators (MNOs), microfinance institutions (MFIs) and associations
  - Innovative **digital platforms**
  - **Meso-level insurance** is an alternative way by which aggregators, such as MFIs, can support their clients' insurance needs.
- **Leveraging technology** and **expanding distribution options** can reduce costs and achieve scale.
- However, the **availability of particular channels** is determined by the **legal framework** in which the insurer operates.

# Digital platforms

The next-generation distribution channel for insurance

No. of digital platforms by country



**277** digital platforms identified

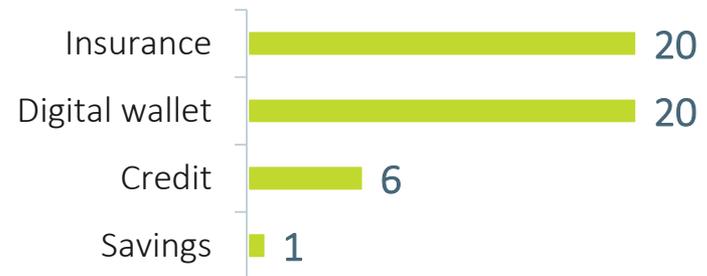
**80%** locally owned

Powered by Bing  
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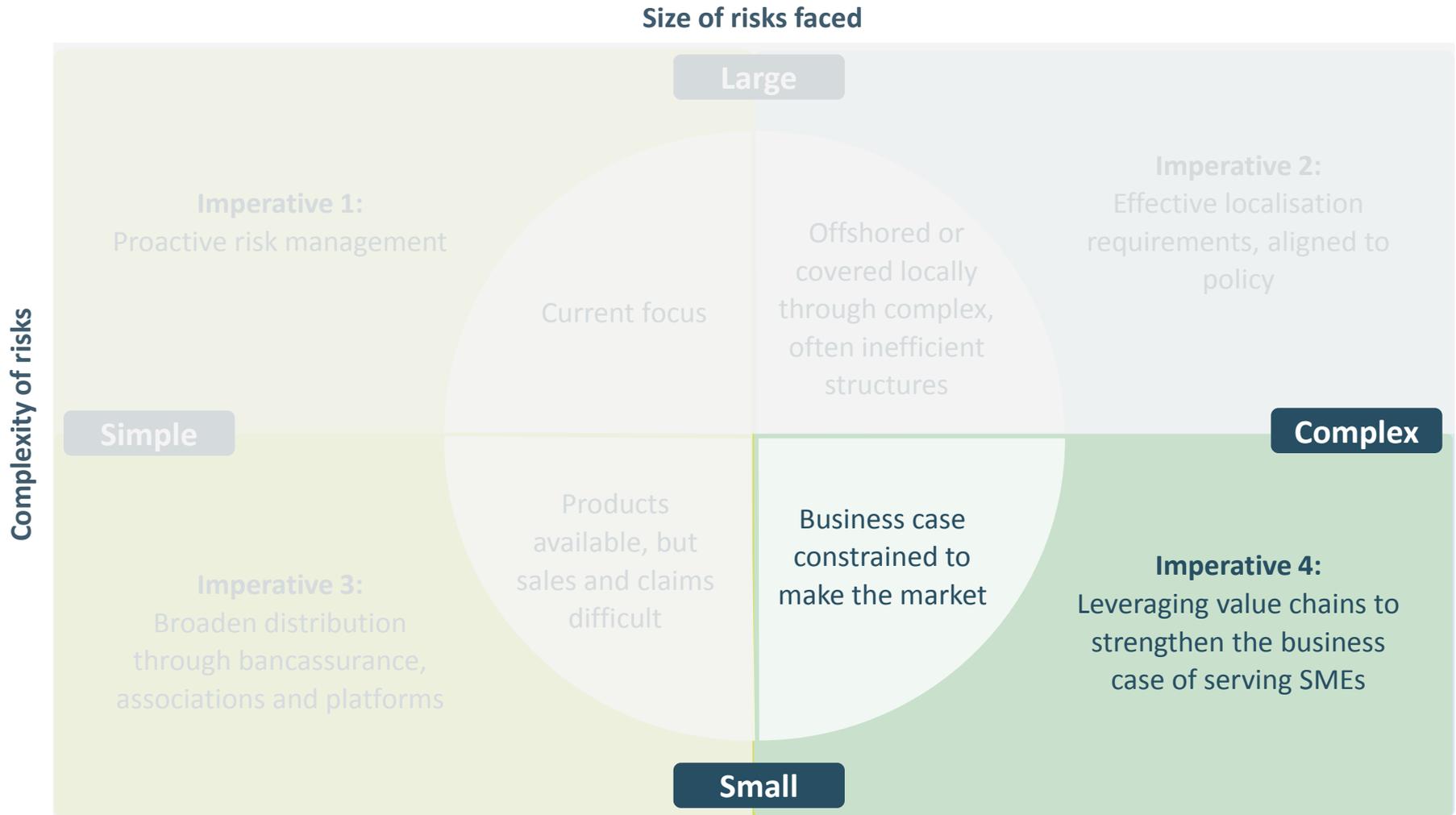
Type of digital platforms



Platforms offering financial services by type



# Enterprise risk management practices observed and proposed policy imperatives



# A value chain approach to insurance for SMEs

The transport and logistics value chain in Ghana

	Imports	Vehicle	Driver	Goods	Warehouse	Exports
Risk transfer						
Risk management						
Access to credit						

 = insurance currently plays a role

# Role of insurance – in practice

Creating new opportunities for insurance



## Buy a Taxi

Looking to start or grow your taxi business? We are the specialists in pre-owned and new taxis in South Africa. Purchase your vehicle direct through SA Taxi, supplier of new and pre-owned taxis.

[Learn More](#) ➔

## Finance a Taxi

We are the first financial service provider to focus solely on the taxi industry and understand what you need as a business owner. Whether it is replacing a taxi or purchasing a new one, we are able to assist.

[Learn More](#) ➔

## Insure a Taxi

Khusela Taxi Business Insurance is tailored insurance for your taxi. We include Installment Protection, Khusela Business Assist, and Taxi Alert SMS as additional benefits to protect your business.

[Learn More](#) ➔

# Role of insurance – in practice

Using technology to help with risk management

## Hollard.

- Hires vetting companies to check **drivers' competency**
- Hires specialist driver-training firms to ensure drivers receive **adequate training**
- Prerequisite that all vehicles are roadworthy and if they are valued over USD20,000, they must be fitted with a **tracking device**

## miWay<sup>CO-ZO</sup>

- Partners with Ctrack who provide MiWay's heavy commercial vehicle clients with **insurance telematics solutions**
- Provides granular data on **driver behaviour** and location services

# Discussion



# Thank you

Please engage with us:

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## 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 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.

