

Digitalisation of life insurance distribution across Africa

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About

Efficient distribution is a critical success factor for insurance in Africa.

Distribution is at the heart of inclusive insurance from the consumer and business perspective. Insurance take-up is at less than 10% in Africa, and underwriting costs that equal premiums are not sustainable. Digitalisation is an important part of the solution to improve insurance models on the continent.

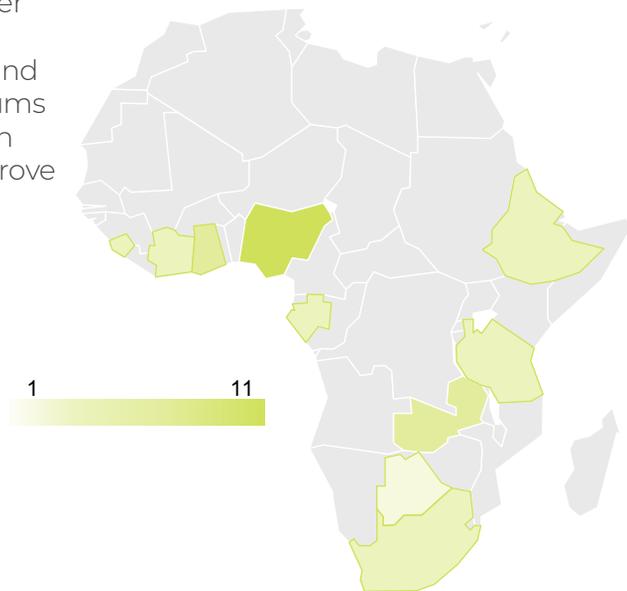
Source: What we've learnt about the risk protection gap in sub-Saharan Africa from FinScope consumer data

Study objective. Cenfri partnered with [Equisoft](#) (a global provider of advanced insurance and investment digital solutions) to identify challenges and opportunities for digitalisation of insurance distribution with a focus on life products distributed by broker and bank partners in Africa.

Methodology

A mixed-method research approach was used, consisting of interviews and a survey rolled out among 55 banks, brokers and insurers in Africa from June to October 2021.

55 responses received in total, headquartered in 13 countries across Africa



Insurers



Brokers



Banks

Survey

Interview

22

5

18

3

4

3

What are the key challenges with insurance distribution?

Source:
What we've learnt
about the risk
protection gap in
sub-Saharan Africa
from FinScope
consumer data

Insurance take-up across Africa constrained by distribution challenges.

Less than 10% of the adult population in nine sub-Saharan African countries have private insurance. Below are the key challenges that insurers and distributors across Africa faced when distributing insurance:



Poor trust and understanding of insurance among end-customers, who have limited digital capabilities.

"Low levels of trust and understanding" was mentioned by 64% of insurers, 67% of brokers and 33% of banks. In addition, "low digital capabilities of distributors/end-customers" was mentioned as a constraint by 45% of insurers, 56% of brokers and 100% of banks. This means that many customers prefer to engage in person, rather than through digital channels, when it comes to purchasing insurance.



Inefficient and poorly digitalised systems. In this study, 55% of insurers, 56% of brokers and 33% of banks struggle with poor/no digitalisation of internal systems. This has implications on the efficiency of sales and claims processes, as well as product offerings.



Difficulties tracking key metrics and understanding product and business performance.

This was a challenge for 36% of insurers and 33% of distributors, which inhibits insurers' and distributors' understanding and analysis of their customers and their ability to manage their business, including distribution.



Product innovation constrained by inflexible systems. 36% of insurers struggle to create new products or adapt existing products, a by-product of inefficient and poorly digitalised systems, which have difficulties handling more complex requests or rapidly responding to market requirements. This was mentioned by 55% of brokers, who said that there are insufficient products that meet customer needs/demand.



Limited integration with third-party systems. 32% of insurers, 39% of brokers and 67% of banks have poor integration with third-party systems, such as those of their distributors. This results in manual data uploading/processing between systems, which is time-intensive and increases the risk of errors regarding the consistency and correctness of information.

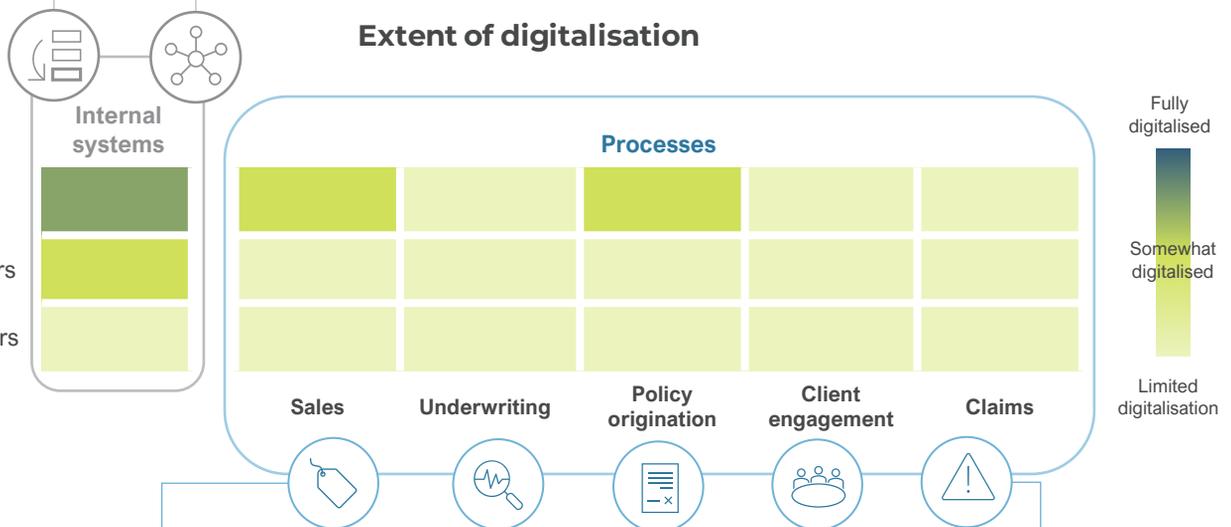


How digitalised is insurance distribution across Africa?

The state of digitalisation of insurance distribution in Africa is explored below, using the insurance value chain as a framework:

Integration between systems is low. Less than a third of insurers and distributors' systems have integration capabilities. This is highly inefficient and impacts other processes, such as handling customer engagements/queries and claims.

Variety of systems used, with distributors being more sophisticated than insurers. Limited use of cloud-only solutions, with most insurers and distributors using local server solutions or a mixture of both. Insurers in particular tend to have inefficient internal systems, with 59% using more than one policy administration system, which are relatively old and expensive to maintain. Distributors' systems are relatively newer, with 50% having systems that are less than five years of age; however, they are also expensive to maintain.



In-person engagement and manual processes drive insurance sales. Despite many insurers and distributors using digital channels (e.g. mobile or web-based) to sell policies, the bulk of policy signups, marketing and customer education efforts are done in person. In addition, the use of remote onboarding is low. This is unsurprising given that most customers have low levels of digital and financial literacy and poor trust in insurance.

Medical underwriting requirements handled manually by over 44% of distributors and 60% of insurers. Given the complexity of these requirements, managing them manually is highly inefficient, especially considering low levels of integration among partners.

To reduce the need for complex processes, 91% of insurers rely on selling simple, guaranteed acceptance products. Distributors, on the other hand, sell more complex products, as their internal systems are more advanced than those of insurers.

Insurers, brokers and banks have short policy origination timelines, despite using manual processes, with over 80% issuing policies within a few days. This can be attributed to the focus on simple, guaranteed acceptance products.

Insurers and distributors are less capable of quickly handling claims, which are done manually.

This suggests either internal inefficiencies when handling complex claims processes, or issues in getting necessary documents from customers.

Distributors tend to handle client engagement, predominantly in person.

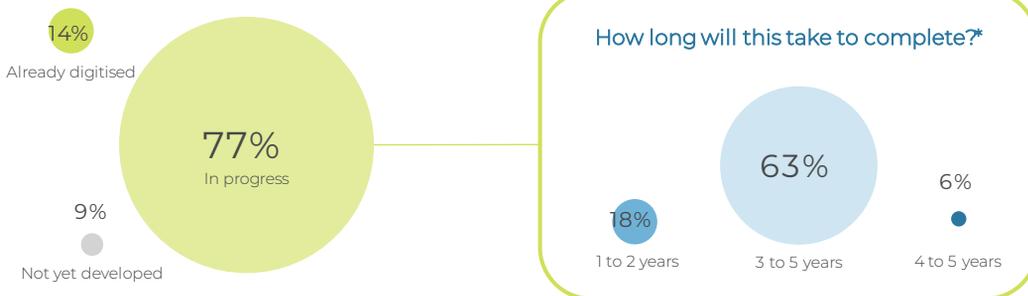
Banks and brokers tend to be responsible for most of the engagement, which is largely conducted in person. This is expected, given the fact that most distribution partners own the client relationships.

Where are insurers and distributors in their digitalisation journey?

Insurers have recognised the importance of going digital. 14% of insurers had already digitalised their business, while 77% were in the process of doing so, which for most would take around three to five years to complete as a framework:



Digitalisation strategy for insurers (n=22)



*13% not applicable

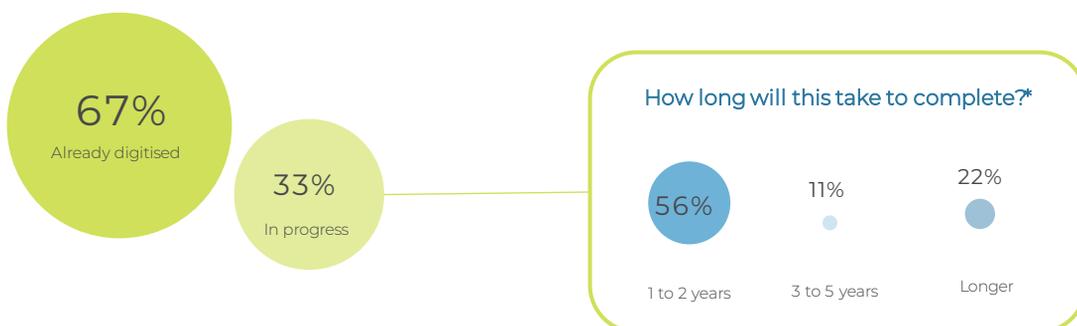
More distributors, particularly the banks, had already digitalised. 67% of banks and 33% of brokers had digitalised their business. The remainder of them were in the process of digitalising, which for most would take between one and two years to complete. Their timelines are shorter because they have relatively newer platforms.



Digitalisation strategy for brokers (n=18)



Digitalisation strategy for banks (n=3)



*11% not applicable

What are the challenges and opportunities to improve insurance distribution digitalisation?

Challenges

Opportunities



55%

Low levels of digitalisation of internal systems (costly and outdated)



56%

Less than a third of insurers and distributors are integrated with third-party systems, which exacerbates the risk of delays and processing errors



<33%

Significant **cost constraints** to digitalising, followed by legacy systems (less than 65%)



<65%

Organising data and key metrics, exacerbated by low levels of integration within and between systems, resulting in **delays and errors**



33%



36%

Reliance on in-person engagements and manual processes resulting in significant inefficiencies and delays



55%

Lack of trust in insurance, and poor digital capabilities of customers



40%

Limited range of product types available



50%

Develop new, or tweak existing, products for the market (outdated, costly, inflexible systems constrain their innovation capabilities)



36%



Digitalising internal systems

- Enable improvement of distribution capabilities
- Result in various efficiency gains
- Reduce the costs and capabilities required to maintain systems long-term



67%



77%



Improved integration

- Enable more seamless, simple data delivery
- Reduce the labour required for internal IT departments
- Optimise the distribution processes for insurers and distributors alike



50%



33%



73%



Leveraging technology companies to help digitalise internal systems.

- Significantly simplify the digitalisation process
- Help overcome many of the cost, legacy and capacity constraints faced



Stakeholders need to improve their data analytics capabilities

- Improve sales targeting and customers servicing capabilities
- Reduce the risk of data errors
- Allow to better understand performance



55%



67%



78%



Digital sales

eKYC and remote onboarding may viably enable [or generate] more efficient sales, while face-to-face engagements could still be used to overcome barriers to digital capacity and trust.



>65%



>65%+



Updating internal systems

- Enables insurers to develop wider range of more complex products, and better target these products to meet customers' needs
- Insurers need to become more in tune with market demands, by conducting market research and engaging with distribution partners.

Thank you to those who facilitated with the distribution of the survey:



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Founded in 1994 and privately held, we're on a mission to advance what digital can do for business solutions and processes to enable growth for our clients, partners, our employees and their communities.



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