

Insurance innovation dialogue:

Cross-cutting insights and
emerging best practice from 8
African countries

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Presentation Outline



Project rationale and approach



Market development and innovation snapshot



Imperatives



Conclusion

Project rationale and approach



Problem statement

Sub-Saharan Africa's insurance sector requires innovation and market development to grow

Innovation is key to increasing insurance penetration in Africa

- Insurance penetration in sub-Saharan African (SSA) at 2.78% versus the global average of 7.3%.
- Changing this trajectory requires innovation supported by a conducive innovative ecosystem

Regulator's role important for innovation: More regulators globally have a market development mandate and to act on this, they need to:

Regulate responsibly

Promote market development:
proactively engage, encourage
and support innovation



Ensure protection:
assessing innovation risk
and regulatory gaps that
could harm consumers

Project objective and approach

Project background: FSD has set up the R3 (Risk, Resilience, Regulatory) Lab which acts as a platform for capacity building and peer exchange amongst regulators.

Project objective: Inform the work of the R3Lab by (i) assessing the state of innovation in eight countries in SSA, (ii) taking stock of the challenges or barriers to further innovation, and (iii) suggesting tailored innovation promotion action plan recommendations for each country.



Ethiopia



Ghana



Kenya



Malawi



Rwanda



Nigeria



Uganda



Zimbabwe

Assessment of six ecosystem factors



Underlying infrastructure



Talent pipeline



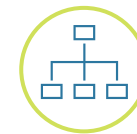
Access to finance



Market engagement



Regulatory environment



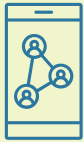
Supervisory support for innovators

Market development and innovation snapshot



Innovation snapshot

Diverse range of innovations present across the studied countries



Insurtechs

66 insurtechs across the 8 studied countries



Distribution partnerships

- MNOs
- Banks
- Digital platforms
- Retail companies
- Churches
- Cooperatives



Use of technology

- WhatsApp chatbots
- Mobile apps
- IoT Technology
- Artificial Intelligence



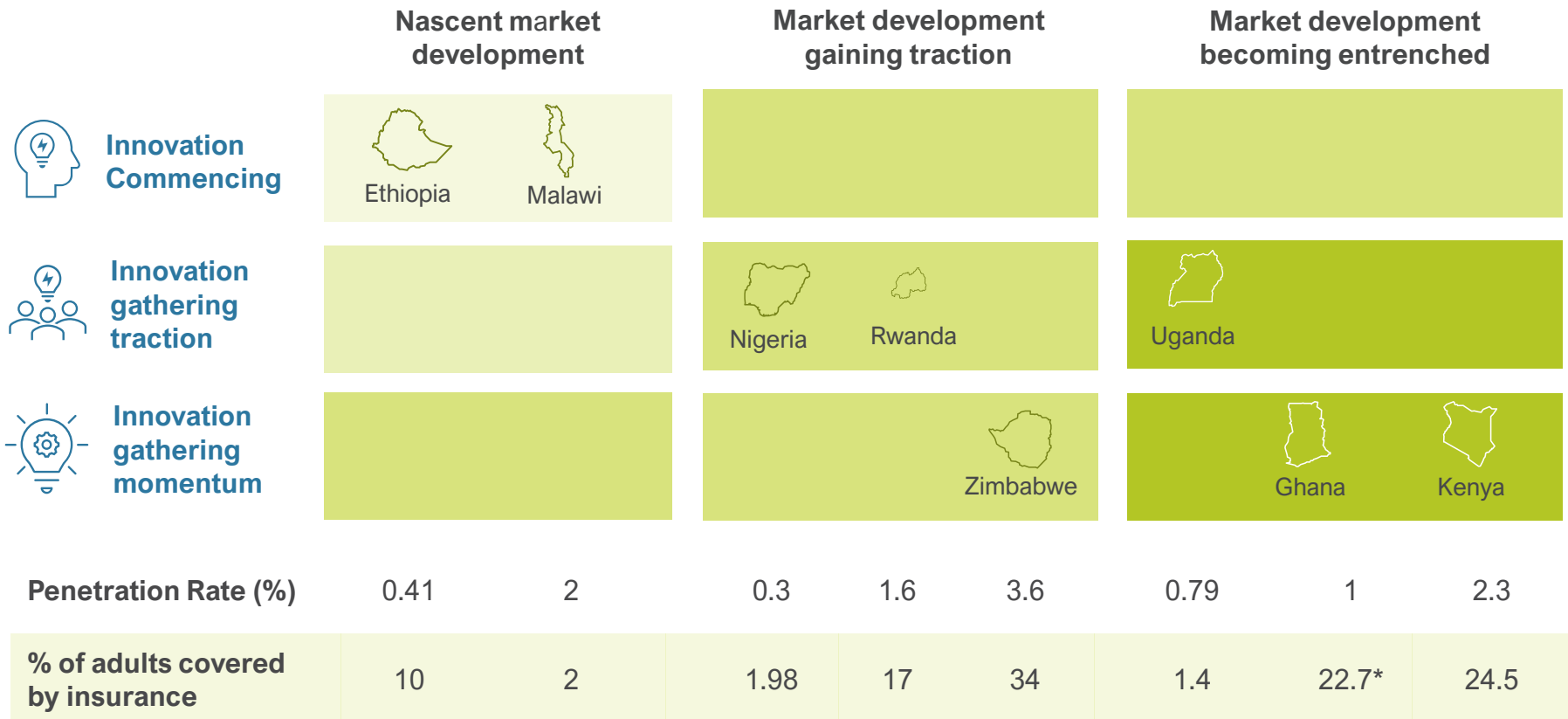
Product innovation

- Public-private agricultural insurance
- Microinsurance for informal MSMEs



Market development snapshot

Level of innovation differs by country based on market context and largely corresponds to market development clusters



Imperatives for regulators and industry



Structural Imperatives



Structural constraints

- High mobile data costs
- Low awareness and lack of trust
- Large technical and STEM skills gap



Imperatives

1. Collaborate with the market to build consumer awareness and trust
2. Leverage broader government coordination structures to address structural constraints affecting the market
3. Build and attract scarce skills to insurance



Examples for building staff and market innovation skills

Uganda case study: The IRA in Uganda has undertaken proactive internal capacity building which includes :

- Training of communications department
- Training of the product approval committee

Rwanda case study: Rwanda's government has reduced visa requirements to attract skilled professionals and has encouraged Pan-African institutions to operate in the country and help build skills that will benefit the insurance sector.

Market Imperatives



Market constraints

- Large untapped market with limited understanding
- Limited investment in innovation
- Difficulties in forming and sustaining partnerships
- Limited funding for insurtechs



Imperatives

1. Information generation to better understand harder-to-reach market segments
2. Use proactive market engagement to prompt innovation and encourage partnerships
3. Promote certainty by issuing guidance on partnership agreements and regulatory treatment of non-traditional players



Examples for proactive market engagement: Kenya's BimaLab experience

The BimaLab is an initiative between the regulator and other insurers with the objective of assisting innovators to:

- Refine their value proposition
- Determine commercial viability
- Provide opportunities to scale solutions through partnership

Regulatory Imperatives



Regulatory constraints

- Lack of clarity on remote onboarding, servicing of policies, and alternative distribution partnerships
- Limited license categories
- Regulatory sandboxes not yet gaining traction
- Microinsurance frameworks underutilized



Imperatives

1. Close remaining gaps regarding digital distribution and license categories
2. Reconsider sandbox design to ensure it is fit-for-purpose



Examples on closing license regulatory gaps: Providing guidance on technical service provider licensing

Ghana's Insurance Act enables the regulator to grant licenses to technical service providers (TSPs). The NIC issued TSP guidelines to applicants on:

- Navigating the application process
- Subsequent compliance requirements

Supervisory Imperatives



Supervisory constraints

- Concerted effort to streamline supervisory process, but challenges persist
- Communication efforts not yet serving optimal purpose
- Monitoring systems not yet set up for granular monitoring of innovation



Imperatives

1. Earmark capacity to innovation and coordinate across departments
2. Adapt and streamline the supervisory approval process
3. Broaden the monitoring framework for innovation
4. Invest in upgrading supervisory systems



Examples

Ghana's Innovation Hub

The Innovation Hub manages internal digital solutions aimed at enhancing NIC's operational efficiency. It also assists in evaluating new innovations and technology solutions to shield the industry from high risks.

Zimbabwe's Product Approval Committee

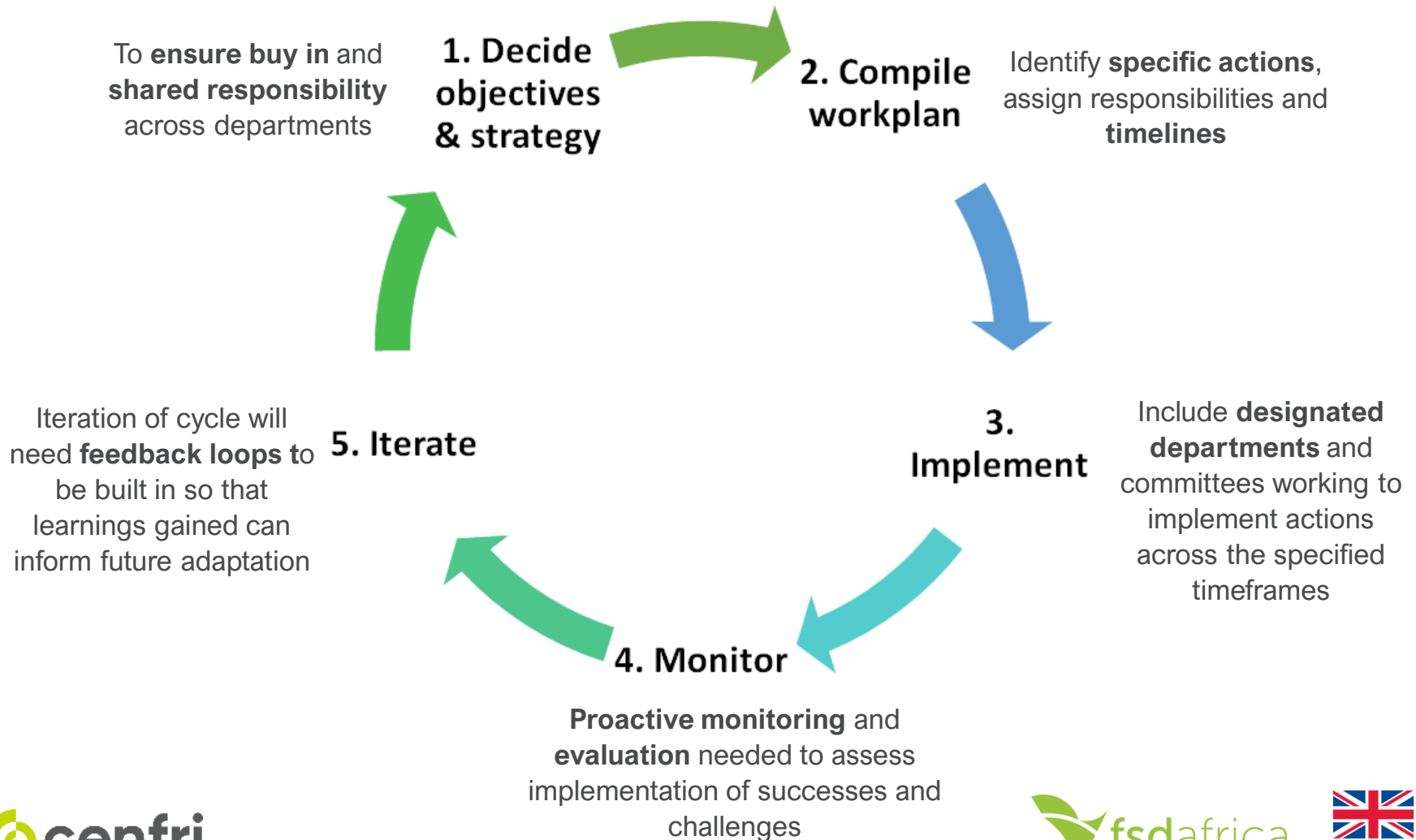
IPEC has a product approval committee that consists of all its departments*. The product approval process, is guided by a framework which all stakeholders must follow.

Conclusion



Pathway to implementation

Implementation of recommendations requires a 5-stage action plan cycle



Key takeaways

Easy to implement tools can be leveraged to better position regulators to support innovation



Market development mandate is a growing trend and early indications suggest that this has been effective in both **creating the right incentives** for market development as well as creating the **dedicated capacity** to drive it.

- **Regulators** have the tools to make **significant strides to support innovation** such as:
 - Bilateral communication
 - Transparency and consistency of product approval
 - Coordination between departments to better leverage existing skills
 - Non-legally binding guidance
- These tools can be implemented through **relatively 'easy', low-cost interventions** to create a transparent environment for innovators.
- But should be supported by key regulatory changes, such as increasing license categories
- Market development departments should not be seen as the sole owners of this responsibility, but they are the **engines that support and engage the rest of the regulator and market.**

Thank you

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About Cenfri

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