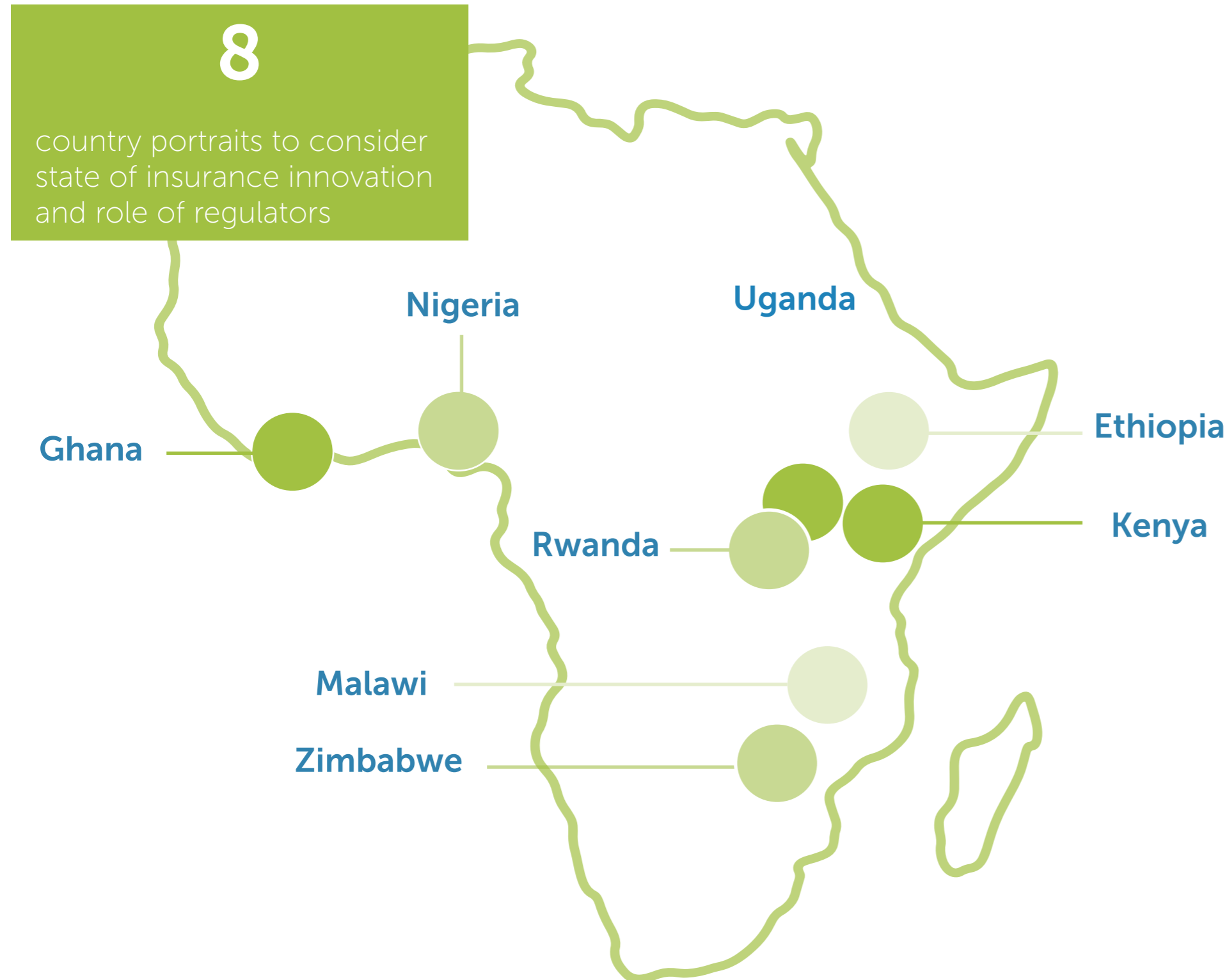


Insurance Innovation & Regulation in Sub-Saharan Africa

July 2022

Market development and innovation portraits

Regulators are tasked with creating a conducive environment for innovation while also protecting consumers against risk.



Cross-country trends and features



Low penetration rates persist



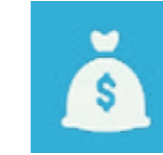
Market dominated by non-life insurance; life insurance growing off low base



Compulsory insurance remains a key driver of uptake



Limited voluntary retail reach



Insurers largely innovate to improve efficiency and better serve their existing customer base



Insurtech sectors are still nascent, with a B2B focus

Result:

There is a need for more - and different - innovation to tap large underserved market potential and reach excluded target market segments



Ethiopia

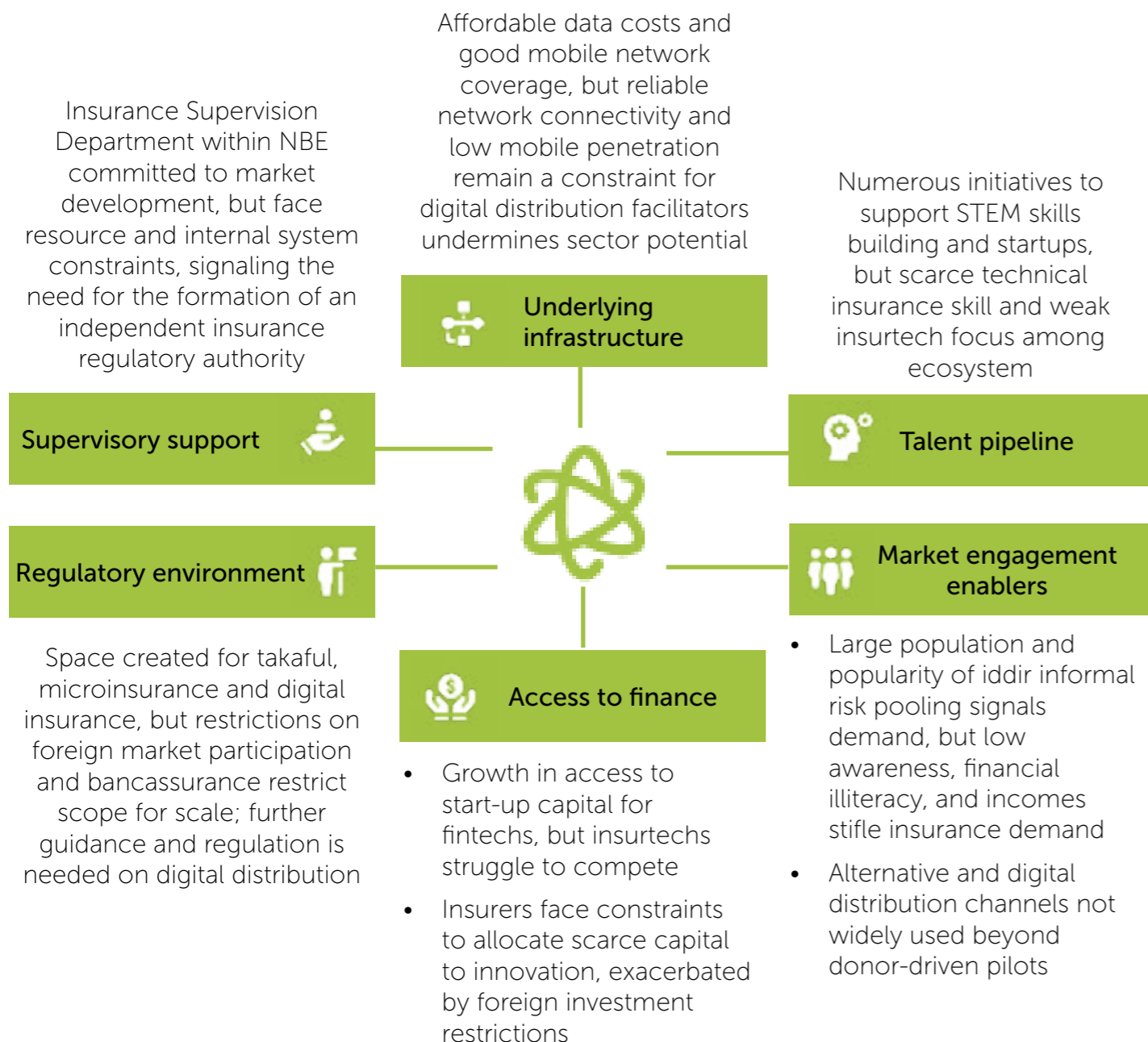
Penetration rate (premiums as % of GDP) **0.41%**
Uptake (% of adults) **10%**

Innovation environment shows promise, but stumbling blocks to greater development remain.

Innovation example

Nyala Insurance and Ethio Telecom partnered to launch the first mobile insurance in Ethiopia, "Le Mobile".

Innovation Ecosystem Assessment



Ghana

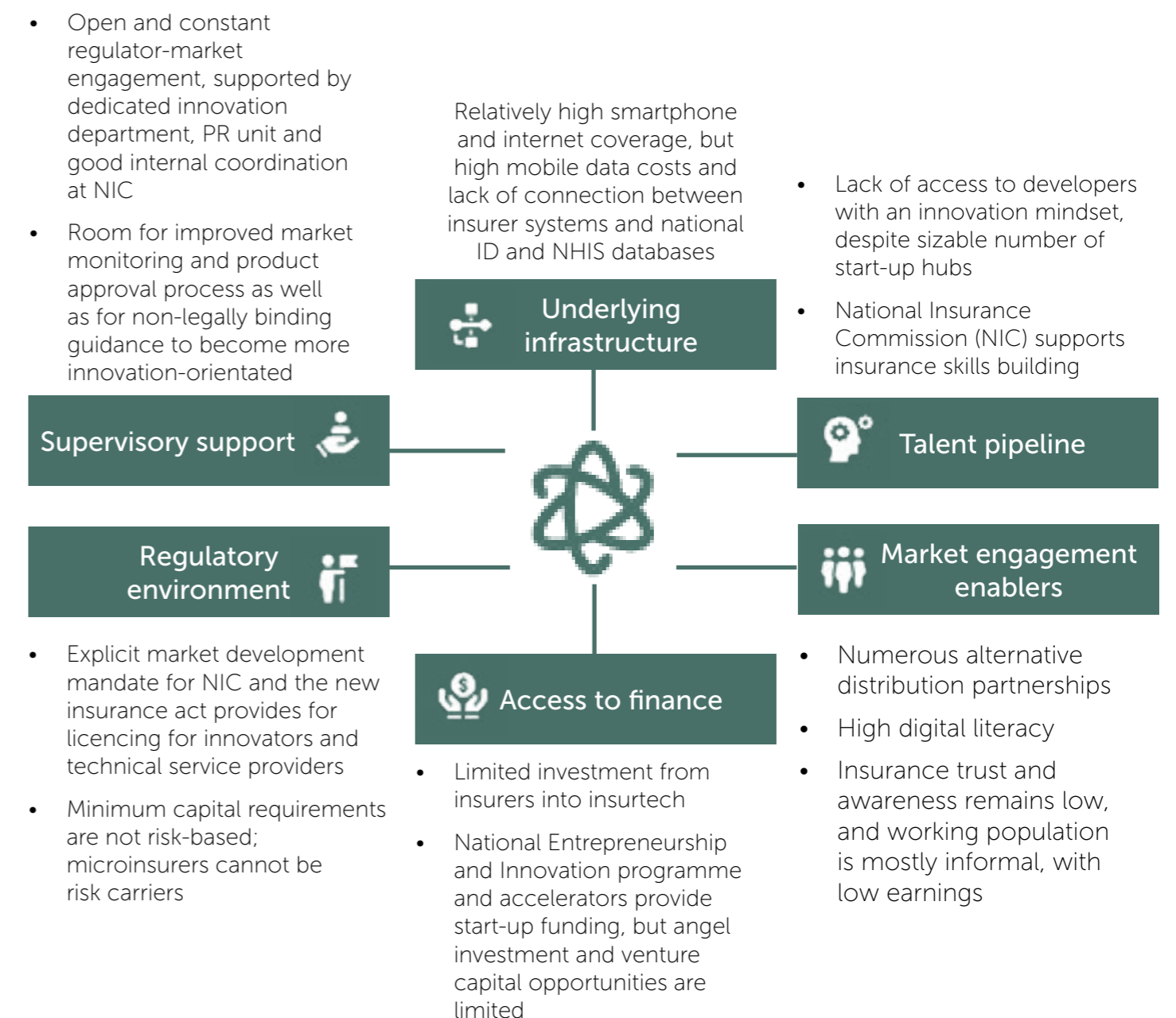
Penetration rate (premiums as % of GDP) **1%**
Uptake (% of adults) **22.7%**

A vibrant ecosystem with tangible innovations but to still reach full scale.

Innovation examples

- Hollard partnerships with Jumia e-commerce platform and retail giant Melcom
- Old Mutual Whatsapp-based travel insurance "JustCover"

Innovation Ecosystem Assessment





Kenya

Penetration rate
(premiums as % of GDP)

2.3%

Uptake
(% of adults)

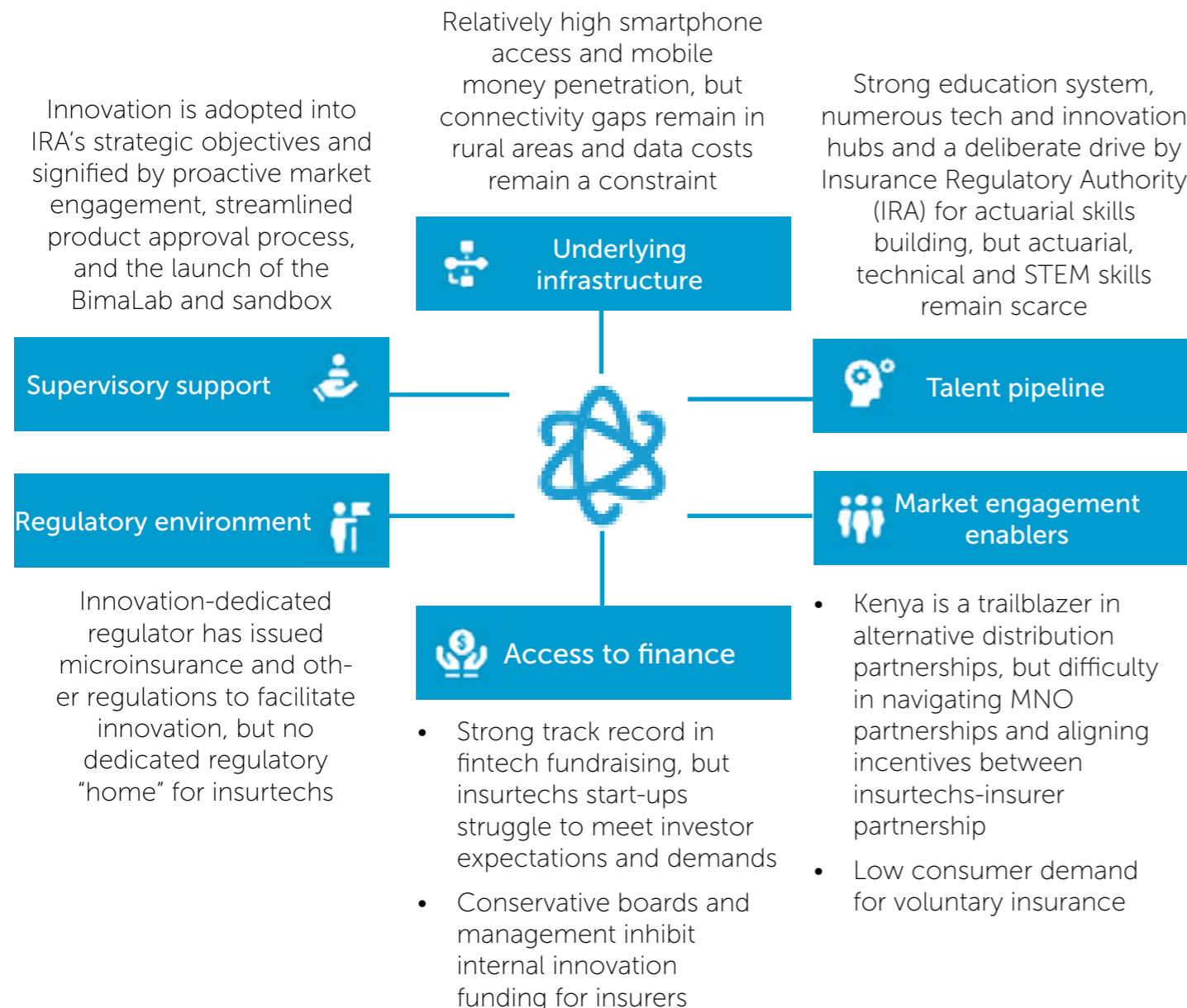
24.5%

Long-standing innovation engagement paying off, but more gains possible.

Innovation examples

- Kinga Ya Mkulima, a unique medical coverage designed for small-scale tea farmers
- Uses telematics to enable customers to determine their premium based on their driving behaviour

Innovation Ecosystem Assessment



Malawi

Penetration rate
(premiums as % of GDP)

2%

Uptake
(% of adults)

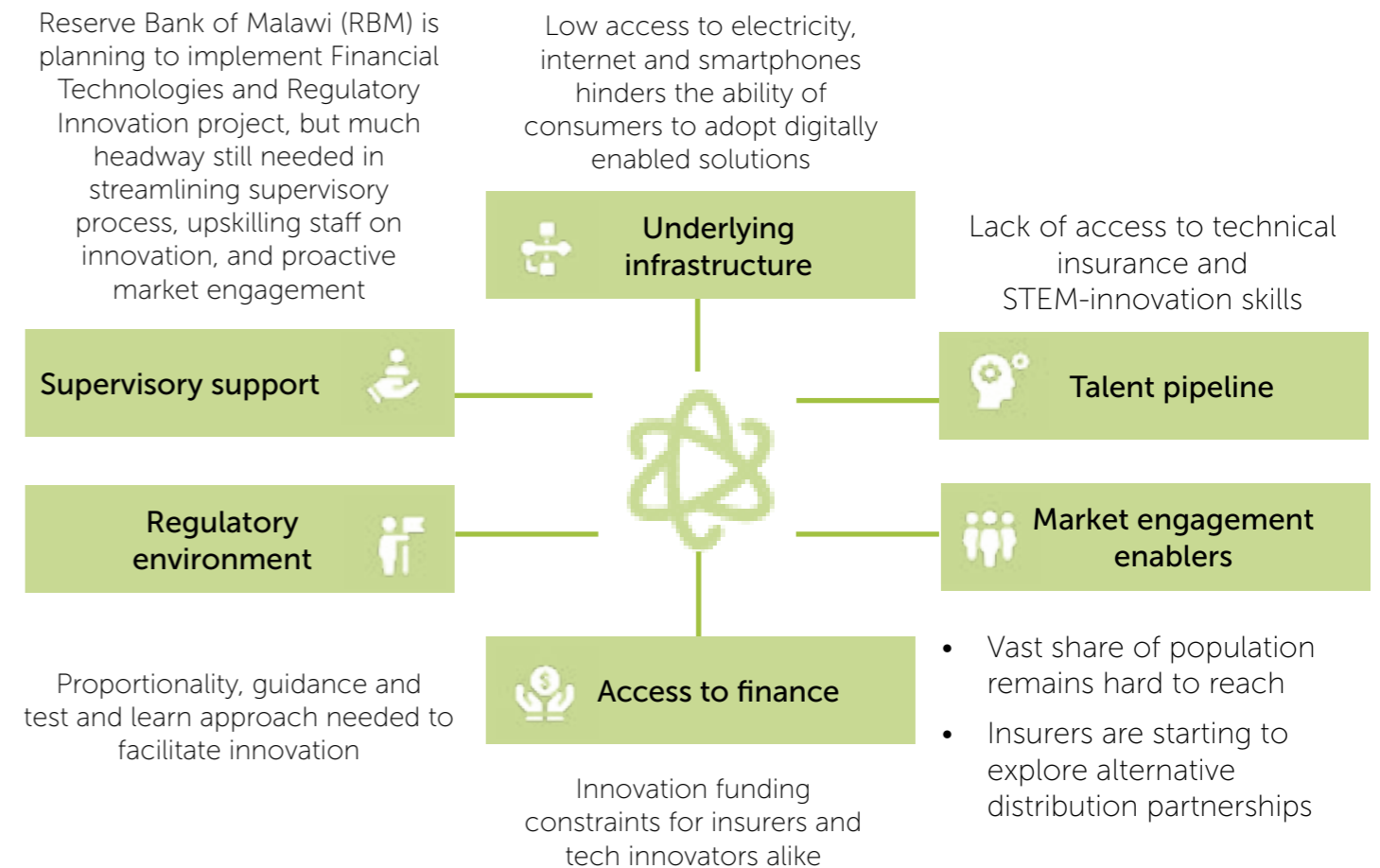
2%

Strong need for innovation to allow insurers to reach larger share of population.

Innovation example

NICO LIFE broker portal allows claims, queries, and other forms to be submitted online and offers a Fast Track Claims Service

Innovation Ecosystem Assessment





Nigeria

Penetration rate
(premiums as % of GDP)

0.3%

Uptake
(% of adults)

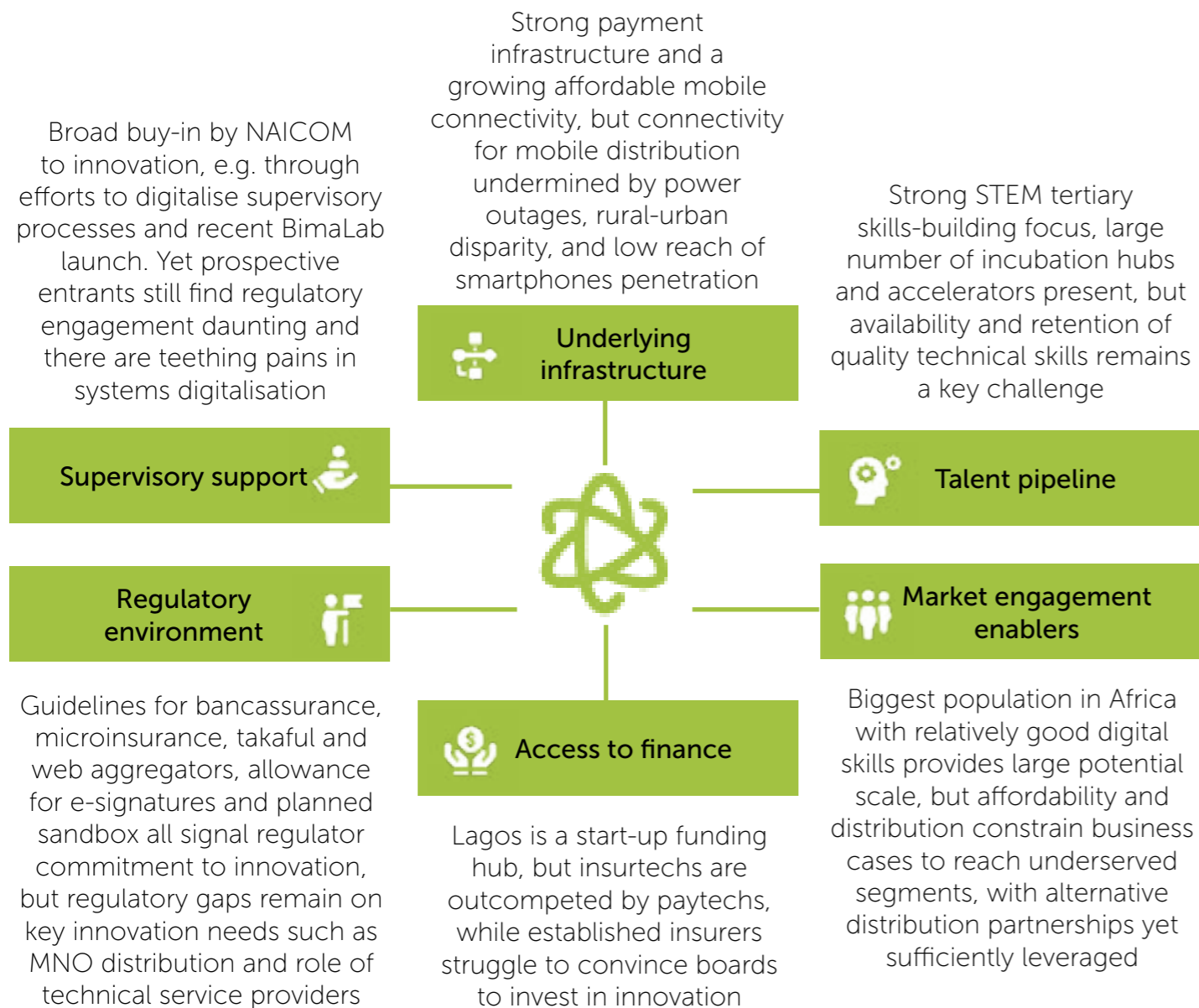
1.98%

Despite recognition of the importance of innovation, innovation is not yet pervasive

Innovation examples

- Custodian and Allied Insurance partnered with online car retailer Carmudi to offer car insurance digitally
- AXA Mansard partnered with Tremendoc to provide telemedicine to consumers and employers in light of the COVID-19 pandemic

Innovation Ecosystem Assessment



Rwanda

Penetration rate
(premiums as % of GDP)

1.6%

Uptake
(% of adults)

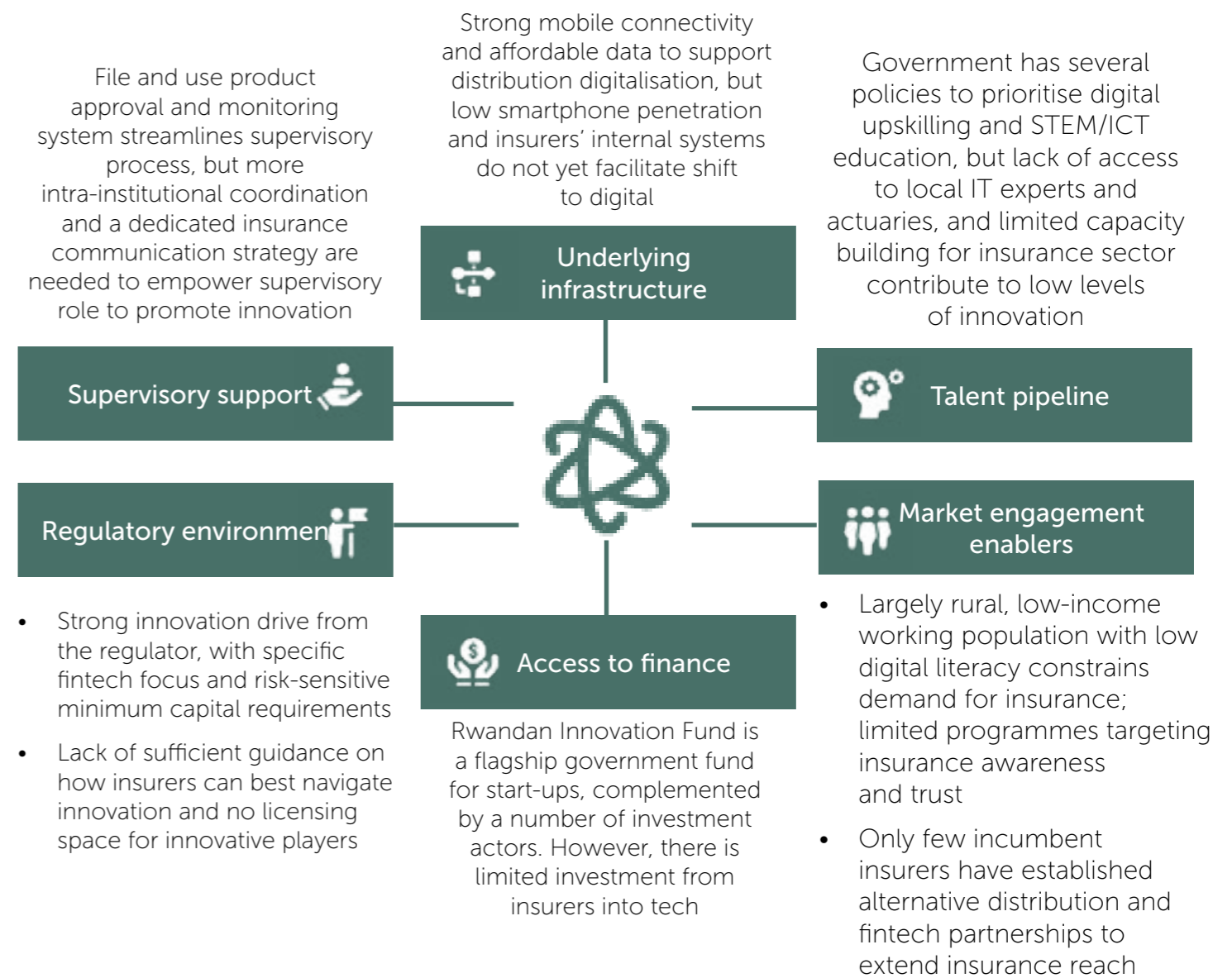
17%

A challenging environment for innovation to reach scale, but high investment and commitment from government

Innovation example

Radiant Yacu offers an accident and hospital cash product aimed at motorcyclist which can be purchased via USSD and cooperatives.

Innovation Ecosystem Assessment





Uganda

Penetration rate
(premiums as % of GDP) **0.79%**

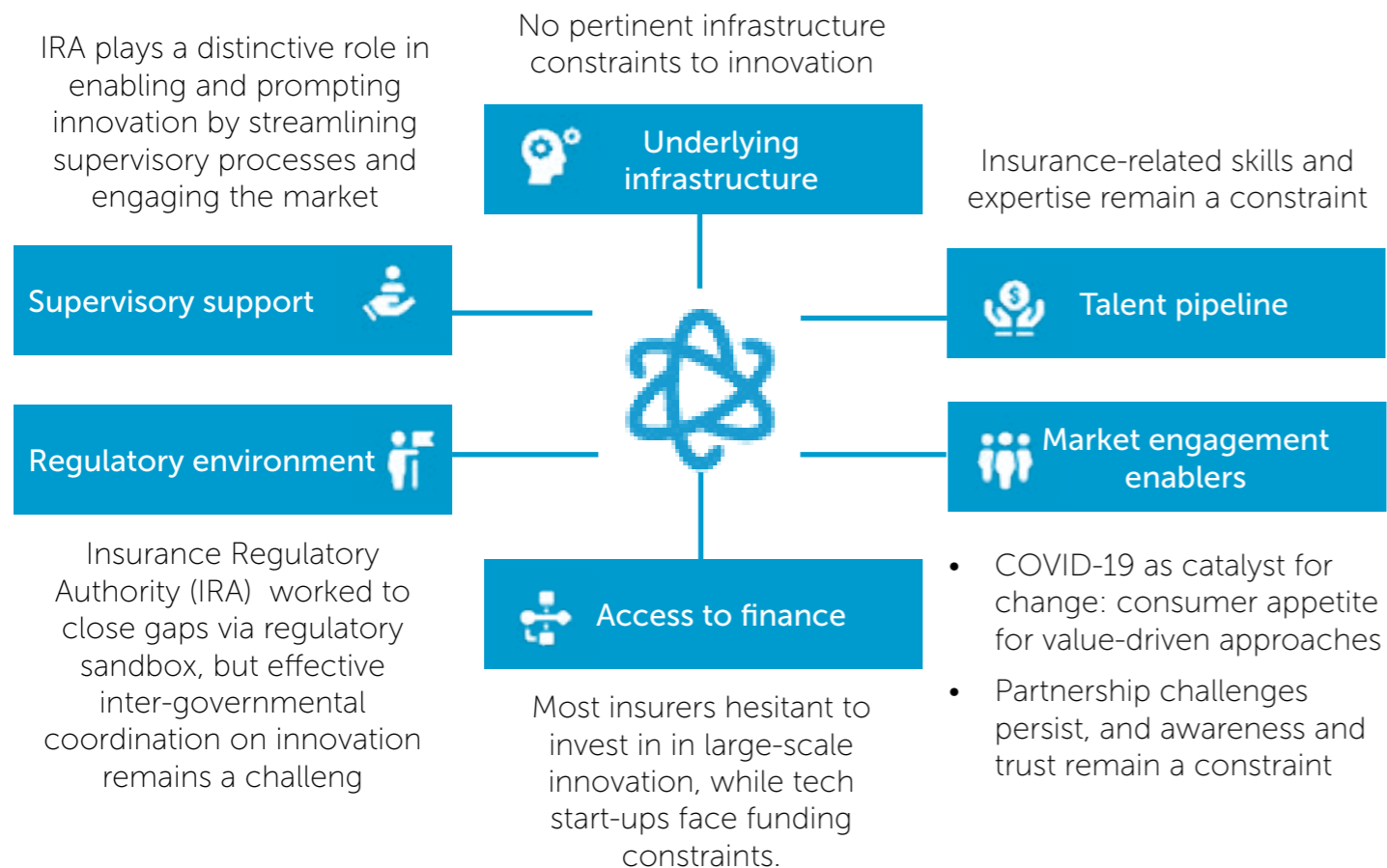
Uptake
(% of adults) **1.4%**

IRA has created facilitative environment, but industry is yet to reap innovation potential and scale

Innovation example

Prudential Uganda was awarded the most innovative life product for 2021 with their product focusing on an end-to-end digital whole life assurance product

Innovation Ecosystem Assessment



Zimbabwe

Penetration rate
(premiums as % of GDP) **3.6%**

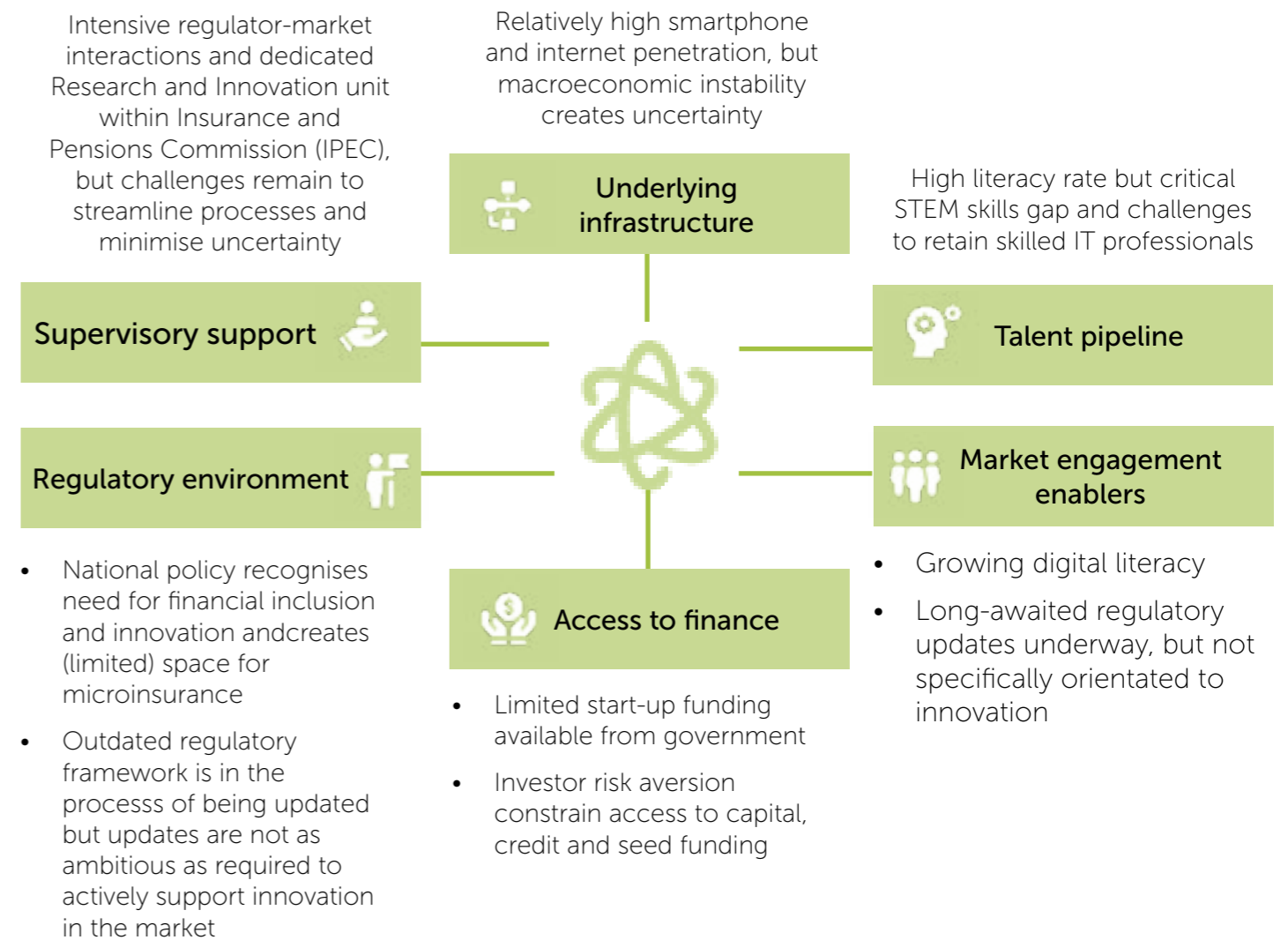
Uptake
(% of adults) **34%**

Significant innovation in the face of a challenging macroeconomic ecosystem

Innovation example

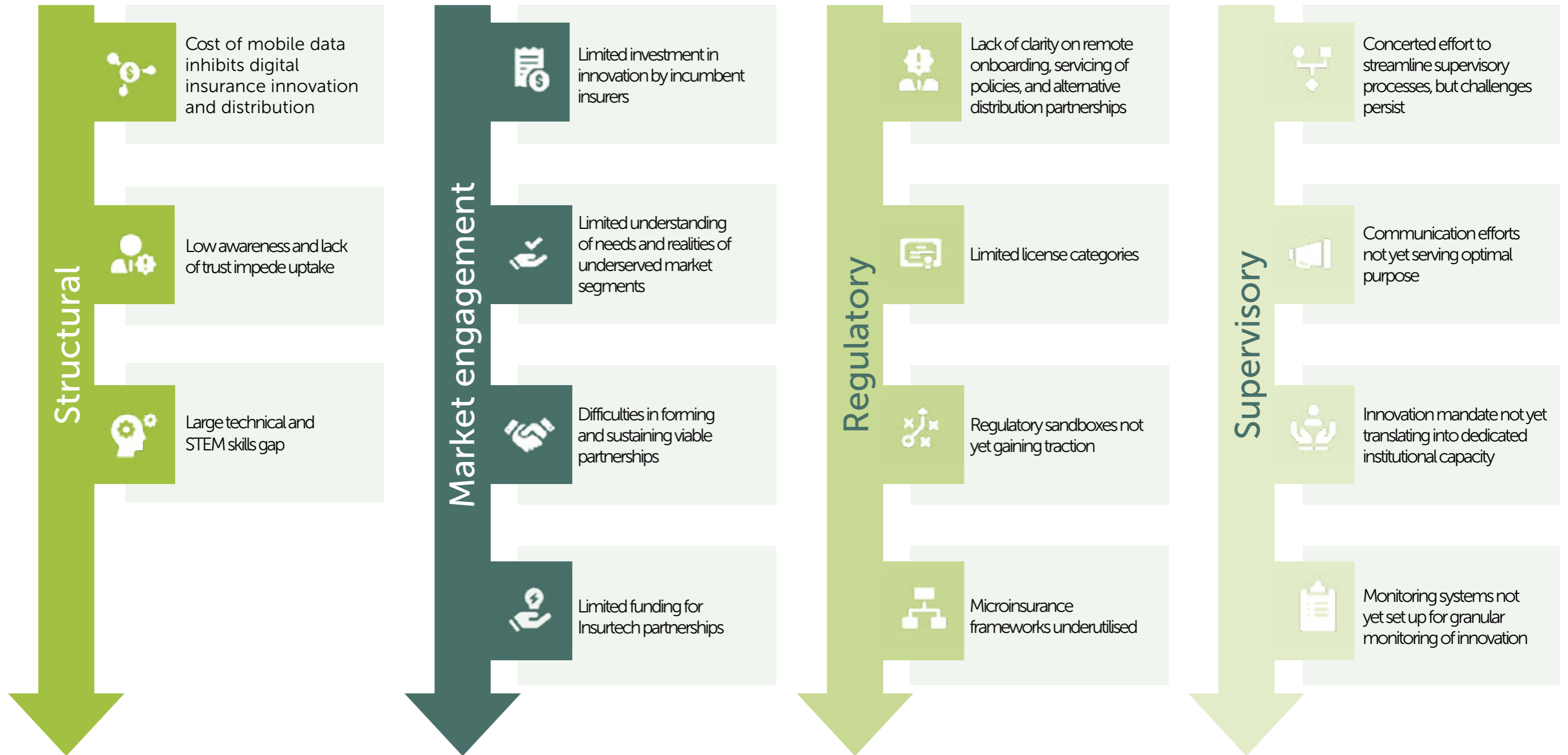
FBC MyDrive car insurance uses telematics to monitor acceleration, braking and cornering, with premium determined by mileage driven

Innovation Ecosystem Assessment



Cross-cutting constraints

Innovation requires a complete enabling ecosystem to thrive. 4 cross-cutting constraints to innovation emerge across the 8 portraits:



Imperatives for action

How can regulators and supervisors help to overcome the key constraints to innovation?

Structural

Collaborate with the market to build consumer awareness and trust

Build and attract scarce skills to insurance

Leverage broader government coordination structures to address structural constraints affecting the insurance market

Market engagement

Help the market to better understand harder-to-reach market segments

Use proactive market engagement to prompt innovation and encourage partnerships

Regulatory

Close remaining gaps regarding digital distribution and licence categories

Reconsider sandbox design to ensure it is fit-for-purpose

Promote certainty by issuing guidance on partnership agreements and regulatory treatment of non-traditional players

Supervisory

Earmark capacity to innovation, and coordinate across departments

Adapt and streamline the supervisory approval process

Broaden the monitoring framework for innovation

Invest in upgrading supervisory systems

About FSD Africa

Established in 2012 and supported by UK aid, FSD Africa is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa.

About R3Lab

FSD Africa launched the Risk, Resilience and Regulatory Laboratory (R3Lab) initiative in 2022 to support collaboration, technology and insurance supervisory capacity building to improve regulatory effectiveness of the insurance industry in Africa.

R3Lab supports the regulatory and supervisory agenda for promoting innovation in Africa through:



Country-level technical assistance, skills building and coordination



Regional peer exchange and learning

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