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

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

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

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

Innovation Ecosystem Assessment

Affordable data costs and good mobile network coverage, but reliable network connectivity and low mobile penetration remains a constraint for digital distribution facilitators undermines sector potential.

Numerous initiatives to support STEM skills building and startups, but scarce technical insurance skill and weak insurtech focus among ecosystem.

Underlying infrastructure

Talent pipeline

Market engagement enablers

Access to finance

Supervisory support

Insurance Supervision Department within NBE committed to market development, but face resource and internal system constraints, signaling the need for the formation of an independent insurance regulatory authority.

Regulatory environment

Underlying infrastructure

Talent pipeline

Market engagement enablers

Access to finance

Supervisory support

Ghana

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

• Open and constant regulator-market engagement, supported by dedicated innovation department, PR unit and good internal coordination at NIC.
• Room for improved market monitoring and product approval process as well as for non-legally binding guidance to become more innovation-orientated.

Relatively high smartphone and internet coverage, but high mobile data costs and lack of connection between insurer systems and national ID and NHIS databases.

Underlying infrastructure

Talent pipeline

Market engagement enablers

Access to finance

Supervisory support

• Lack of access to developers with an innovation mindset, despite sizable number of start-up hubs.
• National Insurance Commission (NIC) supports insurance skills building.

• Lack of access to developers with an innovation mindset, despite sizable number of start-up hubs.
• National Insurance Commission (NIC) supports insurance skills building.

• Limited investment from insurers into insurtech.
• National Entrepreneurship and Innovation programme and accelerators provide start-up funding, but angel investment and venture capital opportunities are limited.

• Growth in access to start-up capital for fintechs, but insurtechs struggle to compete.
• Insurers face constraints to allocate scarce capital to innovation, exacerbated by foreign investment restrictions.

• Large population and popularity of iddir informal risk pooling signals demand, but low awareness, financial illiteracy, and incomes stifle insurance demand.
• Alternative and digital distribution channels not widely used beyond donor-driven pilots.

• Explicit market development mandate for NIC and the new insurance act provides for licencing for innovators and technical service providers.
• Minimum capital requirements are not risk-based; microinsurers cannot be risk carriers.

Underlying infrastructure

Talent pipeline

Market engagement enablers

Access to finance

Supervisory support

Supervisory support

Talent pipeline

Market engagement enablers

Access to finance

Penetration rate (premiums as % of GDP)

0.41%

1%

Penetration rate (premiums as % of GDP)

10%

22.7%

Uptake (% of adults)

Ethiopia

Ghana

Penetration rate (premiums as % of GDP)

Uptake (% of adults)
Kenya

Penetration rate (premiums as % of GDP) | Uptake (% of adults)
---|---
2.3% | 24.5%

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

- 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 examples**

Innovation Ecosystem Assessment

**Underlying infrastructure**
Relatively high smartphone access and mobile money penetration, but connectivity gaps remain in rural areas and data costs remain a constraint

**Talent pipeline**
Strong education system, numerous tech and innovation hubs and a deliberate drive by Insurance Regulatory Authority (IRA) for actuarial skills building, but actuarial, technical and STEM skills remain scarce

**Market engagement enablers**
- Kenya is a trailblazer in alternative distribution partnerships, but difficulty in navigating MNO partnerships and aligning incentives between insurtechs-insurer partnership
- Low consumer demand for voluntary insurance

**Supervisory support**
Innovation-dedicated regulator has issued microinsurance and other regulations to facilitate innovation, but no dedicated regulatory ‘home’ for insurtechs

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

Malawi

Penetration rate (premiums as % of GDP) | Uptake (% of adults)
---|---
2% | 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**

**Underlying infrastructure**
Low access to electricity, internet and smartphones hinders the ability of consumers to adopt digitally enabled solutions

**Talent pipeline**
Lack of access to technical insurance and STEM-innovation skills

**Market engagement enablers**
Proportionality, guidance and test and learn approach needed to facilitate innovation

**Access to finance**
Innovation funding constraints for insurers and tech innovators alike

**Supervisory support**
Reserve Bank of Malawi (RBM) is planning to implement Financial Technologies and Regulatory Innovation project, but much headway still needed in streamlining supervisory process, upskilling staff on innovation, and proactive market engagement

**Regulatory environment**
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

**Access to finance**
- Vast share of population remains hard to reach
- Insurers are starting to explore alternative distribution partnerships
### Nigeria

**Penetration rate** (premiums as % of GDP) | **Uptake** (% of adults)
---|---
0.3% | 1.98%

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

- 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

- Strong payment infrastructure and a growing affordable mobile connectivity, but connectivity for mobile distribution undermined by power outages, rural-urban disparity, and low reach of smartphones penetration

#### Underlying infrastructure

- Strong STEM tertiary skills-building focus, large number of incubation hubs and accelerators present, but availability and retention of quality technical skills remains a key challenge

#### Talent pipeline

- Biggest population in Africa with relatively good digital skills provides large potential scale, but affordability and distribution constrain business cases to reach underserved segments, with alternative distribution partnerships yet sufficiently leveraged

#### Access to finance

- Lagos is a start-up funding hub, but insurtechs are outcompeted by paytechs, while established insurers struggle to convince boards to invest in innovation

### Rwanda

**Penetration rate** (premiums as % of GDP) | **Uptake** (% of adults)
---|---
1.6% | 17%

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

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

### Innovation Ecosystem Assessment

- Strong mobile connectivity and affordable data to support distribution digitalisation, but low smartphone penetration and insurers’ internal systems do not yet facilitate shift to digital

#### Underlying infrastructure

- File and use product approval and monitoring system streamlines supervisory process, but more intra-institutional coordination and a dedicated insurance communication strategy are needed to empower supervisory role to promote innovation

#### Supervisory support

- Strong innovation drive from the regulator, with specific fintech focus and risk-sensitive minimum capital requirements

#### Market engagement enablers

- Lack of sufficient guidance on how insurers can best navigate innovation and no licensing space for innovative players

#### Access to finance

- Rwandan Innovation Fund is a flagship government fund for start-ups, complemented by a number of investment actors. However, there is limited investment from insurers into tech

#### Talent pipeline

- Government has several policies to prioritise digital upskilling and STEM/ICT education, but lack of access to local IT experts and actuaries, and limited capacity building for insurance sector contribute to low levels of innovation

- Largely rural, low-income working population with low digital literacy constrains demand for insurance; limited programmes targeting insurance awareness and trust

- Only few incumbent insurers have established alternative distribution and fintech partnerships to extend insurance reach
**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.

**Insurance Ecosystem Assessment**

- **Underlying infrastructure:** No pertinent infrastructure constraints to innovation
- **Talent pipeline:** Insurance-related skills and expertise remain a constraint
- **Supervisory support:** IRA plays a distinctive role in enabling and prompting innovation by streamlining supervisory processes and engaging the market
- **Regulatory environment:** Insurance Regulatory Authority (IRA) worked to close gaps via regulatory sandbox, but effective inter-governmental coordination on innovation remains a challenge
- **Market engagement enablers:** Most insurers hesitant to invest in large-scale innovation, while tech start-ups face funding constraints.
- **Access to finance:** COVID-19 as catalyst for change: consumer appetite for value-driven approaches, Partnership challenges persist, and awareness and trust remain a constraint

**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.

**Insurance Ecosystem Assessment**

- **Underlying infrastructure:** Relatively high smartphone and internet penetration, but macroeconomic instability creates uncertainty
- **Talent pipeline:** High literacy rate but critical STEM skills gap and challenges to retain skilled IT professionals
- **Supervisory support:** Intensive regulator-market interactions and dedicated Research and Innovation unit within Insurance and Pensions Commission (IPEC), but challenges remain to streamline processes and minimise uncertainty
- **Regulatory environment:** National policy recognises need for financial inclusion and innovation and creates (limited) space for microinsurance
- **Market engagement enablers:** Outdated regulatory framework is in the process of being updated but updates are not as ambitious as required to actively support innovation in the market
- **Access to finance:** Limited start-up funding available from government
- **Growing digital literacy:** Investor risk aversion constrain access to capital, credit and seed funding
Cross-cutting constraints

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

**Structural**
- Cost of mobile data inhibits digital insurance innovation and distribution
- Low awareness and lack of trust impede uptake
- Large technical and STEM skills gap

**Market engagement**
- Limited investment in innovation by incumbent insurers
- Limited understanding of needs and realities of underserved market segments
- Difficulties in forming and sustaining viable partnerships
- Limited funding for Insurtech partnerships

**Regulatory**
- 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

**Supervisory**
- Concerted effort to streamline supervisory processes, but challenges persist
- Communication efforts not yet serving optimal purpose
- Innovation mandate not yet translating into dedicated institutional capacity
- Monitoring systems not yet set up for granular monitoring of innovation
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

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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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