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BUSINESS-DRIVEN INNOVATION

cenfri

Understanding Insurance Distribution & Automation in Africa

Exclusive:

LIFE INSURANCE EXECUTIVE RESEARCH

> This research project with Cenfri came about because we wanted to understand the truth behind the frustrations in the independent insurance channel around approval processes and timelines. We wanted to reach out to underwriters, brokers and banks, to understand what their perceptions were of the issues that were being experienced in the field. We wanted to be able to share with all stakeholders where the issues lie and what solutions are possible.

Shingie Maramba
Director, Wealth & Insurance Solutions,Equisoft

Introduction to Equisoft:

Insurance Automation in Africa

A channel in mid-transformation

At Equisoft, we work with large numbers of insurersand distributors, both in Africa and across the globe, who are engaged in digital transformation. And every one of those stakeholders is at a different point along the change curve. This means that many critical processes that are involve multiple stakeholders within the channel are not optimized and create sub-par experiencesfor both agents and consumers. As we talk to organizations seeking to improve satisfaction for all parties, we hear distributors asking for more communication within the channel, more access to underwriter data, greater levels of automation and better solutions for commission accounting.

Policy on-boarding frustrations

In particular, one of the most common roadblocks we come across is the length of time required for policy application review and approval. For non-guaranteed products approval timelines can stretch to a month or more. And during the process agents and their clients are often in the dark about the app status. Most critically, for manydistributors, the reasons why this process is drawnout are not clear.

Obtaining a clear picture of challenges in the independent channel

That's why Equisoft partnered with Cenfri to conduct this in-depth research. The study consisted of both an online quantitative survey, coupled with qualitative interviews withunderwriters, brokers and banks. This gave us deep insights into what executives were experiencing when it came to policy onboardingand a sense of the wider issues related to digitalization and agency automation.

Data driven solutions

Our business is built on innovation and a collaborative approach to solving the biggest challenges faced by the industry. We're pleased to share the insights in this report with you so thatyou can advance your distribution capabilities based on the best, most current information in the industry.

We're excited to share the results and some interpretation of what they mean for our industry. As the channel moves forward with its digital transformation, we welcome discussions on how we can help you accelerate policy approvals and automate agency operations.

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We would like to thank the following partners for their assistance with rolling out the survey for this project:

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Executive summary

Efficient distribution is a critical success factor for insurance in Africa. The efficiency of the systems and processes involved in the distribution of insurance is a critical factor that affects the viability of products for the insurer and distribution partner(s), as well as the user experience for the consumer. Digitalisation of these systems and processes, and integration with distribution partners, are part of the solution, but there are various challenges. With a focus on banks and brokers as two of the most significant distribution partners across Africa, the aim of this project is to identify challenges and the related opportunities for the insurance industry from automation in life insurance distribution. This research was conducted in partnership with Equisoft and draws on the insights of 55 insurers, banks and brokers across 13 African countries.

Key findings

Low digitalisation constrains insurance distribution. Insurers, banks and brokers in Africa typically rely on manual processes for selling insurance, onboarding, engaging with clients and settling claims. In addition, insurers tend to have costly, inefficient and outdated legacy systems. The resulting integration and automation limitations impact the ability of distribution partners to originate and administer new and existing insurance policies effectively and efficiently. In addition to the varying levels of digitalisation and integration between and within systems, banks, brokers and insurers face an array of other challenges when it comes to digitalising insurance distribution across Africa, including low levels of trust, awareness and understanding among customers, as well as low digital capabilities of customers and cost constraints.

Several digitalisation opportunities. The study identifies six key opportunities for improved digitalisation of insurance distribution:

1. ***Digitalise internal insurance systems to reduce cost and enable seamless digital distribution***. Insurers across Africa tend to have low levels of internal digitalisation, with outdated and costly systems. This results in inefficient and ineffective distribution and client engagement processes, and negatively affects insurers' ability to effectively manage their businesses. There is thus a key opportunity for insurers to digitalise their internal systems. Notwithstanding the upfront investment, this would reduce the costs and capabilities required to maintain their systems in the long term.
2. ***Integrate with distribution partners to reduce cost and improve offering***. Insurers and distributors have limited integration with one another's systems, which exacerbates the risk of delays and processing errors. Improved integration with partners' systems would allow for more seamless data delivery, reduce the labour required for internal IT departments and optimise distribution processes. In addition, improved integration capabilities can enable insurers to partner with a wider range of distributors and extend their reach.

3. ***Leverage digital solutions for automation and integration***. Insurers and distributors should consider leveraging technology companies that can help them digitalise their internal systems and integrate these with third parties. Doing so would significantly simplify the process of digitalising and help insurers and distributors to overcome many of the cost, legacy and capacity constraints they face when it comes to developing new systems.
4. ***Digitalise systems for improved analysis and tracking capabilities.*** Most insurers and distributors face challenges around organising and tracking their data. This presents a key opportunity for insurers and distributors to improve their data tracking and analysis capabilities, which would improve their customer targeting and servicing and help them better understand the performance of various products and/or internal processes.
5. ***Digital approach needs to enable in-person engagement, given trust and awareness gaps.*** Many insurers and brokers rely on physical engagements and manual processes to generate leads, onboard new clients, handle underwriting requirements and track staff productivity, which results in significant inefficiencies and delays. Digital sales were identified as a key opportunity by over two-thirds of insurers and distributors to overcome these challenges (see Box 2. Case study: aYo and digital sales for an example of how digital sales have been implemented successfully). However, low levels of trust, awareness, understanding of insurance and low digital capabilities among end-customers constrain the effectiveness of fully digital sales channels. Electronic know your customers (KYC) and remote onboarding, which automate part of the sales process while retaining critical in-person engagements, may present a more realistic opportunity for more efficient sales.
6. ***Ensure digital system flexibility to enable innovation to meet customer needs***. The outdated, costly and inflexible systems currently used by insurers constrain their innovation capabilities. As a result, brokers have highlighted that there are insufficient products that meet customer needs. Updating these systems, understanding the needs of the market through research, and engaging with distribution partners will enable insurers to develop new, more appropriate product offerings for the market and are thus key opportunities for growth.

1. Introduction

1.1. Problem statement and objective

Insurance take-up across Africa is low, due to the high cost of delivery and low digitalisation. Less than 10% of the adult population in nine sub-Saharan Africa (SSA) countries have private insurance, according to regional consumer surveys (Schlemmer & Rinehart-Smit, 2019). The low uptake is in part due to the high cost of delivery, with 33% of insurers across Ghana, Kenya, Nigeria and Rwanda having an expense ratio of 80% or more, and due to low levels of digitalisation in the insurance value chain (Thom, Hougaard, Gray, Msulwa, Rinehart-Smit & de Waal, 2019).

Digitalisation of processes presents opportunities for efficiency gains. The onset of COVID-19 strengthened the imperative for insurance markets to digitalise, as the lockdowns and restrictions in movement constrained insurers' operations and new sales (Schlemmer, Rinehart-Smit & Gray, 2020). More broadly, distributors face increasing pressure to lower operating costs, increase productivity, automate tedious tasks and efficiently meet compliance requirements. These trends highlight the importance of and need for the automation of insurance sales across the continent. Over the medium to longer term, the efficiency gains associated with digitalisation constitute a major opportunity for enhanced insurance market development in Africa.

Mapping challenges and opportunities. The objective of this research project – done in partnership with Equisoft (a global provider of advanced insurance and investment digital solutions) is to understand the key challenges and opportunities regarding digitalisation in individual life and health insurance distribution through banks and brokers across Africa. The structure of the report is as follows:

- Overview of the research methodology
- Nature of the product offering, target segments and distribution channels across the sample
- Challenges of distributing insurance in Africa
- Extent of digitalisation across the insurance value chain
- Key constraints to digitalisation
- Key opportunities

1.2. Methodology

This project followed a mixed method approach (see Figure 1 below), consisting of one-on- one stakeholder interviews and a quantitative survey among banks, brokers and insurers distributing individual life and health products across 13 African countries[1] (see Table 1 for anoverview of the sample).

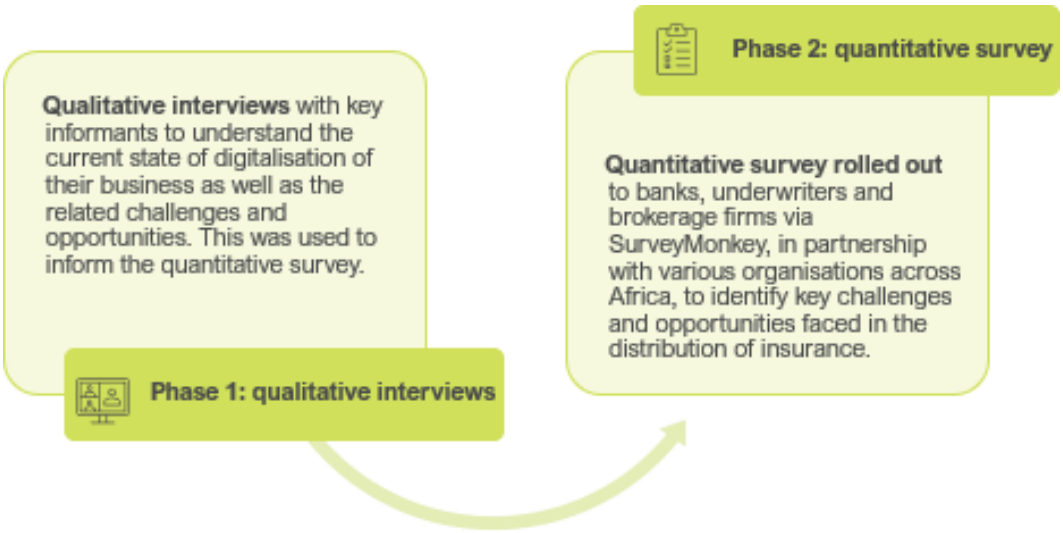

Figure 1. Overview of research approach

Phase 1: Qualitative interviews	No. of stakeholders
Insurer	5
Bank	4
Broker	3
Total	12
Phase 2: Quantitative survey	
Insurer	22
Bank	3
Broker	18
Total	43
Total stakeholders reached	55

Table 1. Overview of sample

1 Stakeholders came from a total of 13 different countries across Africa: Botswana, Cote d'Ivoire, Eswatini, Ethiopia, Gabon, Ghana, Kenya, Mauritius, Nigeria, Rwanda, Sierra Leone, South Africa and Zambia.

1.3. Respondents' products and distribution channels

1.3.1. Product offering

Range of products sold. Survey respondents offer a range of life-related and health-related insurance products with credit life, life and health being the most common (see **Figure 2**).

The qualitative interviews highlighted that the type of product sold is driven by the nature of the market, with simple products sold to the mass market and more complex products sold tohigh-end/affluent customers. Simple, guaranteed acceptance products tend to dominate.

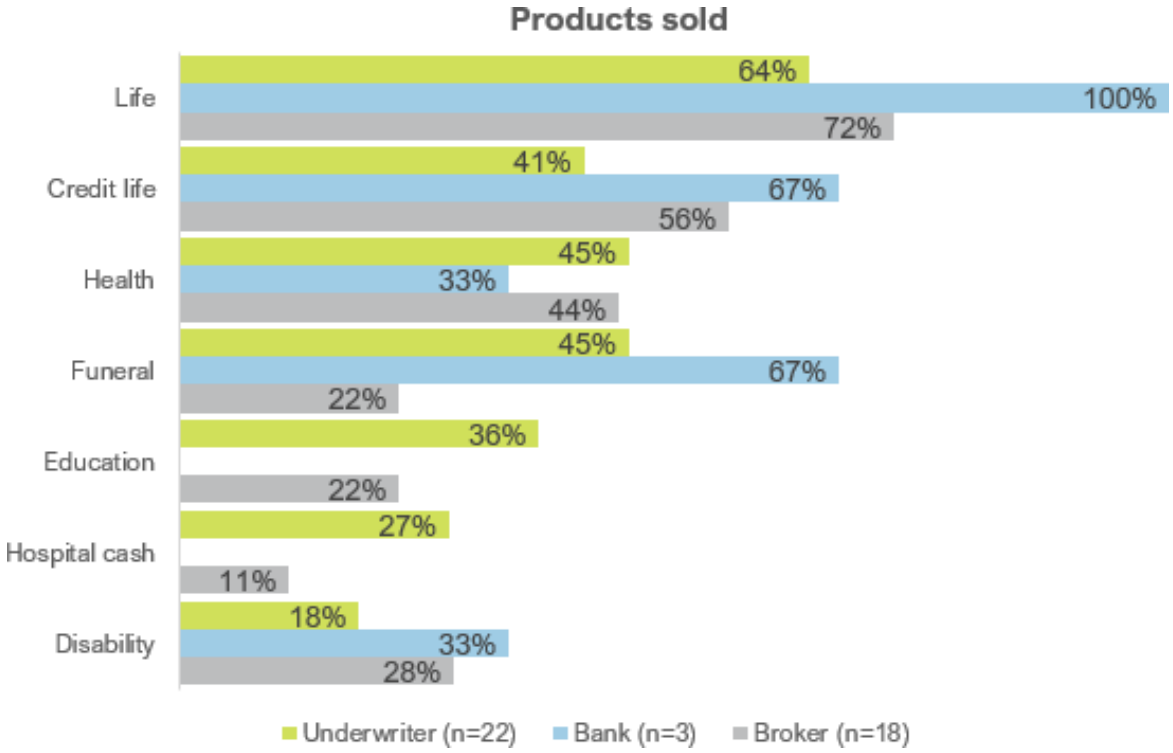

Figure 2. Overview of products sold

Source: Survey results

Variation in product offerings between banks and brokers. Banks offer more life than non- life products, include a larger component of embedded products that had life, credit life and funeral as their main products (see Figure 2 and Figure 3). Brokers, on the other hand, offer more non-life products, less embedded products and have a more mixed portfolio, with life and credit life being the main products, closely followed by health (see Figure 2 and Figure 3). Interviews showed that non-life sales are more lucrative than life sales for brokers, as the former are often taken out by large corporates.

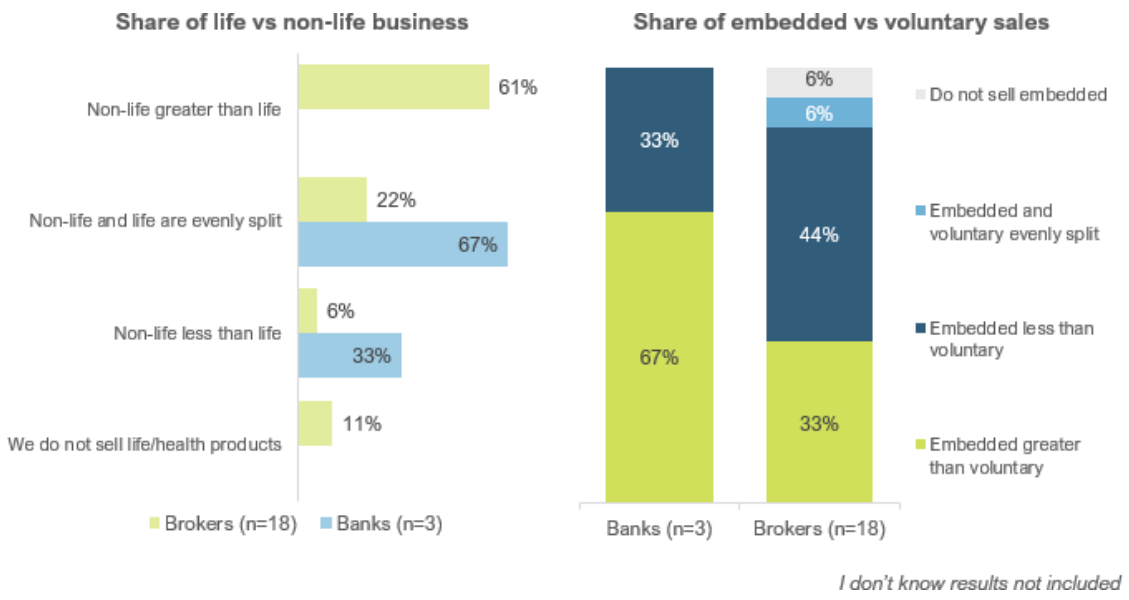

Figure 3. Overview of distributors' sales

Source: survey results

1.3.2. Distribution channels

Insurers rely on multiple – mostly in-person – channels to sell insurance. The survey showed that insurers use an average of three channels when selling insurance, but that in- person channels are most common, with over 80% relying on their own or independent agents or on brokers (see Figure 4). Fifty-five percent (55%) of insurers use digital channels, namely mobile, web-based or digital platforms or call centres (45%), to sell policies, in most instances inaddition to, rather than instead of, in-person channels. Lastly, bancassurance channels were found to be less widely used as a means to distribute insurance.

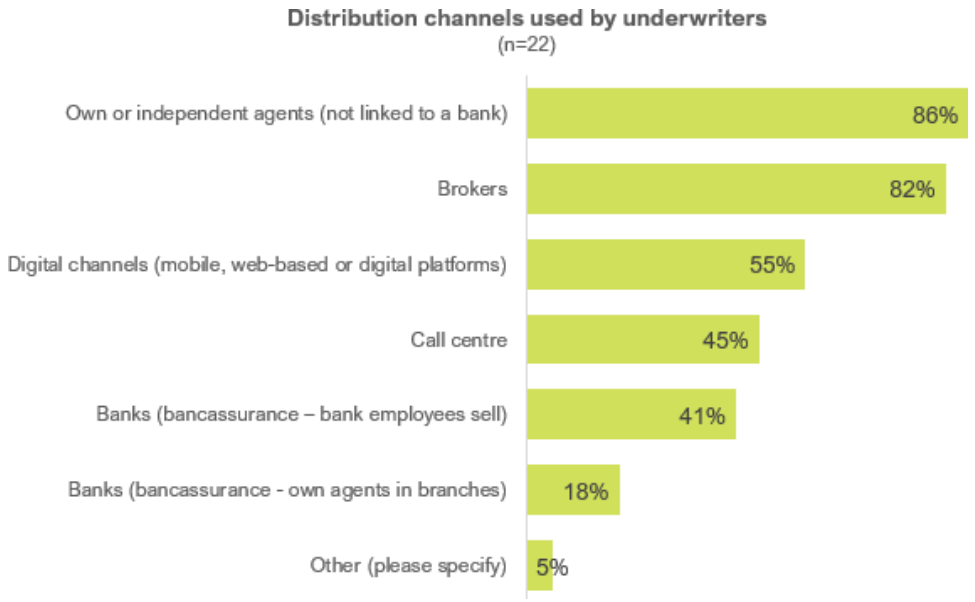

Figure 4. Overview of insurers' distribution channels

Source: survey results

1.3.3. Customer segments

Sale of insurance predominantly to groups. Most respondents targeted groups rather than individual sales given the related efficiencies and margins and the investment required to establish an individual salesforce (see Figure 5). This came through in the interviews. For example, one insurer stated that "group risk and credit life comprise 70% of our life portfolio". Individual sales made up a significant share of 33% of banks and 17%of brokers.

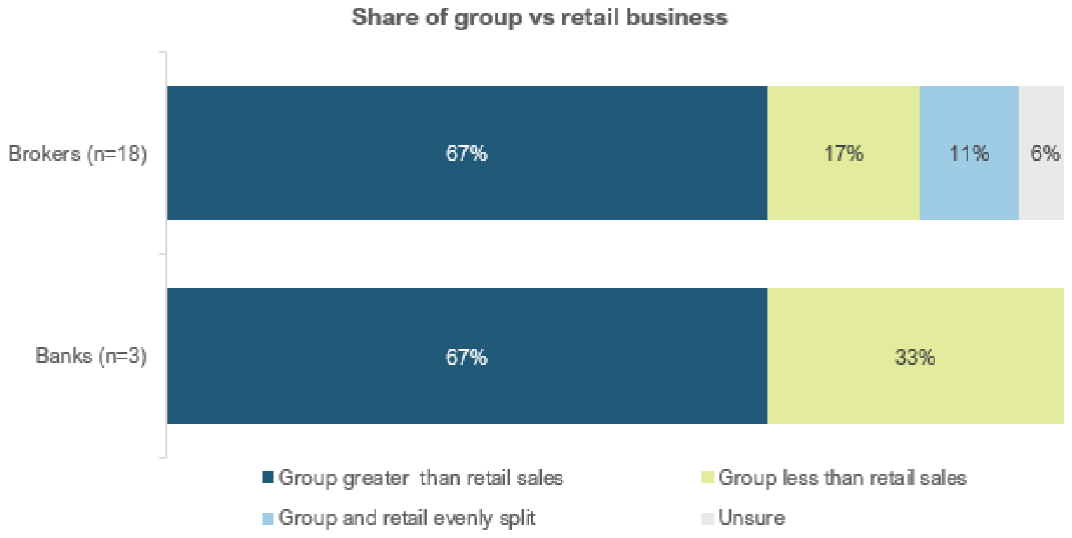

Figure 5. Share of group and individual sales

Source: survey results

Focus on upper-end customers for individual sales. As expected, given low levels of overall take-up of insurance, those interviewed indicated that they focus on higher-end customers given the potential margins and cost of distribution, as there is greater opportunityfor cross-selling in this space.

2. Challenges with insurance distribution

As noted, insurance uptake across Africa is low, partly due to the high cost of delivery and poor digitalisation across the insurance value chain. This section explores some of the key challenges that insurers, banks and brokers face when it comes to distributing insurance, aswell as what they think the challenges are that their partners face. This will form the basis for assessing the current and potential role of digitalisation in addressing these challenges to enhance the efficiency and accessibility of distribution.

2.1. Key challenges faced by insurers

Trust barriers are a key constraint. Sixty-four percent (64%) of insurers mentioned that low trust, awareness and understanding among customers are challenges they face when distributing insurance (see Figure 6). This came through strongly in the qualitative interviews, with insurers mentioning that the high rates of financial illiteracy in the mass market mean that most customers have a low understanding of, and are sceptical of, insurance. This also means that many customers prefer to engage in person, rather than through digital channels, when it comes to purchasing insurance. The preference for in-person engagements is reinforced by the fact that customers have poor digital capabilities, mentioned as a constraint by 45% of insurers. Banks and brokers were not aware that this is such a big challenge for insurers (Figure 6); however, this may be because they are responsible for handling the client engagement.

Inefficient and poorly digitalised systems inhibit distribution. Fifty-five percent (55%) of insurers struggle with inefficient processes and lack of digitalisation (see Figure 6). This has implications on sales, claims processes and product offerings, and it hinders the efficiency with which distributors can sell insurance. This is aligned with brokers' perceptions, with 61% stating that they perceive poor digitalisation of insurers' systems as a key challenge that insurers face (Figure 6). For example, various stakeholders mentioned that they use manual processes to generate leads and to onboard new clients and that this results in significant delays, which reinforces the lack of trust in insurance.

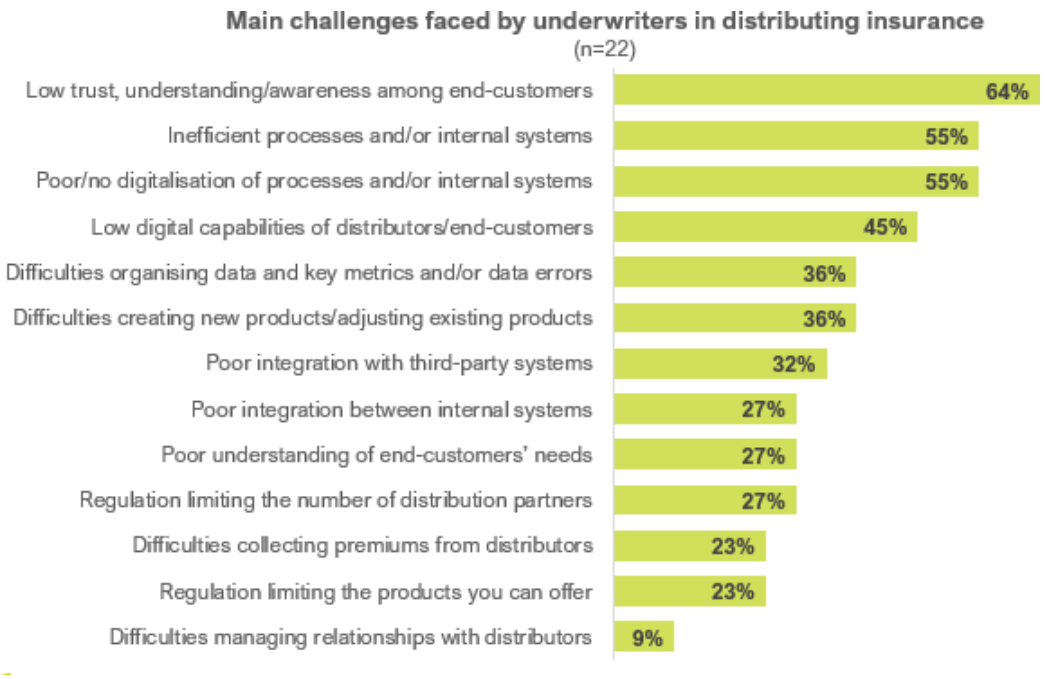

Figure 6. Challenges that insurers face in distributing insurance

Source: survey results

Challenges in tracking key metrics. Tracking key metrics and data is a challenge for 36% of insurers. In addition, 27% of insurers stated that there is poor integration between their internal systems, suggesting that information exists in silos across the systems, which exacerbates the challenges insurers face in organising their data. This inhibits insurers' understanding and analysis of their customers for sales segmentation and other purposes, as well as their ability to manage the productivity of their distribution channels and other important aspects of their business. This was also identified by 61% of brokers and 33% of banks as a key challenge that they think their insurance partners struggle with (Figure 7).

Product innovation constrained. Thirty-six percent (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. Inappropriate products constrain insurers' ability to distribute their products, as they fail to effectively meet the needs of the market.

Limited integration with third-party systems. Thirty-two percent (32%) of insurers 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. For example, one insurer mentioned that there are lags between their distribution partners issuing policies and when they actually receive the data, which often means that they are unaware of their exposure to risk.

Automation of processes limited by capacity constraints and regulatory uncertainty. Previous research conducted among insurers in sub-Saharan Africa showed that a lack of internal systems was the greatest constraint as to whether they used e-signatures and remote customer due diligence (CDD) or electronic Know-Your-Customer (eKYC) to onboard their customers (FSD Africa, Cenfri & OESAI, 2020). In addition, previous research has shown that there is uncertainty within the insurance sector regarding whether e-signatures are allowed for completing insurance sales (FSD Africa, Cenfri & OESAI, 2020; Thom et al., 2018; Hougaard et al., 2018).

Discrepancies in challenges around sales. As shown in **Figure 7**, 67% of banks and 39% of brokers thought that insurers faced challenges around increasing sales; however, insurers themselves did not explicitly mention this as a key constraint. However, the challenges that insurers do face, outlined above, all serve to hinder their distribution capabilities, suggesting that insurers do struggle to effectively sell insurance.

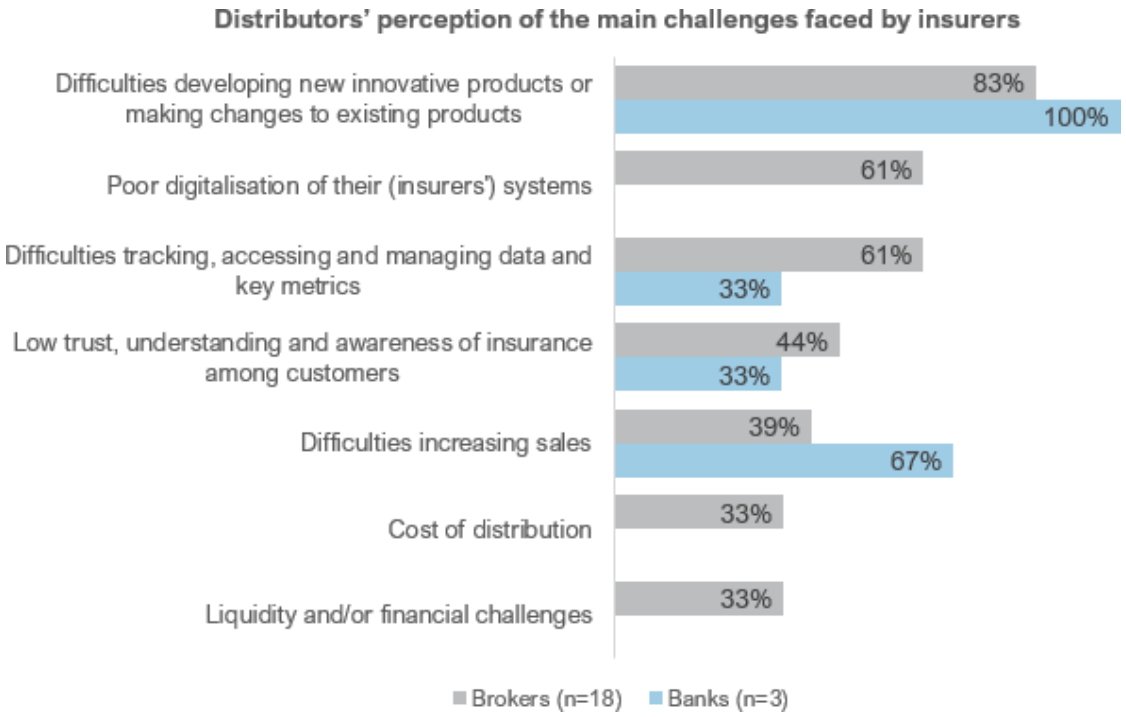

Figure 7. Distributors' perception of the main challenges faced by insurers

Source: survey results

2.2. Key challenges faced by distributors

Variation in the challenges faced by distributors. From the survey (see Figure **9**), it became clear that there is a degree of variation in the challenges faced by banks and brokers. The biggest challenge faced by brokers (67%) was low trust, understanding and awareness among customers[2]. For banks, on the other hand, the biggest challenge was low digital capabilities of insurers and/or customers (100%), although 56% of brokers also cited this as a challenge. These two challenges were also perceived by 77% and 50% respectively of insurers to be the biggest challenges faced by their distribution partners (Figure 8).

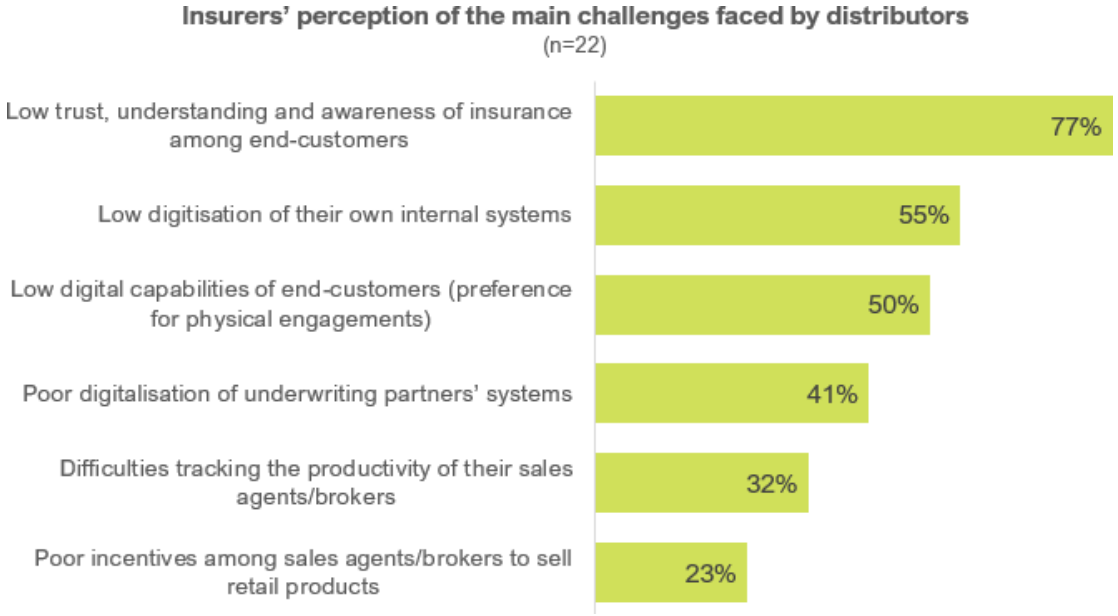

Figure 8. Insurers' perception of the main challenges faced by distributors

Source: survey results

Need for improved internal capabilities. From the survey (see Figure 9 below), 56% of brokers and 33% of banks admit that there is poor/no digitalisation of processes or their internal systems. This was also a challenge that 55% of insurers picked up on regarding difficulties faced by their distribution partners in distributing insurance (**Figure 8**). Around a third of both banks and brokers mentioned that they also face difficulties organising data and key metrics, suffer from data errors, and/or struggle with poor integration between their internal systems.

Discrepancies in customer needs and product offerings. Fifty percent (50%) of brokers mentioned that there is a lack of products that meet customer needs/demand (see Figure 9). In addition, 83% of brokers and 100% of banks perceived this as a key challenge faced by their insurance partners (see Figure 7). However, this was not mentioned as a significant challenge for insurers, with only 27% stating that they have a poor understanding of customers' needs (Figure 6 and

2 This was not mentioned as a key challenge among banks, who largely sell simple, embedded products and havealready established a relationship with their customers, whereas brokers sell voluntary products and lack a trusted brand and are thus more exposed to the low levels of trust/understanding

only 36% stating that they struggle to develop new products or modify existing products. This suggests that insurers fail to effectively engage with their distributors and customers and may be another reason that drives the low trust/awareness in insurance among customers, which should be a key concern for insurers if they want to improve their operations and grow.

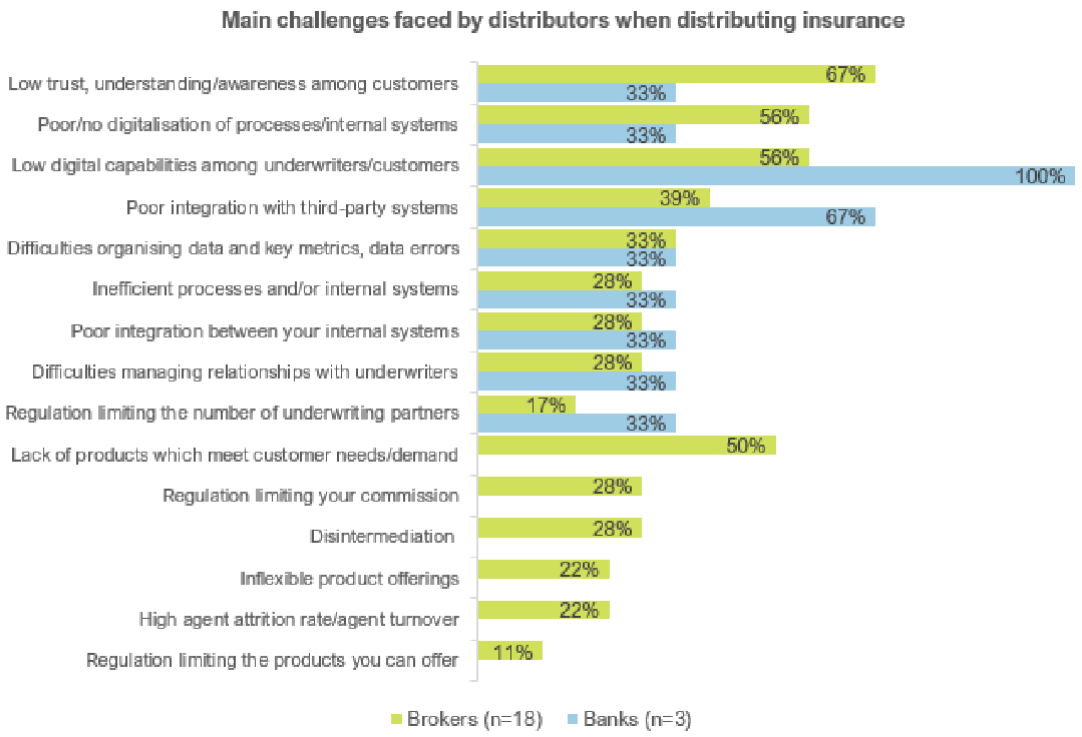

Figure 9. Challenges that the distributors face in distributing insurance

Source: survey results

Digitalisation can enhance the efficiency of distribution in Africa. It is evident that the limited digitalisation of insurers and, to some extent, distributors constrains the effectiveness of insurance distribution, making it difficult for insurers and distributors to track key metrics, integrate with third-party systems and innovate. This degrades customer experience and has served to exacerbate trust concerns. Improved automation and integration can thus enhance the efficiency of distribution processes and enable innovation and growth in insurance markets. The following sections explore the current state of digitalisation in the markets, and from there identify the key challenges and opportunities to digitalisation and improved insurance distribution.

3. How digitalised is insurance distribution?

To identify the key challenges and opportunities around the digitalisation of insurance distribution in Africa, it is important to first understand the current role of digitalisation in how individual life and health insurance is typically sold and customers serviced. This section uses the insurance lifecycle (see Figure 10) as a framework to outline the extent to which insurers' and distributors' sales processes and operations are digitalised.

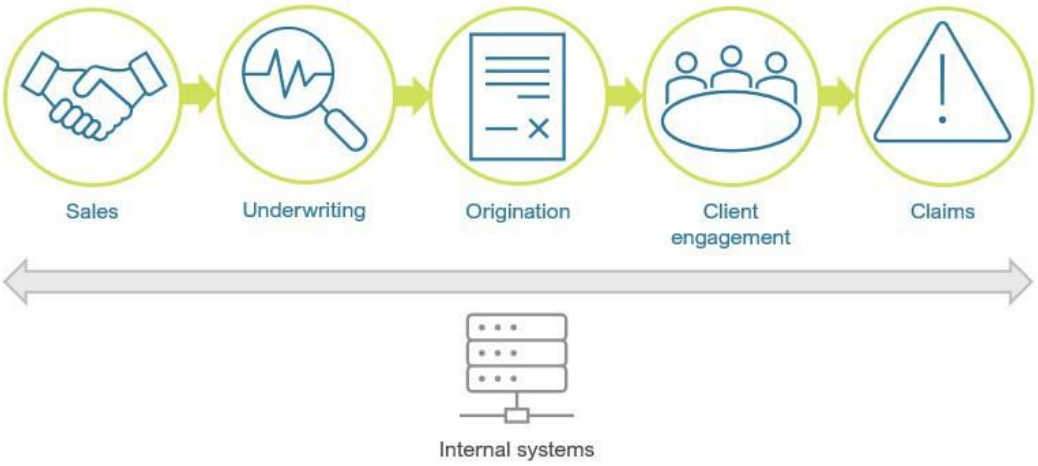

Figure 10. Overview of the insurance lifecycle

Source: authors' own

3.1. Internal systems

3.1.1. Insurers' systems

Insurers tend to have inefficient internal systems. Fifty-nine percent (59%) of insurers use more than one policy administration system, with 9% using more than 10 systems. Most systems are older and are moderately to very expensive to maintain, as shown by Figure 11. This suggests that insurers' systems are complex and outdated and are likely causing various internal efficiency challenges that were highlighted in the challenges section. In addition, there is substantial variation in the levels of digitalisation of these systems, with only 5% of insurers using purely cloud-based systems, 50% using a mix of local-server and cloud-based systems, and 45% relying on local server-based systems. Despite this, 73% of insurers said that their systems can track key metrics.

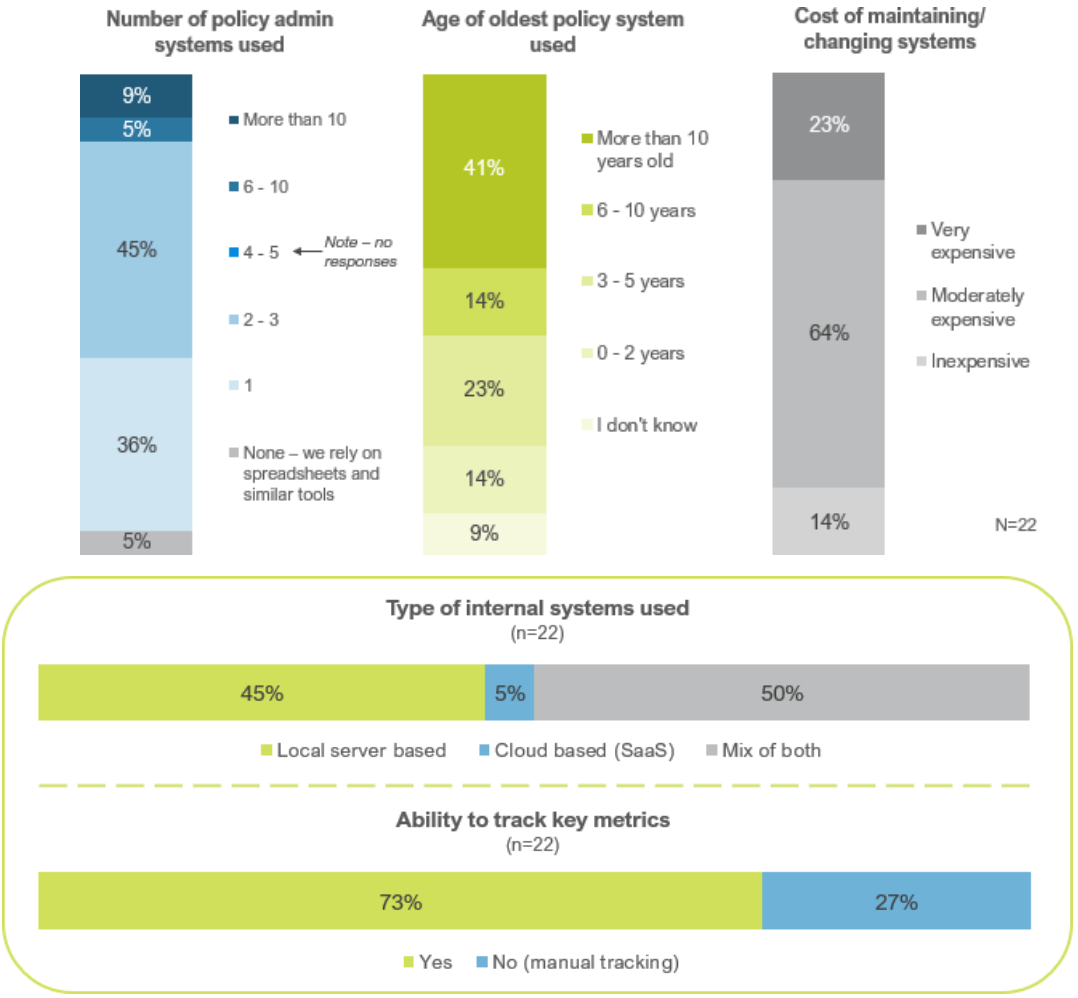

Figure 11. Overview of insurers' systems

Source: survey results

3.1.2. Distributors' systems

Distributors' systems are more sophisticated than those of insurers. Distributors' systems are relatively newer, with 67% of banks stating that their internal systems are less than two years old, and 50% of brokers having systems that are less than five years of age (see Figure 12). Despite the systems being relatively new, 56% of brokers and 67% of banks stated that it is "very expensive" to change and/or maintain their systems. Like insurers, around 60%can track key metrics.

Brokers' systems are more digitalised than banks. Looking at Figure 12, 22% of brokers use cloud-based internal systems, while 33% rely on a mix of local-server and cloud-based systems. The majority (67%) of banks, on the other hand, rely on local-server-based systems, compared to only 39% of brokers. Despite the reliance on local server-based systems, the interviews showed that banks' internal processes are highly automated.

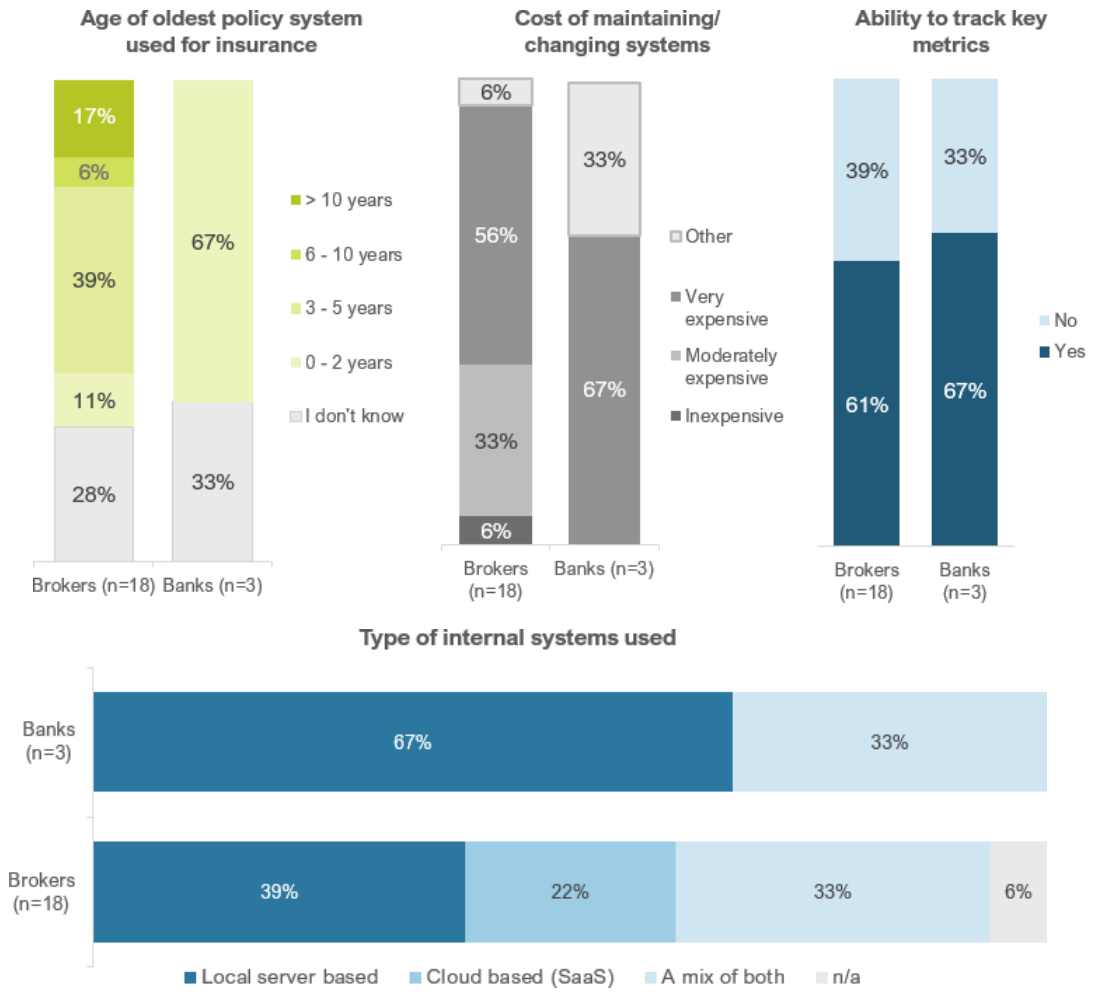

Figure 12. Overview of distributors' systems

Source: survey results

3.1.3. Extent of integration

Insurers' systems are not integrated. Thirty-two percent (32%) of insurers identified poor integration as a challenge (see Section 2.1), which is due to the fact that only 23% of insurers' systems directly integrated with those of distributors or enable distribution partners to directly capture new policies in the front-end of the insurers' system (see Figure 13 below). Most insurers (77%) either use a mix of systems depending on their distribution partners' capabilities or rely on the bank/broker to originate policies, with batched data processing. As was mentioned above, this has implications for handling customer engagements/queries, as well as claims, discussed in section 3.6 below.

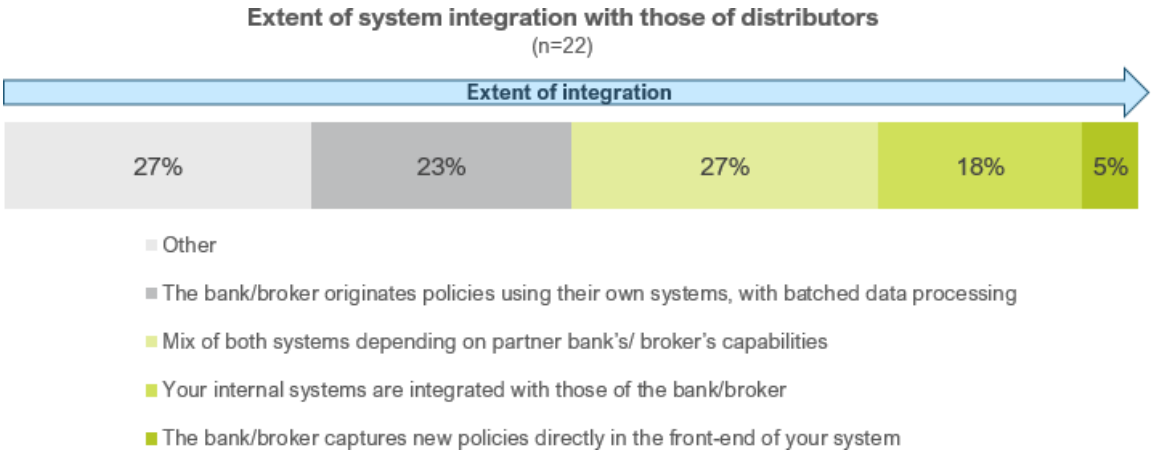

Figure 13. Integration between insurers' systems with those of distributors

Source: survey results

Integration among distributors also low. Distributors tend not to be integrated with insurers' systems – 44% of brokers and 67% of banks originate policies using their own systems and send data in batches to their insurance partners (see Figure 14). Only 17% of brokers and 33% of banks have integrated systems. However, given that their systems are newer and more digitalised, it may be the case that the internal systems of their insurance partners are preventing greater integration. For example, one bank mentioned that it has direct engagement with two insurers, whose systems enable seamless transmission and data exchange, but that it engages manually with the remaining four insurance partners (i.e. periodic data dumps). Alternatively, there may be less of a need for them to be integrated with insurance partners given that there is a clear split between the roles and responsibilities when it comes to engaging with the client. The interviews also showed that banks are reluctant to integrate with insurers due to security concerns. However, technology is advancing rapidly, and solutions exist to assist insurers and distributors in digitalising their internal systems and integrating these with third parties (see Box 1 below).

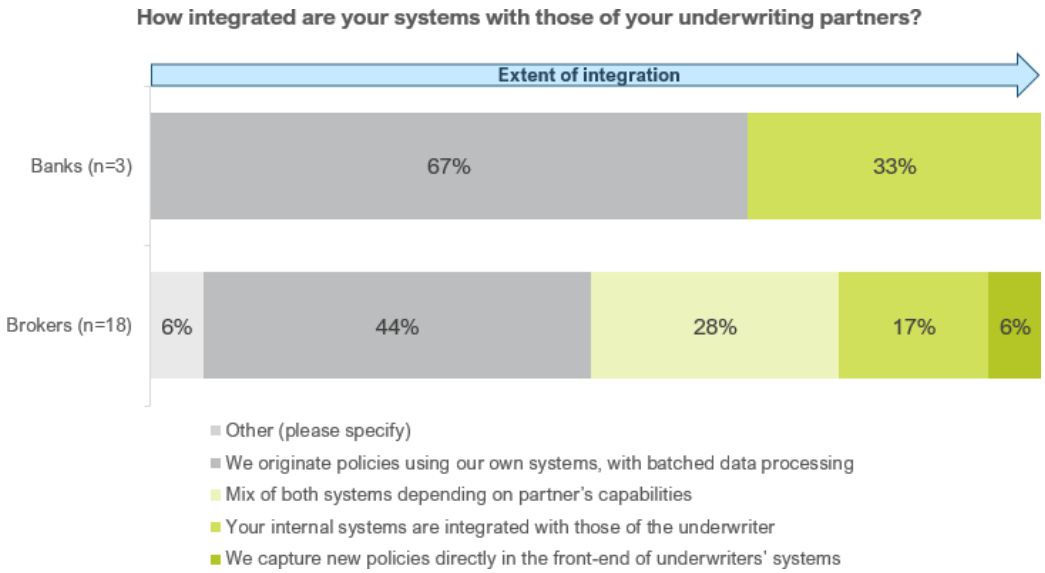

Figure 14. Integration between distributors' systems with those of insurers

Source: survey results

Box 1. Technology solutions providers case studies

Case study 1: Equisoft

Equisoft is a technology company that assists insurance organisations in digitalising their systems and processes. They offer a wide range of solutions – from CRM to onboarding and claims management, integrated software solutions and complete back to front-office platforms. In addition, Equisoft can help insurance organisations consolidate and update legacy systems into a centralised platform, assist with data migration and conversion and with data cleaning and analysis to prevent data irregularities.

Source: Equisoft, n/d

Case study 2: Inclusivity Solutions

Inclusivity Solutions designs, builds, operates and innovates digital insurance solutions that enable financial inclusion in emerging markets. They partner with mobile operators, banks, insurance companies and other financial institutions to deliver simple and affordable insurance cover through mobile phones. Their insurance platform, which facilitates sales, policy administration, premium payments, and claims, integrates with their partners' systems to facilitate a fully digital customer journey. The agility and scalability of their solution allows their partners to quickly launch innovative products – they have established partnerships and launched digital insurance initiatives in Côte d'Ivoire, Rwanda and Kenya, covering more than 700,000 people.

Source: Inclusivity solutions, n/d; Wasunna, 2020

3.2. Sales

3.2.1. Sales channels and onboarding

In-person engagement drives insurance sales. From the survey (see Figure 15) and interviews, it became clear that many insurers, banks and brokers use digital channels, such as mobile, web-based or digital platforms to sell policies. However, the frequency with which digital channels are used is low, and the bulk of policy signups across the continent are still generated through face-to-face channels. For example, one of the banks interviewed stated that "60% of our sales occur through direct distribution, while the remaining 40% comes from our telesales channel". In addition, according to those interviewed, when brokers, banks or insurers use digital channels, this likely refers to the use of a digital portal (e.g. sign up via a tablet during a face-to-face interaction), rather than an end-to-end digital sales process whereby the customer signs themself up online.

Brokers tend to utilise remote onboarding more than banks and insurers. From the quantitative survey, 61% of brokers said that they use remote onboarding practices (such as electronic KYC), compared with only around one-third of banks and insurers (see Figure 15). However, additional results from the survey and qualitative interviews suggest that these channels overall are not widely leveraged, meaning that in-person onboarding likely still prevails.

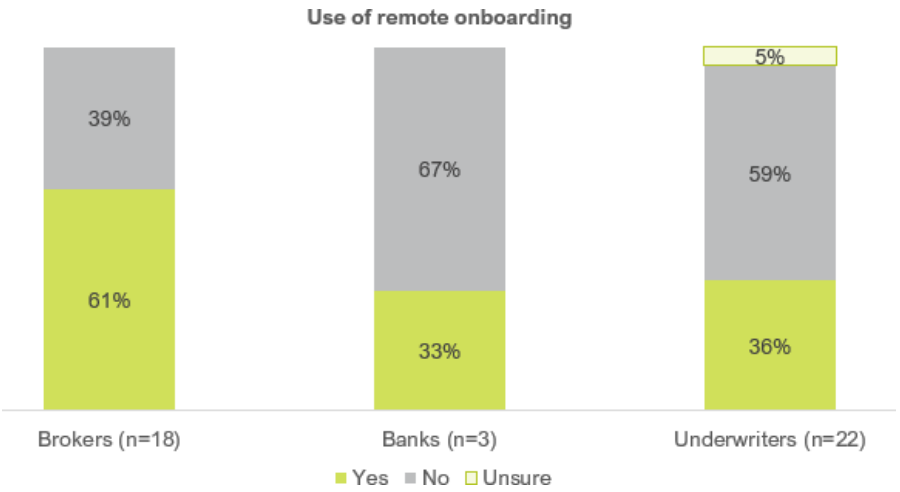

Figure 15. Extent of remote onboarding

Source: survey results

Use of digital channels constrained by customers' capabilities. Across Africa, most customers lack access to internet, smartphones and laptops and have limited digital skills, as shown in Figure 6 and Figure 7. This limits the extent of digitalisation of the full sales process to lower-income customers. In addition, lower-income customers also have poor trust in digital engagements, which limits the potential of digital sales. As a result, most insurers and distributors conduct marketing and customer education in person, in addition to utilising face to-face sales channels. However, there are cases where insurers have struck the right balance and shown the potential of digital sales (see Box 2 for an overview of a well-functioning digitalsales solution).

Box 2. Case study: aYo and digital sales

Case study: aYo and digital sales

aYo, a microinsurance fintech developed in 2017 by MTN and Momentum MetropolitanHoldings (MMH), offers hospital and life cover in Zambia, Uganda, Ghana and Côte d'Ivoire, and had 6 million active policies at the end of 2020.

aYo provides an innovative example of how digital sales can work across Africa. By leveraging the MTN mobile network and allowing clients to transact via airtime and mobile money, aYo is able to overcome accessibility constraints. Customers simply register on their mobile phone and get a minimum of 30 days cover each time they load airtime. Customers also get paid out via their mobile money account. In addition, the fintech uses a pay-as-you-go model, with low premiums and maximum flexibility, which helps to overcome the affordability constraints that many African customers face. Lastly, leveraging the MTN brand allows MMH to capitalise on the pre-existing relationship that customers already have with MTN, and it can help to build trust between the insurer andclients.

Source: aYo, n/d; Whitehouse, 2021

Partners leverage own platforms with limited integration. The interviews showed that banks and brokers use their own platforms to capture sales. This results in batched dataprocessing to the insurance partners, which has significant implications for customer servicing and claims processes, as previously mentioned.

3.2.1. Tracking productivity of sales staff

Productivity of sales staff tracked internally, with varying degrees of automation. More than 80% of insurers, banks and brokers tend to rely on their own systems to monitor the productivity of their sales staff, as shown in Figure 16. From the qualitative interviews, it became clear that this is done through varying levels of digitalisation. For example, one bank interviewed mentioned that it uses a manual process to track its sales staff, checked on a monthly basis, while another has a centralised booking system which it monitors through its platforms on a daily/weekly basis. In cases where manual processes are used, this increasesthe risk of errors and is a time-consuming and expensive process for the business.

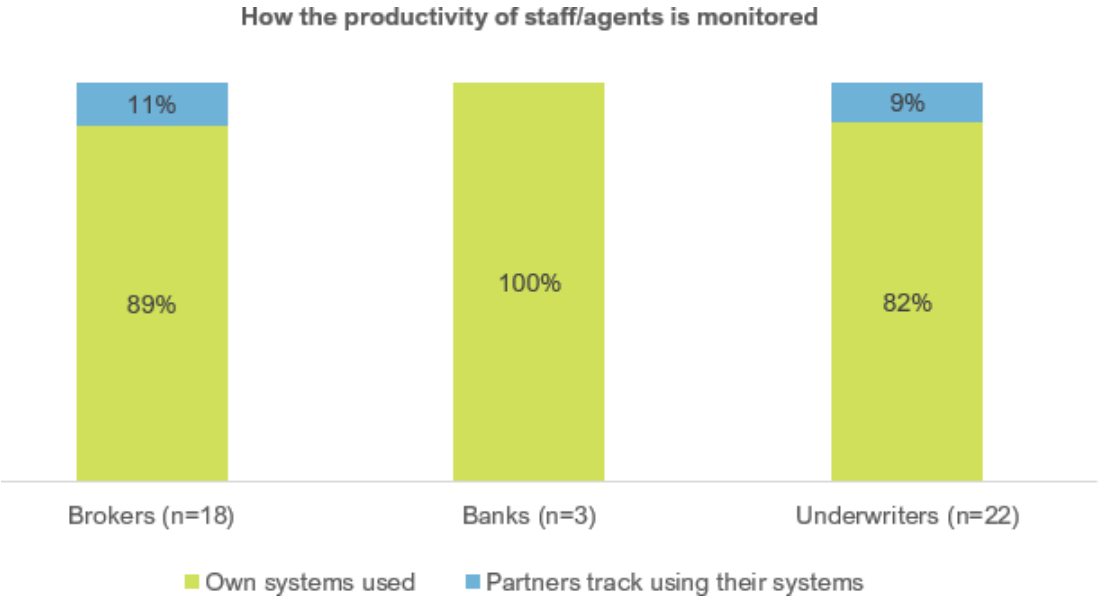

Figure 16. How productivity of sales staff is managed

Source: survey results

3.3. Underwriting

Medical underwriting requirements handled manually. The research showed that distributors and insurers handle medical underwriting requirements manually. This was highest among banks (67%), followed by insurers (64%) and brokers (44%), as shown by Figure 17. Only 17% of brokers said they have integrated channels, while no insurers nor banks have integrated channels. Given the complexity of these underwriting requirements, the fact that these are managed manually is likely to result in lengthy processes, which are often inefficient because of the lack of integration and poor capabilities of stakeholders.

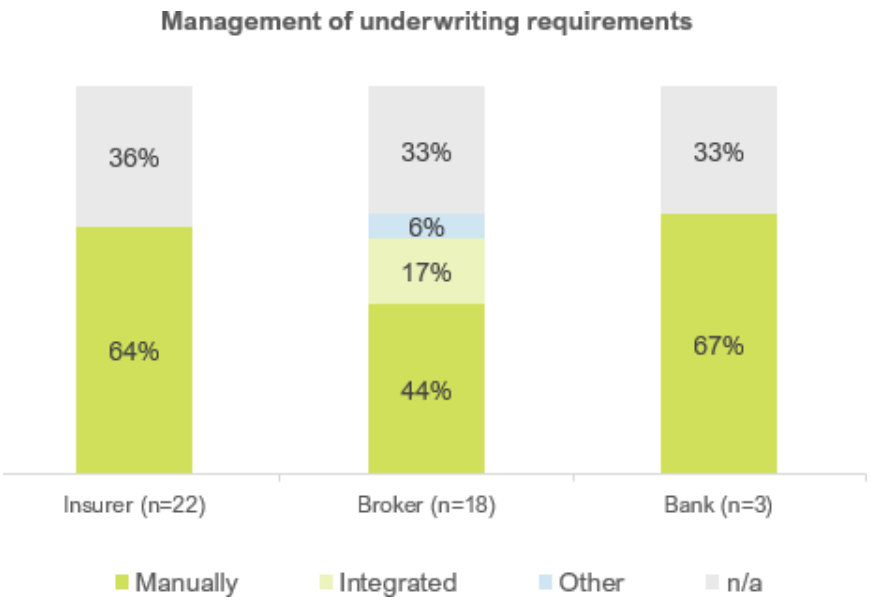

Figure 17. How underwriting requirements are managed

Source: survey results

Insurers rely on simple products, while distributors' product offerings are more complex. To reduce the need for complex processes, 91% of insurers rely on selling simple, guaranteed acceptance products (see Figure 18). On the other hand, only around one-third of banks and brokers surveyed sell simple products, with 22% of brokers and 33% of banks stating that they sell partially/fully medically underwritten products, and 15% of brokers and 33% of banks stating that they sell a mix of both types of products. The sale of more complex products among distributors suggests that their internal systems are more advanced, and thus also more digital, than those of insurers.

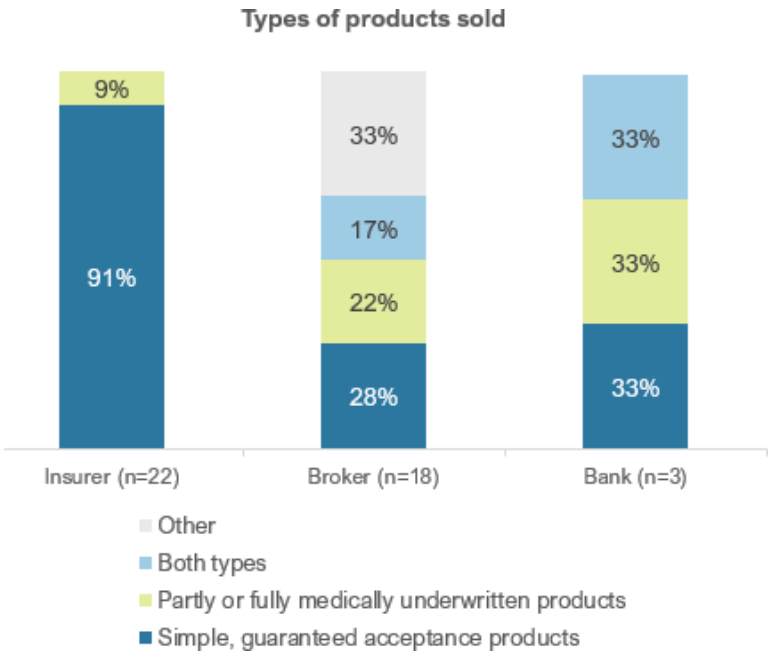

Figure 18. Overview of products sold

Source: survey results

3.4. Policy origination

Policy origination timelines are short. Insurers, brokers and banks have short policy origination timelines, with over 80% of policies being issued within a few days (as shown by Figure 19). For insurers, this is likely because they sell mostly simple products which allow instantaneous policy issuance, while brokers and banks, who sell a range of products, are likely to have better systems and thus capabilities in handling the processes involved and are thus likely to be relatively more efficient than insurers. Banks specifically tend to have agreements with their insurance partners, which allows them to issue policies instantaneously, which they use their internal systems to complete.

Partner and market capabilities impact timelines. The interviews showed that there is some variation in policy origination timelines, depending on the market. For example, an insurer stated that across their upper-end market, policy issuance takes less than 48 hours for fully underwritten products because of the automation, while for their mass market channels this process can take up to three months. The length of policy origination also depends on the insurance partner's capabilities. One broker stated that there are a few insurance partners that can provide digital policies within 48 hours, while most insurers issue paper-based documents that can take up to one month to be issued, depending on their systems.

3.5. Client engagement

Distributors tend to handle client engagement predominantly in person. Banks and brokers tend to be responsible for most of the engagement with clients, including generating leads, marketing and selling the policies, engaging with customers, onboarding, ongoing servicing and assisting with claims, as shown in Figure 19. Similarly, only 36% of insurers said that they are responsible for the customer engagement. This is unsurprising, given the fact that most distribution partners own the client relationships.

Most of the engagement with clients happens in person; for example, banks will leverage a sales team in the branch who engage with bank customers, or in some cases send out "runners" to reach out to customers, while brokers tend to visit clients to sell insurance or provide ongoing policy support. There are limited examples of purely digital engagements with customers. Even when dealing with higher-income clients, brokers prefer to have in- person visits, to focus on building the relationship and promote cross-selling of other types of policies.

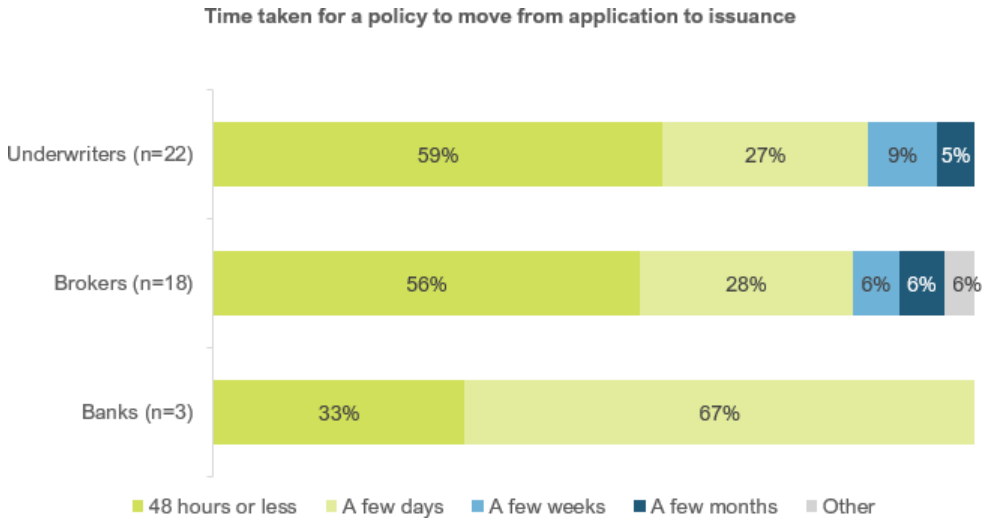

Figure 19. Policy origination timelines

Source: survey results

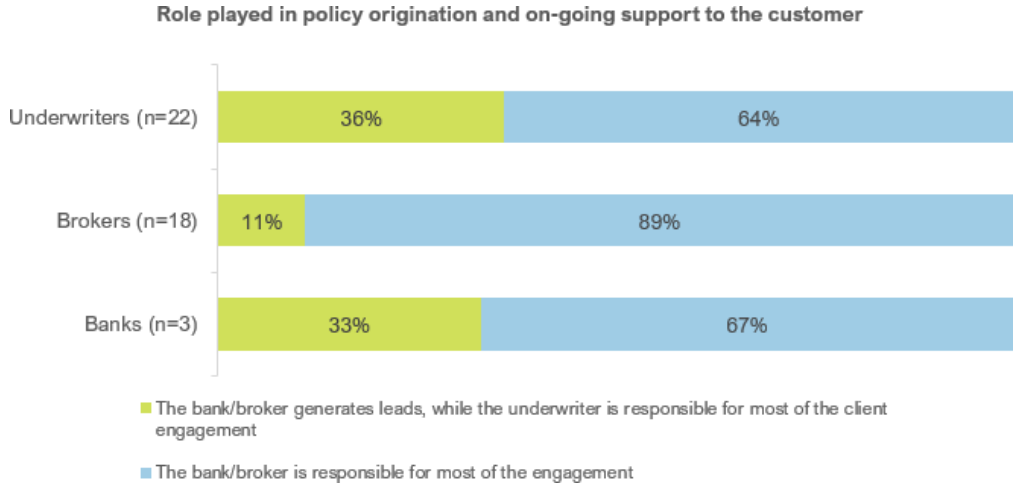

Figure 20. Roles in client engagement

Source: survey results

3.6. Claims

Claims processes are lengthy. Insurers, brokers and banks are generally not capable of handling claims quickly, suggesting limited digitalisation of the claims process in most cases. Looking at Figure 21, we see that the bulk of claims among insurers and banks take a few days to be resolved, whereas 61% of brokers stated that it takes them a few weeks to process a claim. This suggests internal inefficiencies when it comes to dealing with claims processes, which are more complex, or issues in getting the necessary documents from customers, particularly those in rural areas. This is likely to have significant negative impacts on the level of trust in insurance among consumers. However, there are cases where digitisation of parts of the claims process has been undertaken to speed up the assessment and payment of claims. Examples include the use of WhatsApp to submit claim requirements and payment ofclaims via mobile money.

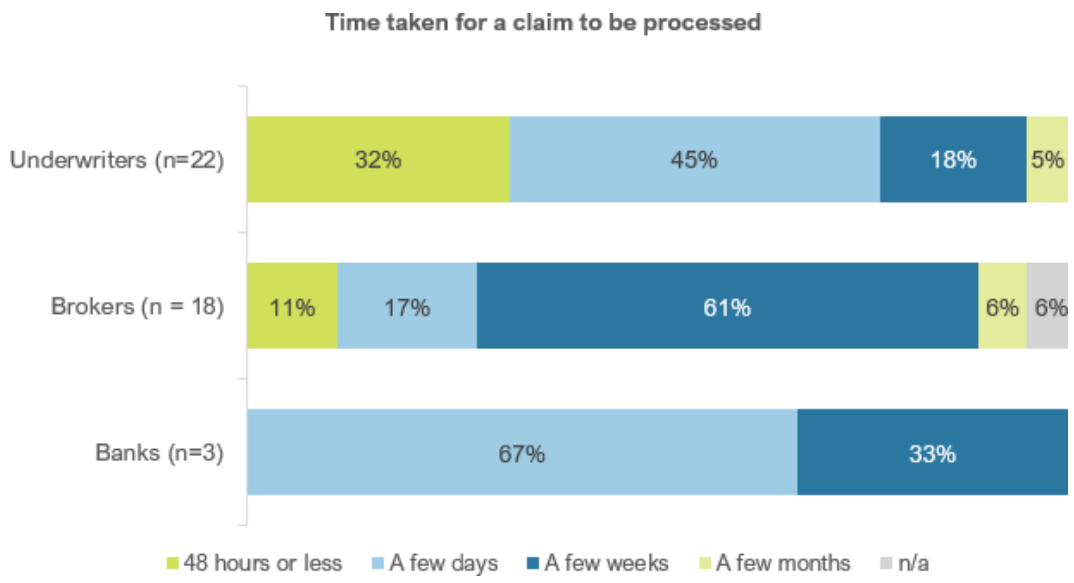

Figure 21. Claims processing timelines

Source: survey results

3.7. State of digitalisation

The preceding sections have highlighted the challenges that insurers and distributors face when distributing insurance, as well as provide an overview of how digitalised they are across the insurance lifecycle. It is apparent that many insurers and distributors still rely on various manual processes and that their systems – especially those of insurers – are poorly digitalised. Below we explore where respondents are in their overall journey to digitalisation.

Insurers have recognised the importance of going digital. Seventy-seven percent (77%) of insurers are in the process of digitalising their business, while 14% have already digitalised (Figure 22). From the qualitative interviews, it became evident that insurers tend to have digital systems and processes when they are operating in more advanced markets or serving more affluent customer segments. For those who have not, or are in the process of digitalising, most insurers foresee it taking three to five years or more before this process is complete.

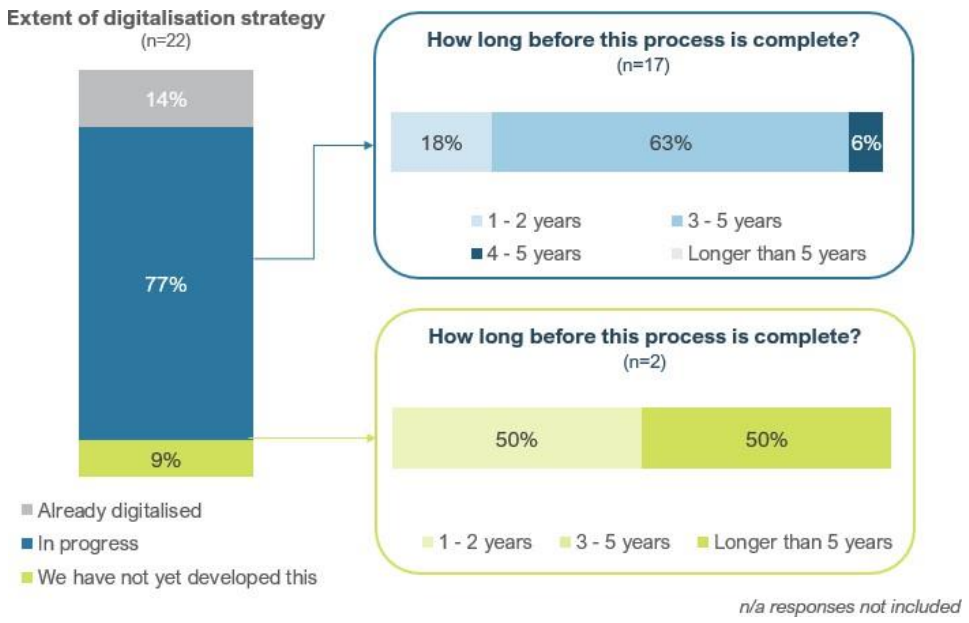

Figure 22. Extent of digitalisation among insurers

Source: survey results

Larger share of distributors already digitalised. More distributors, particularly the banks, have already digitalised their business (see Figure 23). Only 33% of banks were in the process of digitalising, while 50% of brokers are doing so. Like insurers, the remainder have recognised the importance of going digital. In contrast to the insurers, the timelines for digitalising are shorter. All of the banks stated that this would take one to two years, and 76% of brokers stated that it would take less than five years.

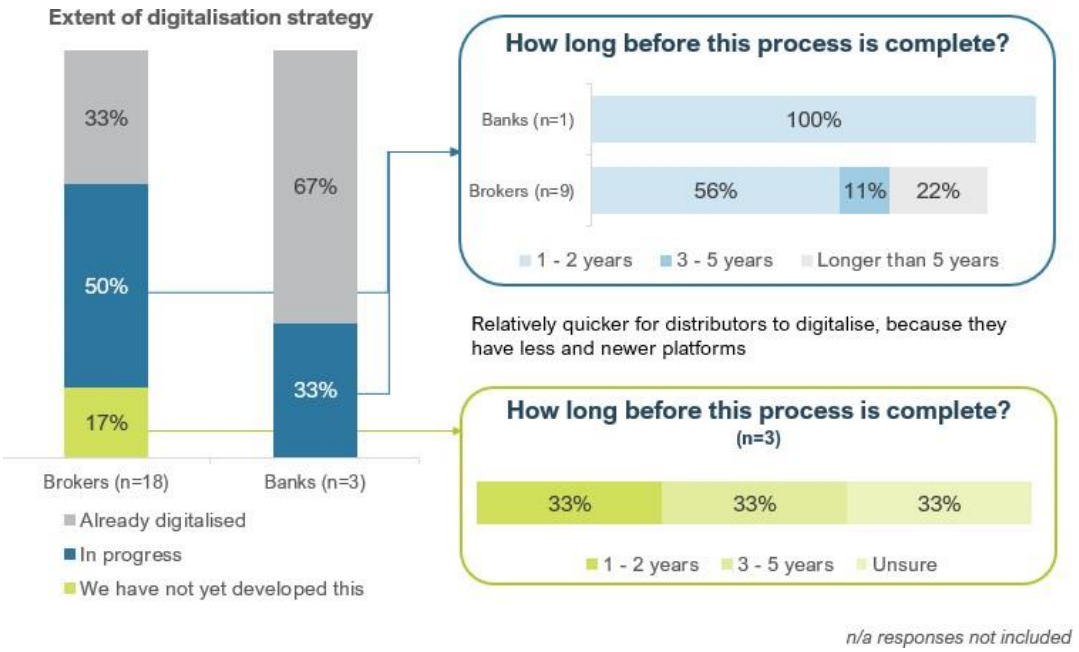

Figure 23. Extent of digitalisation among distributors

Source: survey results

4. Key challenges to digitalising

The previous sections have shown that banks, brokers and insurers distribute insurance with varying degrees of digitalisation. Insurers tend to have inefficient, outdated and costly systems, and they rely on manual processes for most of the sales, underwriting, claims and client engagement processes. Banks and brokers tend to have more digitalised systems, yet also rely mostly on manual processes to distribute insurance. It is clear that greater automation of internal processes and systems is required; however, many insurers and distributors have not fully implemented this. This section draws together the key challenges that these stakeholders face in digitalising their businesses.

Cost constraint and legacy systems are key barriers to insurers and brokers digitalising. The survey showed that 68% of insurers and 67% of brokers face significant cost constraints to digitalising their internal processes and systems.(see Figure 24) This is unsurprising, as both insurers and brokers mentioned that their systems are expensive to change and/or maintain (see Figure 8 and Figure 9 above). In addition, 45% of insurers and 44% of brokers mentioned that "legacy systems" are significant barriers to digitalisation, which again is unsurprising given that both insurers and brokers' systems tend to be older than three years.

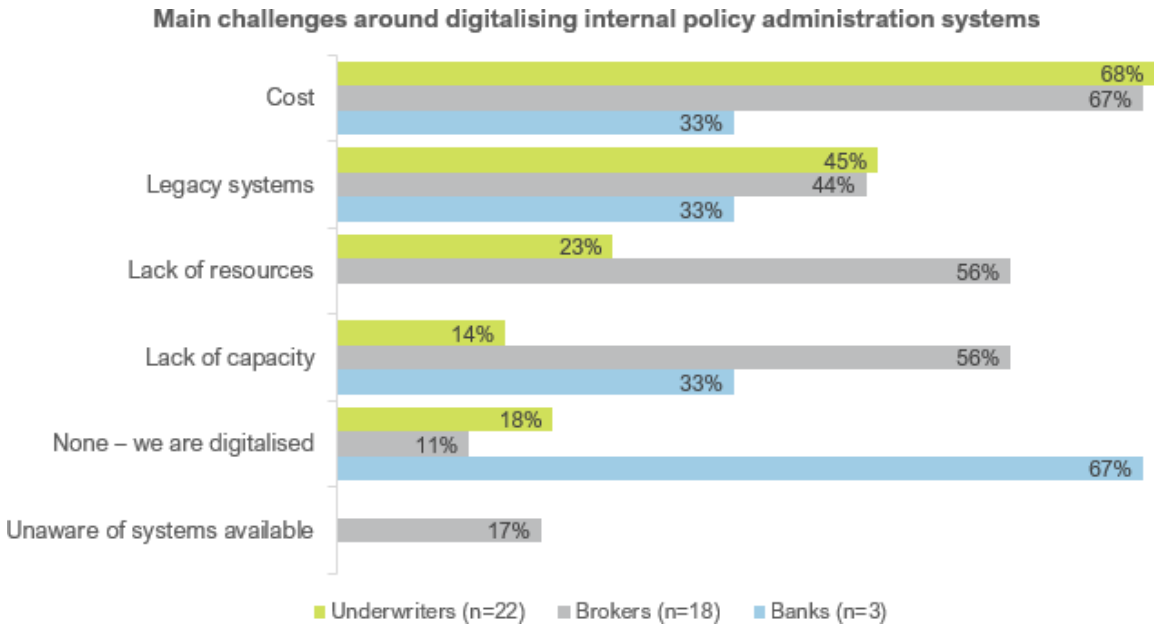

Figure 24. Key challenges to digitalising

Source: survey results

Brokers also lack sufficient resources and capacity. Fifty-six percent (56%) of brokers mentioned that resource and capacity constraints are significant challenges to digitalising, as shown in Figure 24. During the interviews, brokers mentioned that many of their staff lack the digital mindset necessary to be able to automate certain processes. Thus, they would also need to educate their staff on using digital tools/technologies when digitalising their systems.

Banks, who are already highly digitalised, face fewer challenges. Sixty-seven percent (67%) of banks do not face challenges because they are already digitalised. However, of those who are less digitalised (33%), capacity, cost and legacy systems are some of the challenges they face to digitalising their internal systems and processes.

Trust barriers and poor digital capabilities among customers constrain digitalisation. A large share of insurers and distributors mentioned that low trust, awareness and understanding among end-customers are challenges they face when distributing insurance, as well as the fact that end-customers have poor digital capabilities (see Figure 6 and Figure 7). This constrains the extent to which insurers and distributors can leverage digital sales channels, as most customers prefer to engage in person when it comes to purchasing insurance.

5. Key opportunities

Internal automation of insurers' systems is low and, despite the fact that distributors' systems are relatively more automated, challenges remain. In addition to the varying levels of automation and integration between and within systems, banks, brokers and insurers face anarray of other challenges when it comes to distributing insurance across Africa, including low levels of trust, awareness and understanding among customers, low digital capabilities of customers, and a lack of products that effectively meet customers' needs.

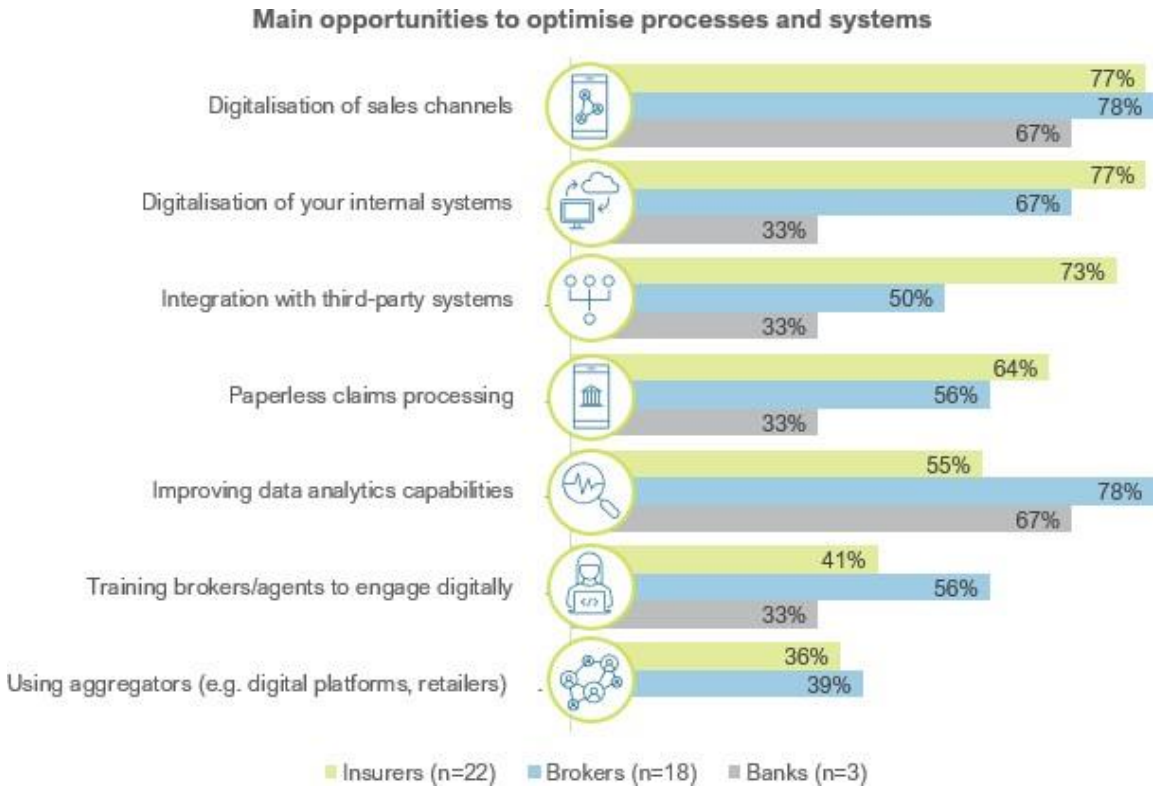

Figure 25. Opportunities around digital insurance distribution

Source: survey results

Significant opportunities for automation of internal systems and processes. In light of the key challenges to both distributing insurance and digitalising internal systems, as well as the current state of digitalisation across the insurance lifecycle, it is clear that there are significant opportunities for automation of certain processes and internal systems of banks, brokers and insurers. Six key opportunities for improved insurance distribution have been identified:

1. ***Digitalise internal insurance systems to reduce cost and enable seamless digital distribution***. Insurers across Africa tend to have low levels of digitalisation of their internal systems, which are also outdated and costly. In addition, there is a reliance on manual processes when it comes to completing sales, tracking medical underwriting requirements and/or claims, which results in significant delays and increases the risk of data errors. This has knock-on effects on insurers' ability to effectively price risks and understand their exposure at any point in time.

   This presents a key opportunity for insurers to digitalise their internal systems, identified by 77% of insurers (see Figure 25 below). While switching to newer systems requires an upfront investment, the conversion would reduce the costs and capabilities required to maintain their systems in the long term and enhance the speed with which processes, such as onboarding or claims, can be completed.

2. ***Integration with distribution partners to reduce cost and improve offering***. Insurers and distributors have limited integration with each other's systems, which exacerbates the risk of delays and processing errors. Improved integration was identified as an opportunity by 73% of insurers, 50% of brokers, and 33% of banks (see Figure 25). This would allow for more seamless data delivery, would significantly reduce the labour required for internal IT departments and would optimise the distribution processes for insurers and distributors alike.

   In addition, improved integration capabilities can also enable insurers to partner with a wider range of distribution partners, whether through banks, brokers or alternative distributors, such as digital platforms, which can help them extend their reach.

3. ***Digital solutions for automation and integration***. Insurers, banks and brokers should consider leveraging technology companies (see Figure 24 above) that have the capabilities to help them digitalise their internal systems and integrate with third parties. Partnering with such companies would significantly simplify the process of digitalising and help insurers and distributors overcome many of the cost, legacy and capacity constraints they face when it comes to building new systems.

4. ***Digital systems offer opportunity for improved metrics to monitor sales staff and customer engagement***. Despite most insurers and distributors being able to track key metrics with their current systems, 36% of insurers and 33% of distributors face challenges around organising data. This points to a need for improved data analysis capabilities, identified as an opportunity by 55%, 78% and 67% of insurers, brokers and banks respectively (see Figure 25). This will improve their sales targeting and customer servicing capabilities and allow them to better understand the performance of various products and/or processes within their business, as well as improve their competitiveness in the market.

5. ***Digital approach needs to enable in-person engagement, given trust and awareness gaps.*** Digital sales are identified as an opportunity by over 65% of insurers and distributors, to improve the distribution of insurance (see Figure 25, Box 2. Case study: aYo and digital sales). However, low levels of trust, awareness and understanding of insurance among end-customers may constrain the effectiveness of digital sales channels.

   Across most markets, insurance is sold, not bought, and customers still require a significant amount of in-person engagement before they purchase an insurance policy.

   In addition, limited digital capabilities of end-customers across most markets increase the risk that digital-only engagement becomes another barrier, rather than a

solution, to insurance distribution (see Box 2 above for an overview of a well-functioning digital insurance solution). eKYC and remote onboarding, which automate part of the sales process, may present a more realistic opportunity for more efficient sales.

Insurers, banks and brokers should consider leveraging platforms or service providersthat enable online uploading and digital verification of identity documents. These offer significant opportunities to enhance and simplify onboarding and can make the sales process more efficient for providers and customers alike[3].

In addition, insurers and distributors should focus on building customer awareness and trust in insurance. Emphasis should thus also be placed on developing a trustworthy brand and strong communication channels, investing in customer education and making all information easily available and processes simple – all of which will help to build trust ininsurance.

6. ***Digital system flexibility needed to enable innovation to meet customer needs***. Distributors struggle with the limited range of product types available, yet this is not recognised as a key constraint by insurers themselves. The outdated, costly and inflexible systems currently used by insurers constrain their innovation capabilities. Updating and digitalising these systems will enable insurers to develop a wider range of products, morecomplex products and better target these products to meet customers' needs.

   In addition, insurers need to become more in tune with the demands of the market, through conducting market research and engaging with their distribution partners to better understand their customers and develop appropriate products which suit the realities of the market (e.g., flexible premium payments for those who earn income irregularly).

3 However, banks, brokers and insurers will still need to invest in digital upskilling among their sales staff.

6. Conclusion

Insurance take-up constrained by distribution challenges. Insurance take-up across Africa is low, in part due to prohibitive distribution costs and low levels of digitalisation when it comes to distributing insurance. Insurers, banks and brokers typically rely on manual processes to sell insurance, onboard and engage with clients and settle claims. In addition, insurers tend to have costly, inefficient and outdated systems, and the resulting integration limitations impact the ability of distribution partners to originate and administer new and existing insurance policies efficiently. As well, there are a host of other challenges, beyond digitalisation, that banks, brokers and insurers face, including low levels of trust, awareness and understanding among customers, low digital capabilities of customers, cost constraints and legacy systems.

Efficient distribution is a critical success factor for insurance in Africa. The efficiency of the systems and processes involved in the distribution of insurance is a critical factor that affects the viability of products for the insurer and distribution partner(s), as well as the user experience for the consumer. Moreover, improved automation and integration can reduce the costs and capabilities required to maintain systems and innovate, and the overall efficiency gains associated with digitalisation mean that it constitutes a major opportunity for enhanced insurance market development in Africa in the long term.

Insurers and distributors need not walk alone. As technology advances, so do the solutions to help companies digitalise. For insurers and their distribution partners to attempt to digitalise their systems alone would be a costly and difficult process. There are a host of companies that can assist with easing this transition and help insurers and distributors overcome many of the cost, legacy and capacity constraints they face to digitalising their systems.

However, digitalisation is not a silver bullet. While improved digitalisation and integration can help insurers and distributors to overcome many of the challenges faced in distributing insurance, the needs and realities of the markets in which they operate need to be considered. Consumers lack trust in, and have a poor understanding of, insurance; and they often lack the digital skills required to engage through fully remote channels. A digital approach thus needs to be balanced with in-person engagements.