



SECTION COLLOQUIUM 2019



THE MODERN ACTUARY - CHALLENGE • INFLUENCE • LEAD  
ASTIN • IAAHS • IAALS • IACA • PBSS

2 - 5 April  
**2019**  
Cape Town  
South Africa  
CTICC

Hosted by

ACTUARIAL  
SOCIETY  
OF SOUTH AFRICA

**Deloitte.**



# EMERGING MARKETS

Growing insurance & challenges with a focus on Africa

IAA Section Colloquium 2019

Jaco van der Merwe  
Deloitte & Touche  
[JAvandermerwe@Deloitte.co.za](mailto:JAvandermerwe@Deloitte.co.za)

SECTION COLLOQUIUM 2019





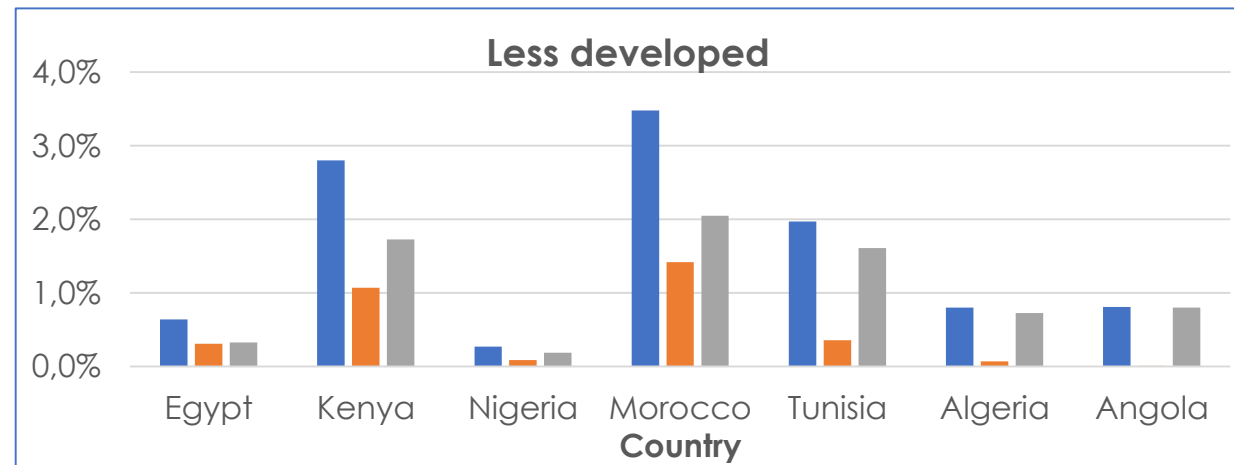
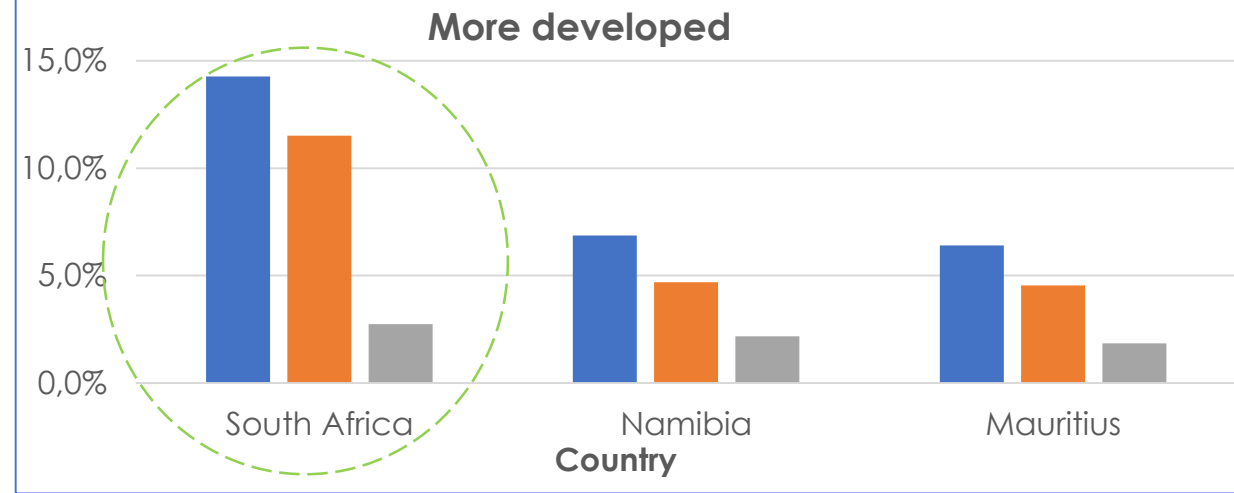
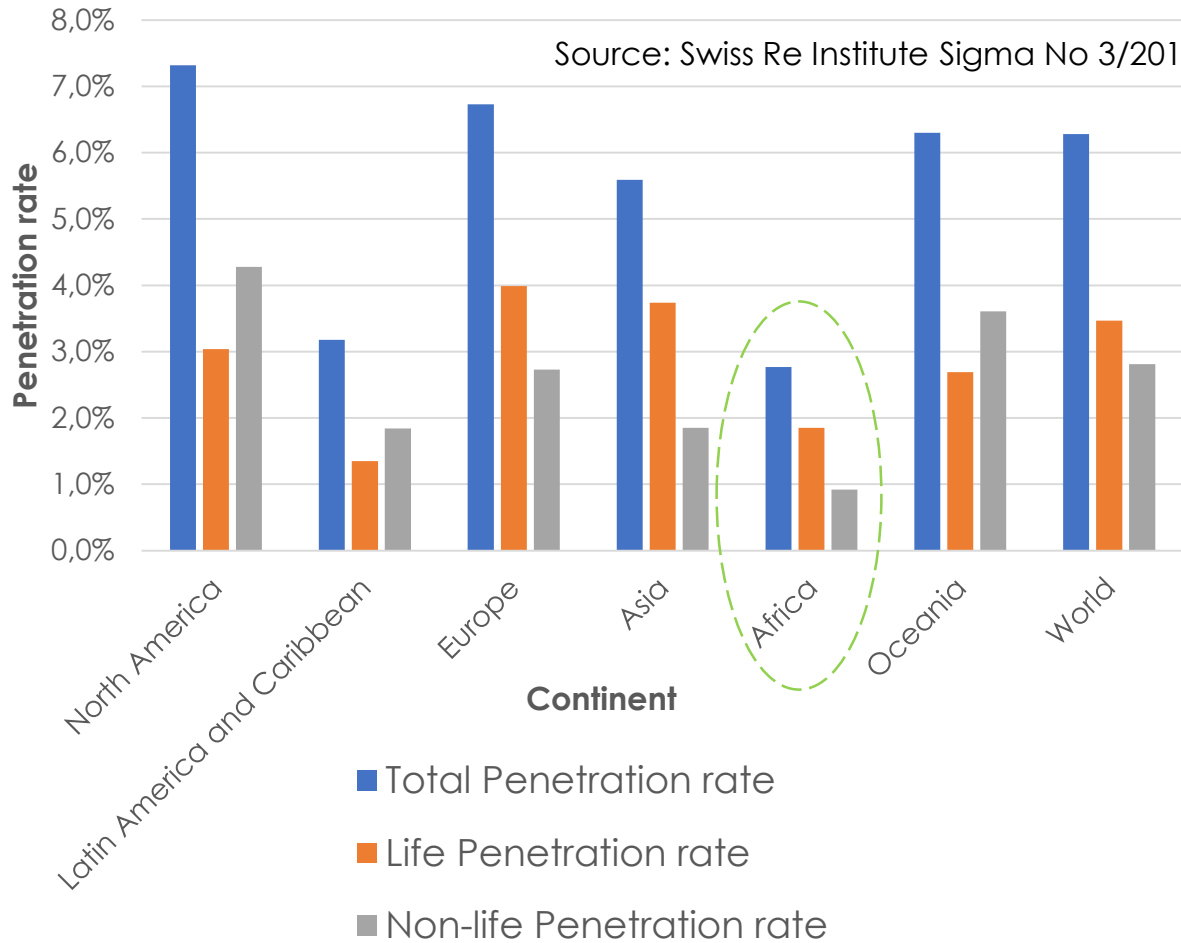
00

## AGENDA

**Deloitte.**

1. Background
2. Survey Results
  - Penetration rates
  - Distribution
  - Product innovation
  - Technology
  - Regulation
3. Conclusion

Source: Swiss Re Institute Sigma No 3/2017



## OTHER CHALLENGES

- Poor literacy
- Low income
- Alternatives to insurance e.g. community based schemes...

## PRODUCTS NOT SUITED TO MARKET

- Copy and paste
- Complex terms and conditions
- Irregular income levels
- Unbanked community

## LACK OF TRUST

- Driven by fraud
- Poorly trained brokers
- Limited understanding of insurance by policyholders
- Significant delays

## INAPPROPRIATE DISTRIBUTION CHANNELS

- Poor infrastructure
- Insufficient knowledge/skills
- Paper based processes

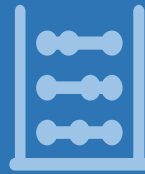
**We will look at these in more detail  
in our survey...**



To assess the relative importance of key supply side and demand side factors affecting the insurance penetration rate.



To determine the key challenges facing insurers in emerging markets.



To explore how product innovation can be used to improve insurance penetration.



To determine the level of adoption of new technologies, and how this will likely change.



To approximate the current and expected contribution to sales of different distribution channels, including partnerships.



To assess the impact of regulation on insurance take-up, and to explore how government can increase access to insurance.

■ **TOTAL GROSS WRITTEN PREMIUM (GWP) IN AFRICA COVERED IS USD 1,326.1 million**

Country	% of respondents *
Nigeria	35%
Mauritius	15%
Swaziland	10%
Namibia	10%
Kenya	10%
Zimbabwe	10%
India	5%
Ivory Coast	5%
<b>Total</b>	<b>100%</b>

Type of insurer	% of respondents
Direct writer	71%
Reinsurer	10%
Composite	19%

We received a total of **21** participants from emerging markets, mainly Africa (excluding SA)

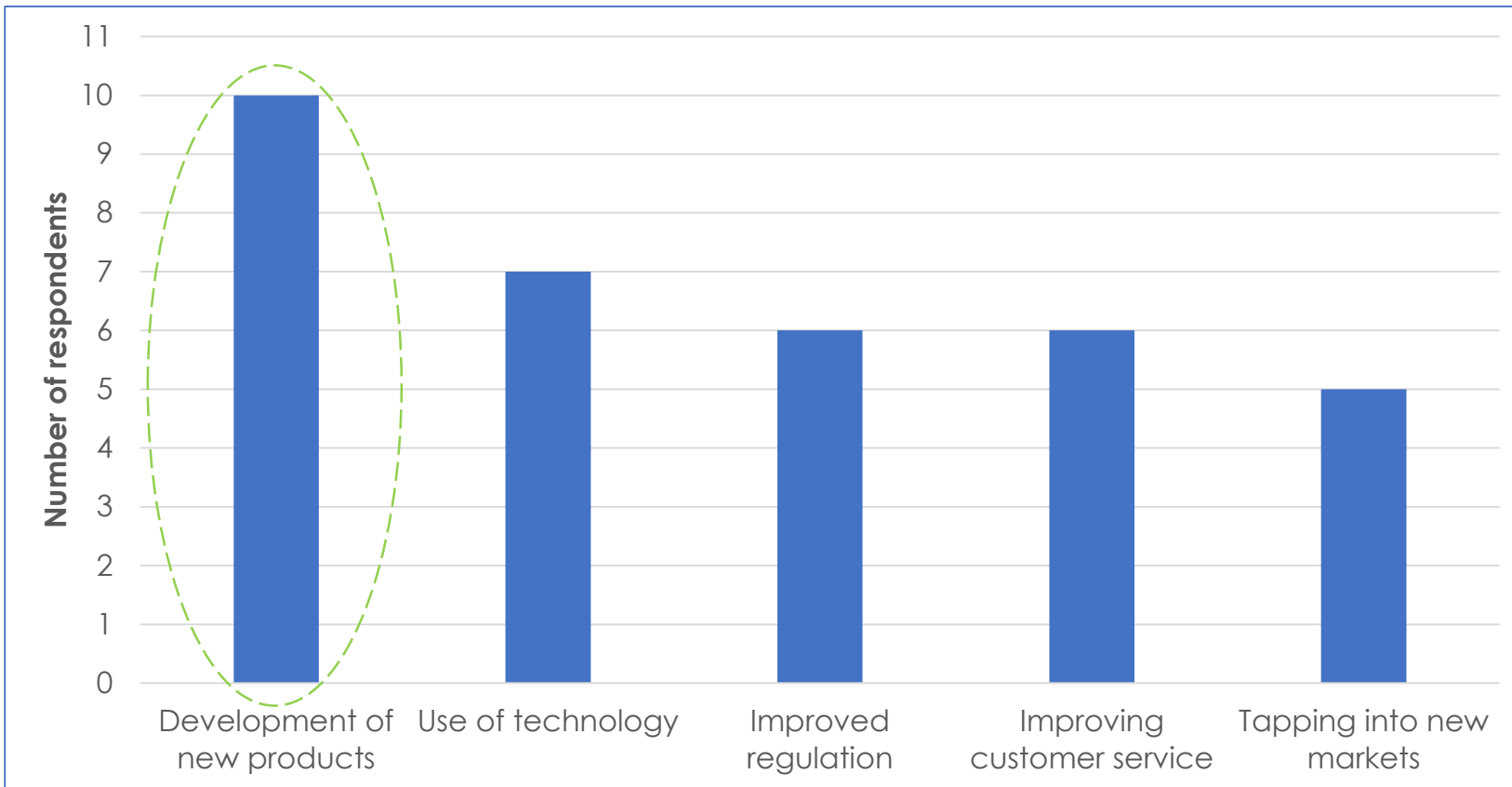
Most participants were **direct writers**

\*Excludes contribution from selected multinationals with presence scattered across various additional countries incl. Morocco, Ghana, Egypt, Uganda, Ethiopia (and South Africa).

**GROWTH EXPECTATIONS FOR NEXT THREE YEARS (PER ANNUM)**

Country	Company growth vs Industry growth	
Namibia	7%	7%
Mauritius	15%	5%
Swaziland	10%	5%
Kenya	20%	13%
Nigeria	30%	12%
Zimbabwe	13%	8%
Ivory Coast	15%	8%

RESPONDENTS KEY OPPORTUNITIES FOR PREMIUM GROWTH

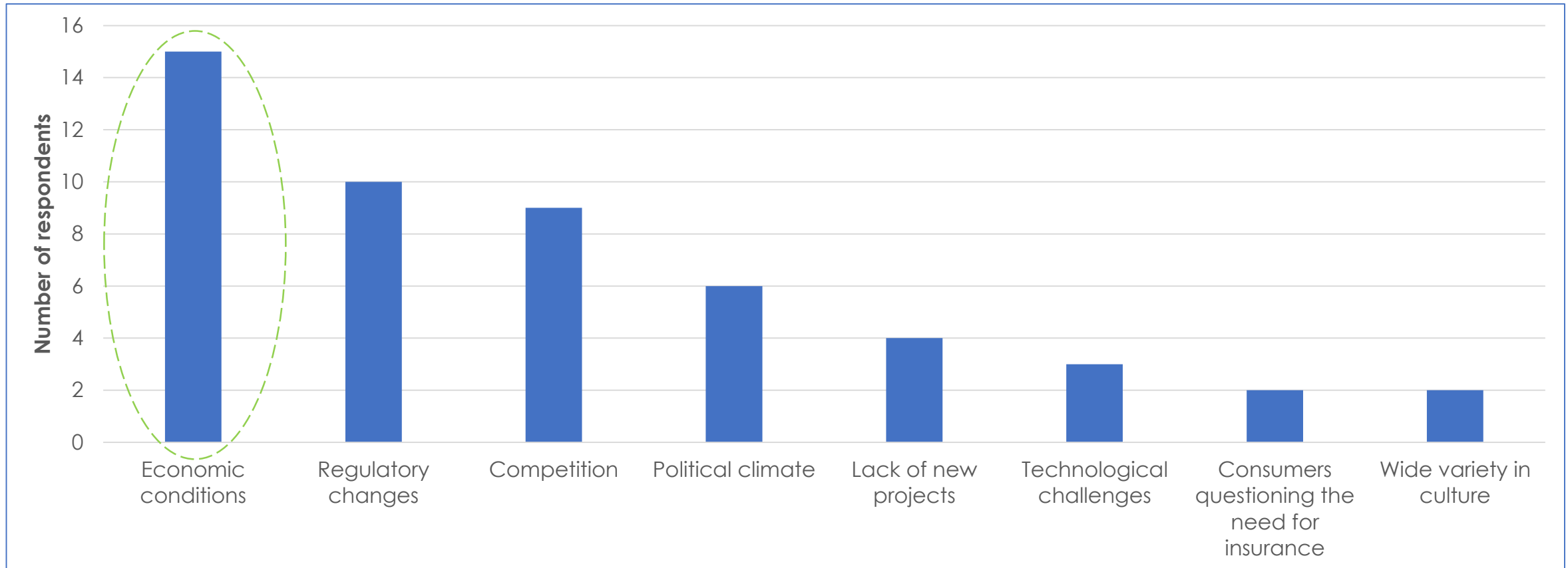


The top two opportunities for growth :

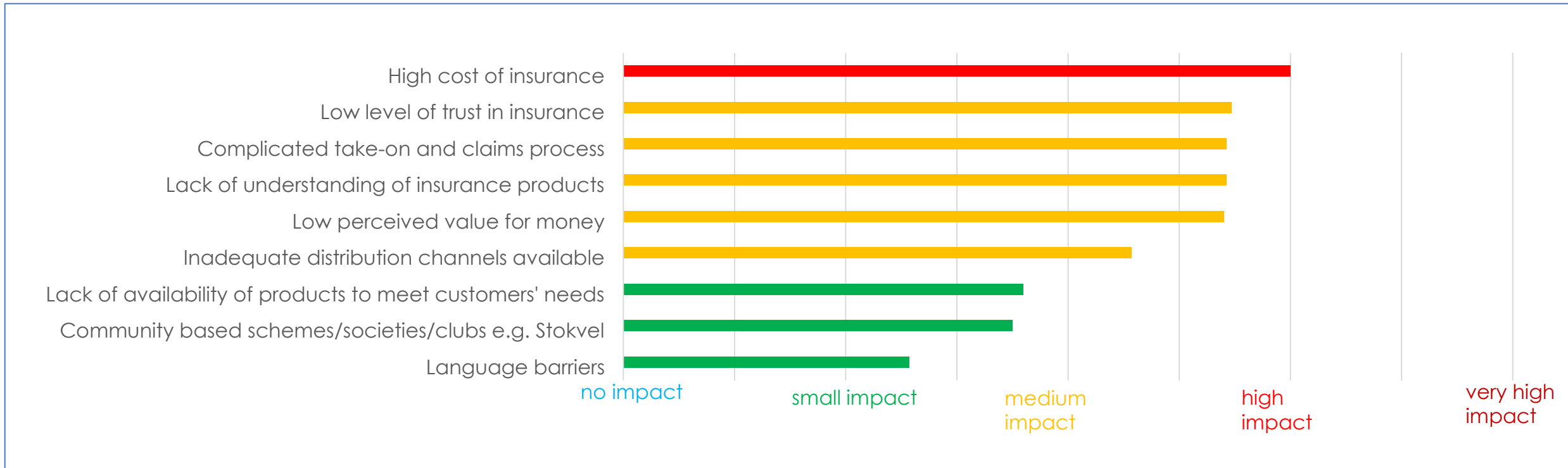
1. Developing **new products** in :
  - Agriculture
  - Cyber insurance
2. Better use of **technology** :
  - Claims processing efficiency
  - Apps/smartphones
  - Online sales



**PARTICIPANTS' KEY RISKS TO PREMIUM GROWTH**

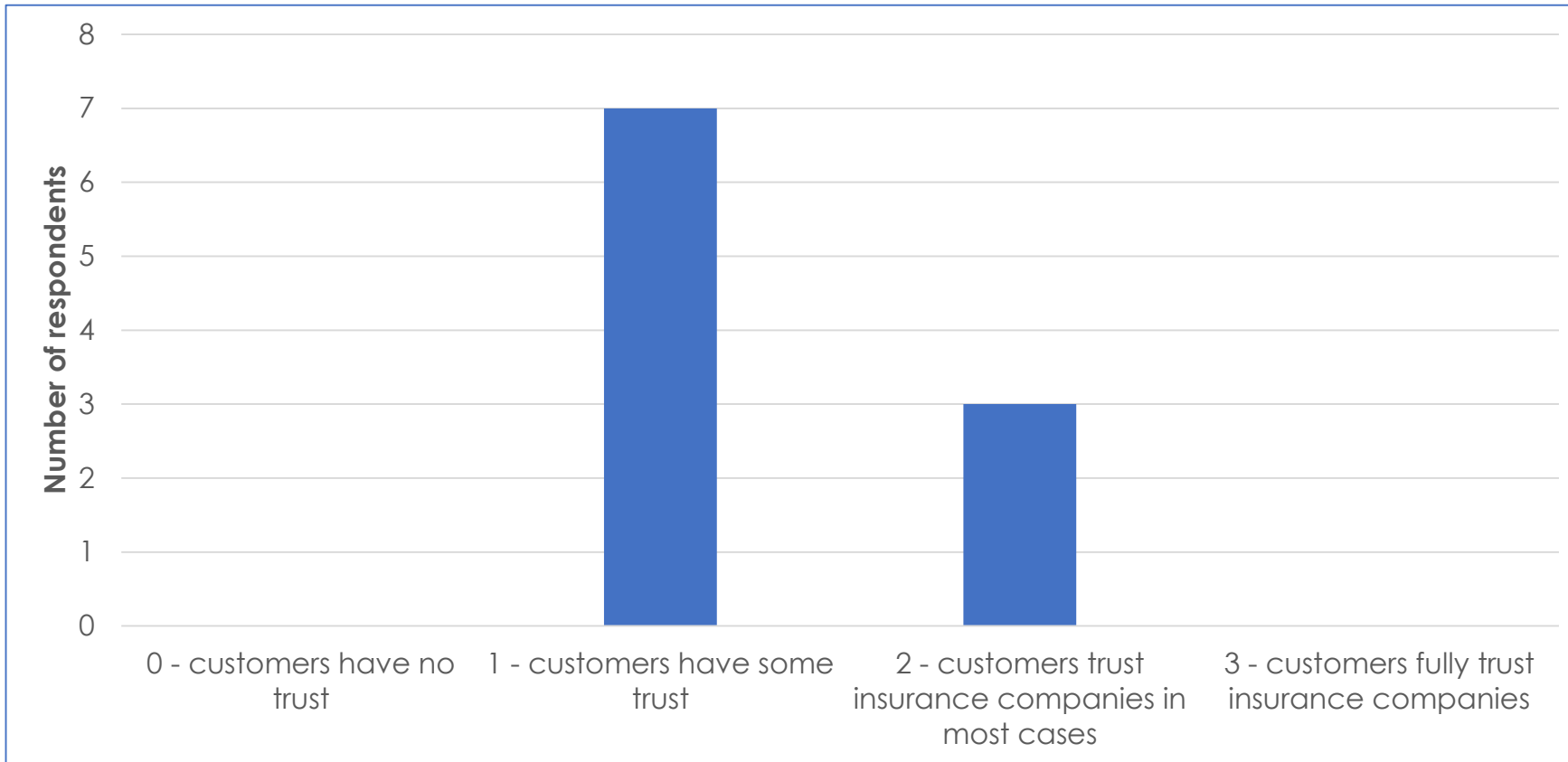


PERCEIVED IMPACT ON THE PENETRATION RATE OF KEY DEMAND SIDE FACTORS



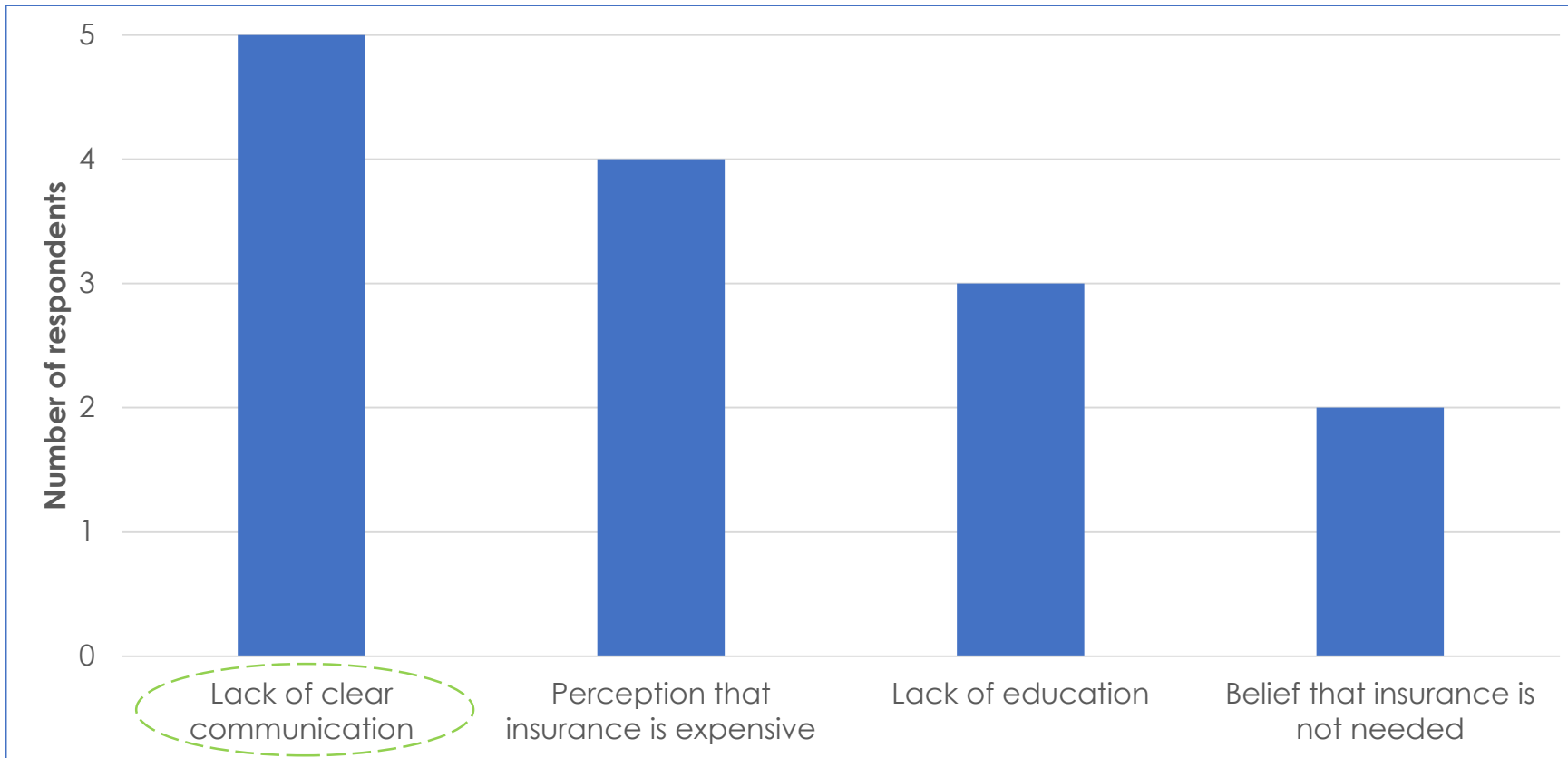
86% of companies believe that poor penetration is due to demand side issues

■ WHAT IS THE LEVEL OF CUSTOMERS' TRUST IN INSURANCE COMPANIES ?



- This represents what insurers believe their customers' view is on the level of trust.
- **70%** of participants believe that customers have a low level of trust.

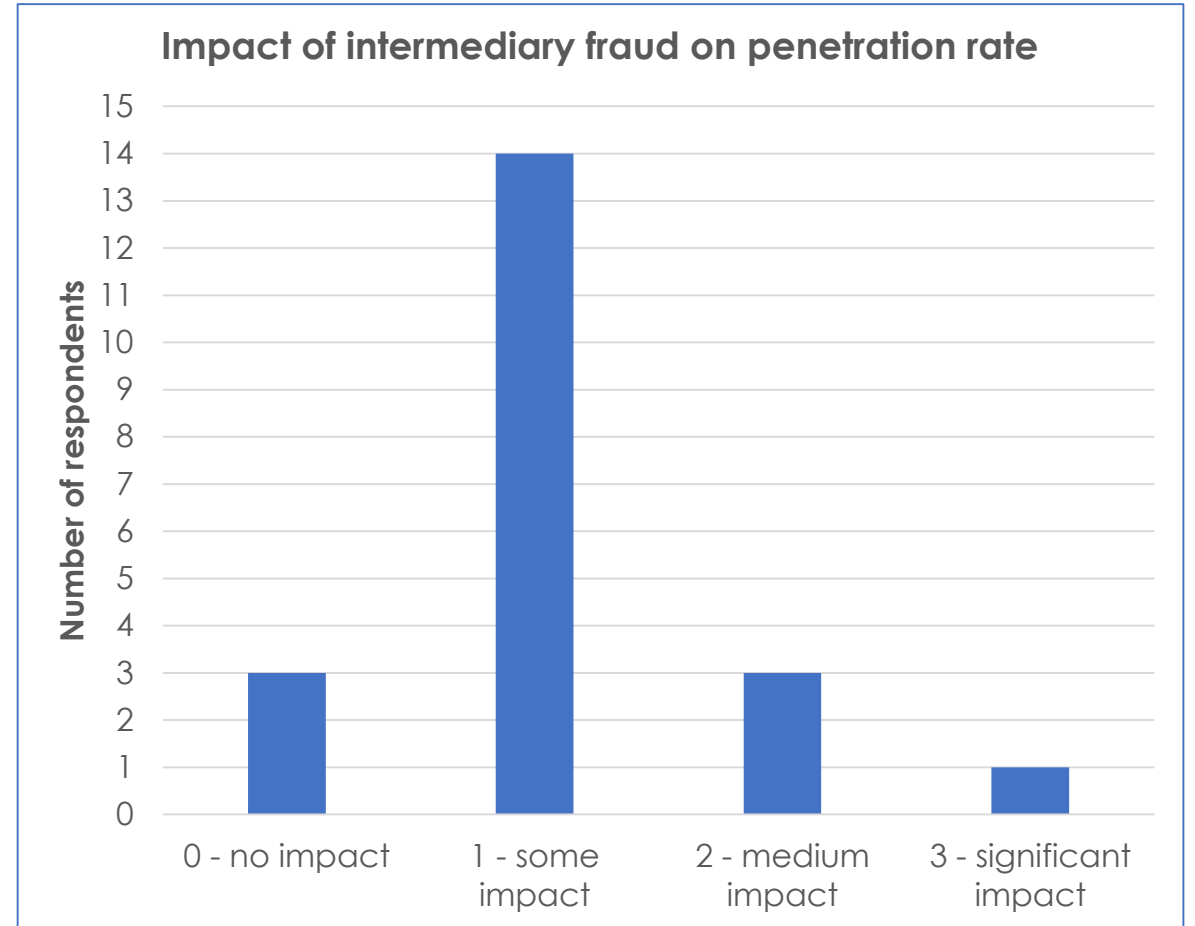
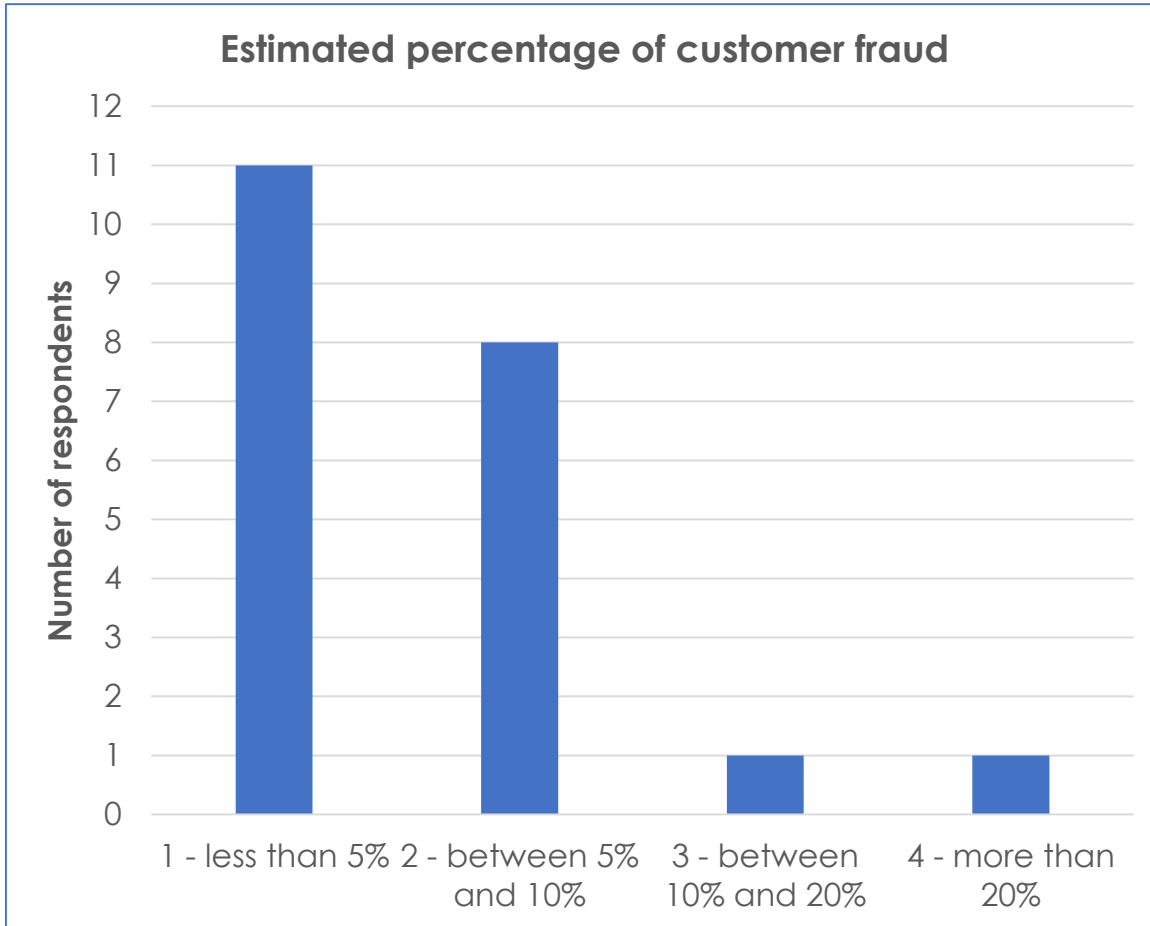
KEY FACTORS WHICH REDUCE THE LEVEL OF CUSTOMERS' TRUST (INSURERS' VIEW)



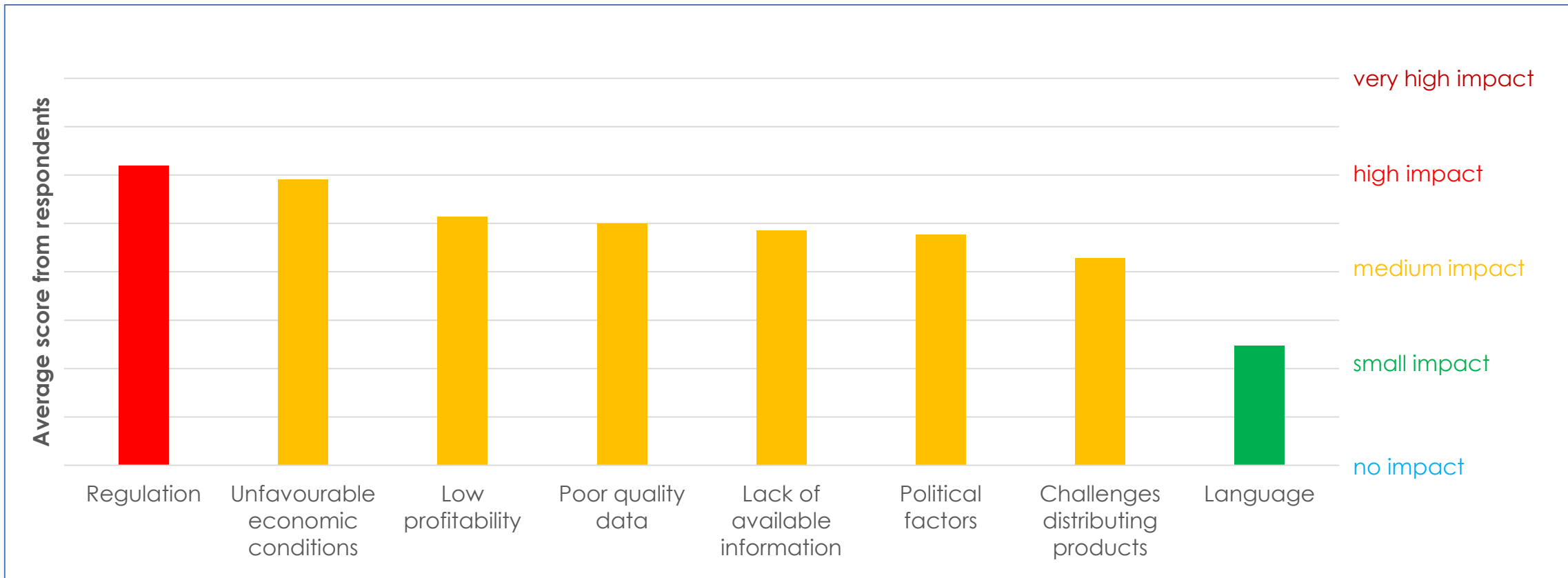
The key reasons for customers not trusting insurers is:

- **Lack of clear communication** by the insurer.
- **Perceived high cost** of insurance.

COMPANIES' VIEW ON FRAUDULENT CLAIMS AND INTERMEDIARY FRAUD



PERCEIVED IMPACT ON THE PENETRATION RATE OF KEY SUPPLY SIDE FACTORS



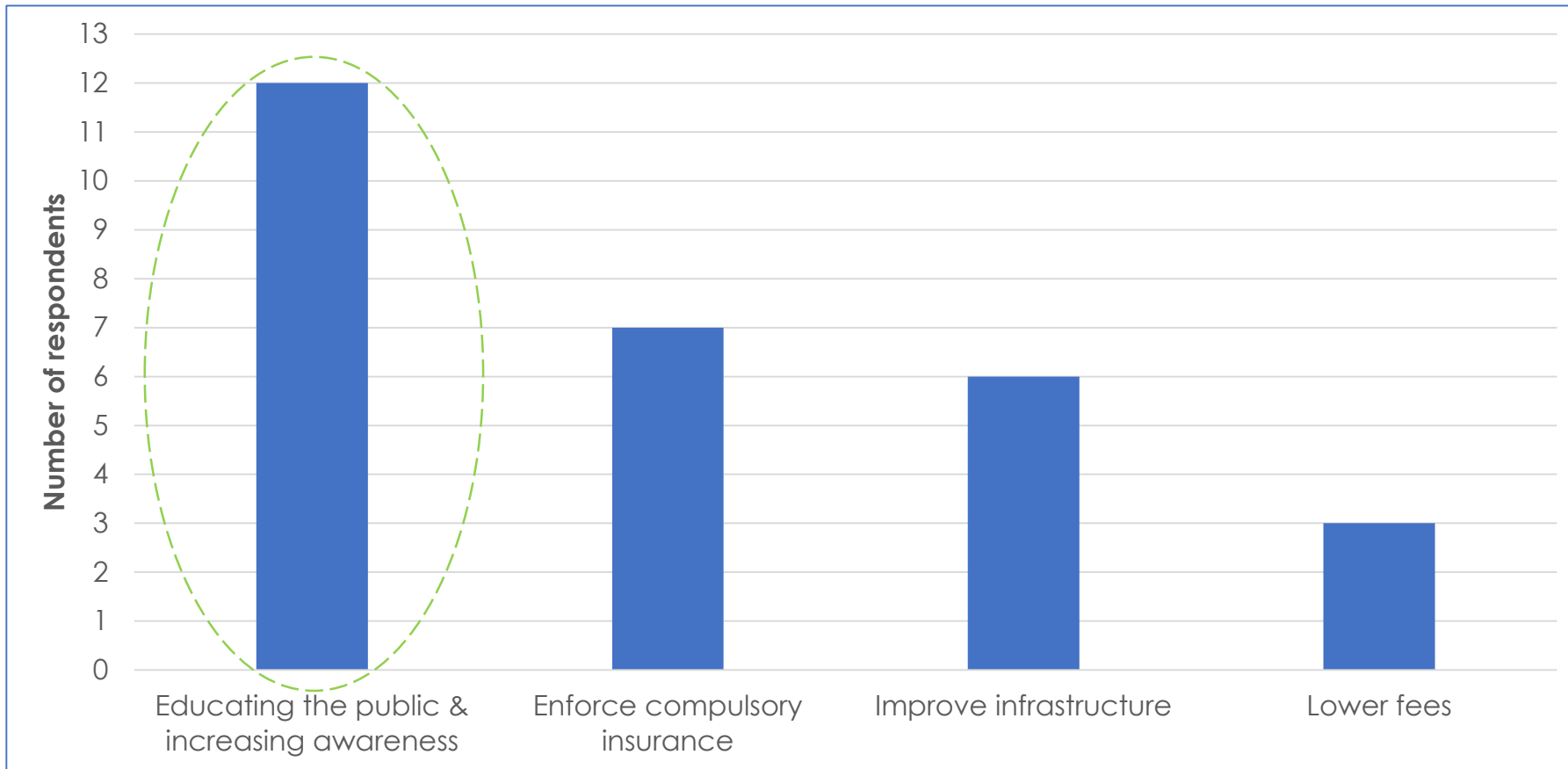
HOW REGULATION MAY IMPACT INSURANCE PENETRATION RATES



Companies' view on adequacy of regulation on Treating Customers Fairly (TCF):

- 74% of companies believe that regulation is adequate in the area of TCF

HOW CAN GOVERNMENT IMPROVE PENETRATION RATES

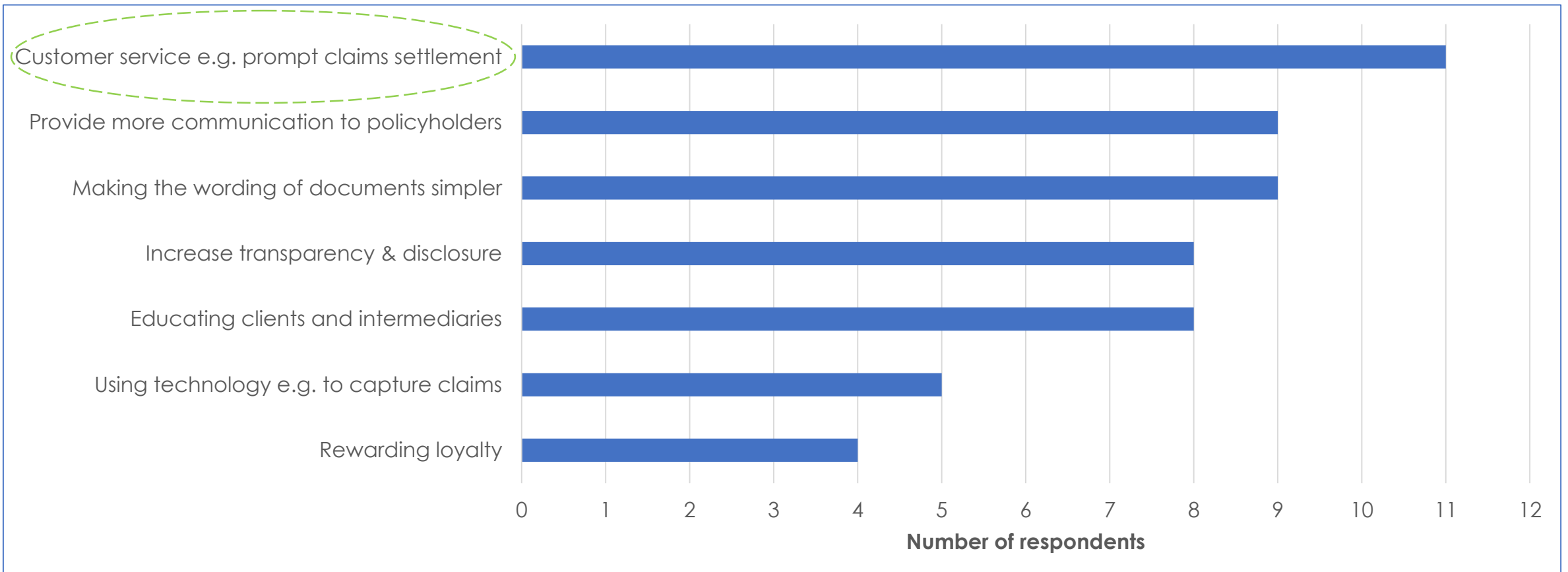


According to participants, the best way for government to improve penetration rates is to :

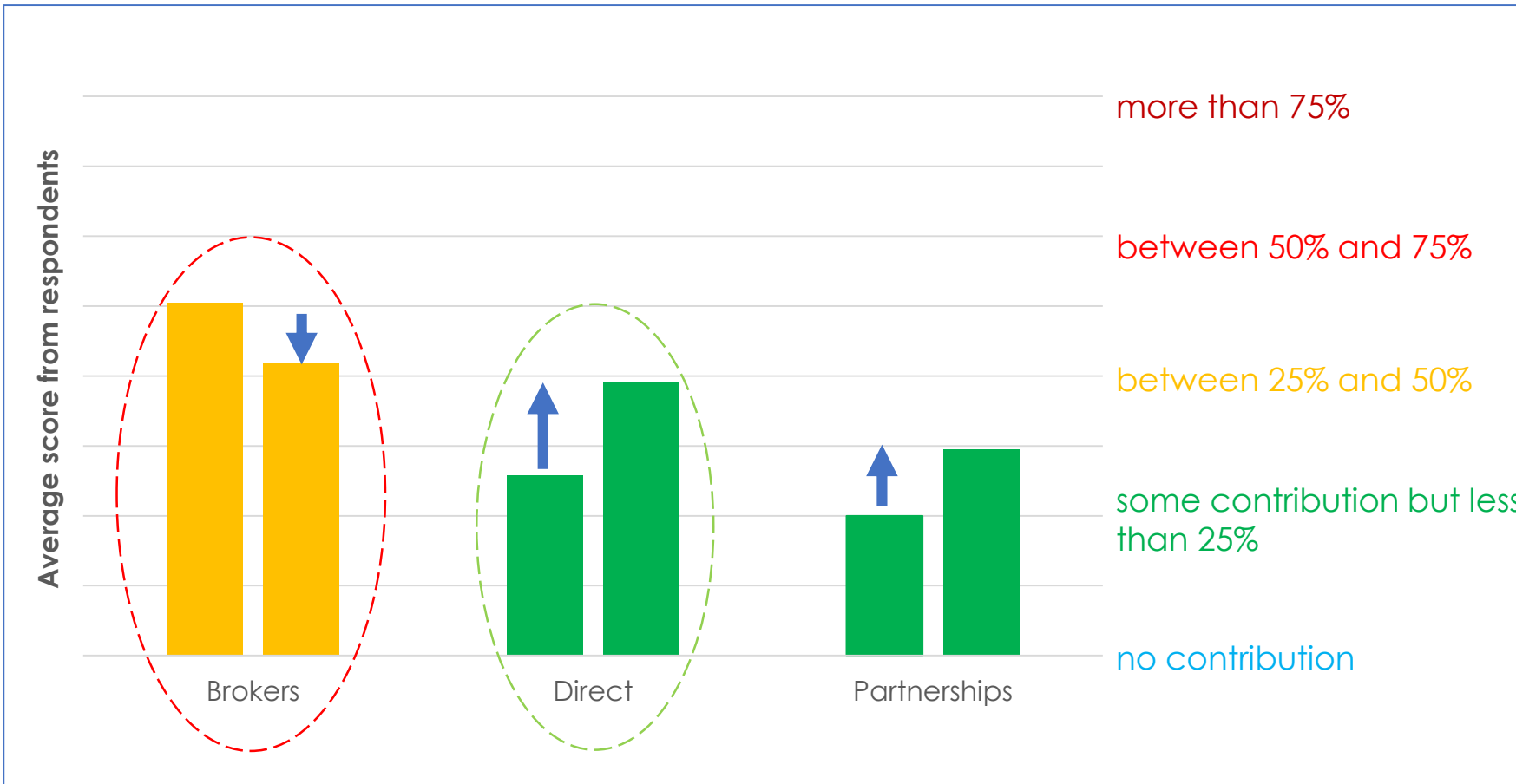
- **Educate the public to increase awareness**, which could increase business volumes.
- **Enforce** compulsory insurance.



WHAT CAN COMPANIES DO TO IMPROVE CUSTOMERS' TRUST IN FAIRNESS & VALUE FOR MONEY ?

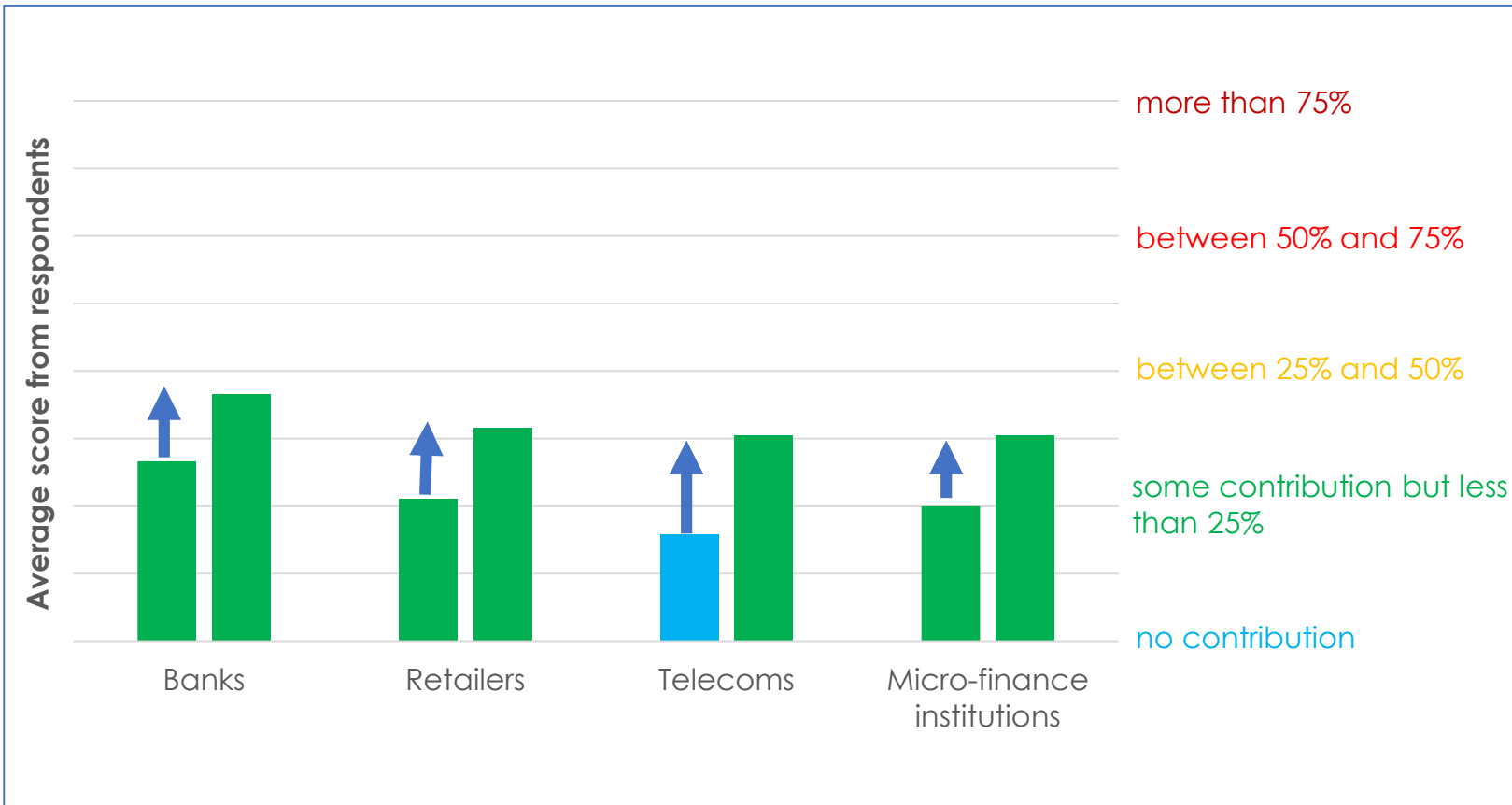


HOW WILL SALES CHANNELS CHANGE IN THE NEXT FIVE YEARS ?



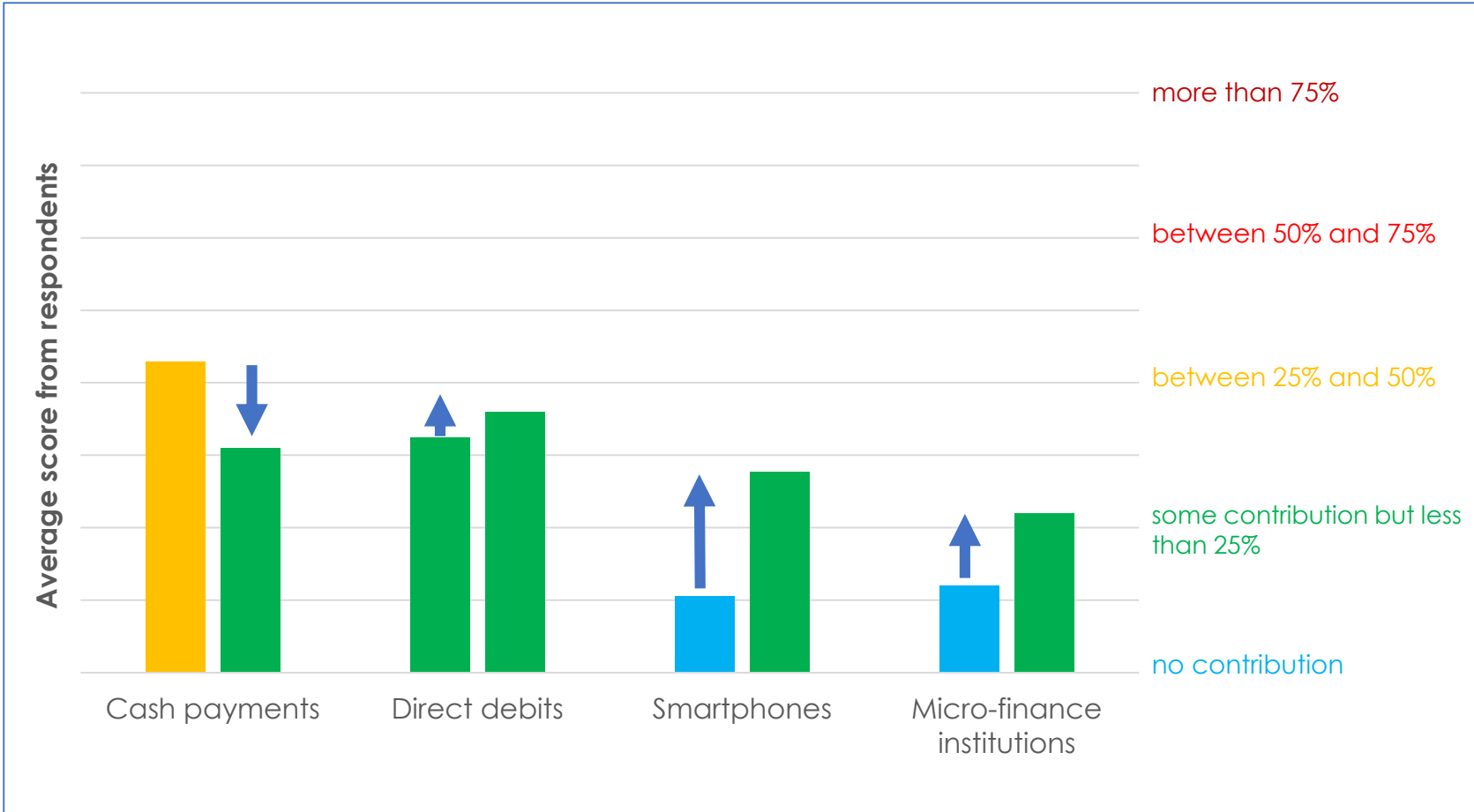
- Better access to technology, specifically the increased availability of **mobile phones**, will reduce the reliance on brokers and will result in greater use of direct sales and partnerships.
- However, **48%** of companies thought that **behavioural and cultural factors** favoured the use of intermediaries, which may somewhat limit the reduction in the use of brokers.

HOW WILL SALES THROUGH PARTNERSHIPS CHANGE IN THE NEXT FIVE YEARS ?



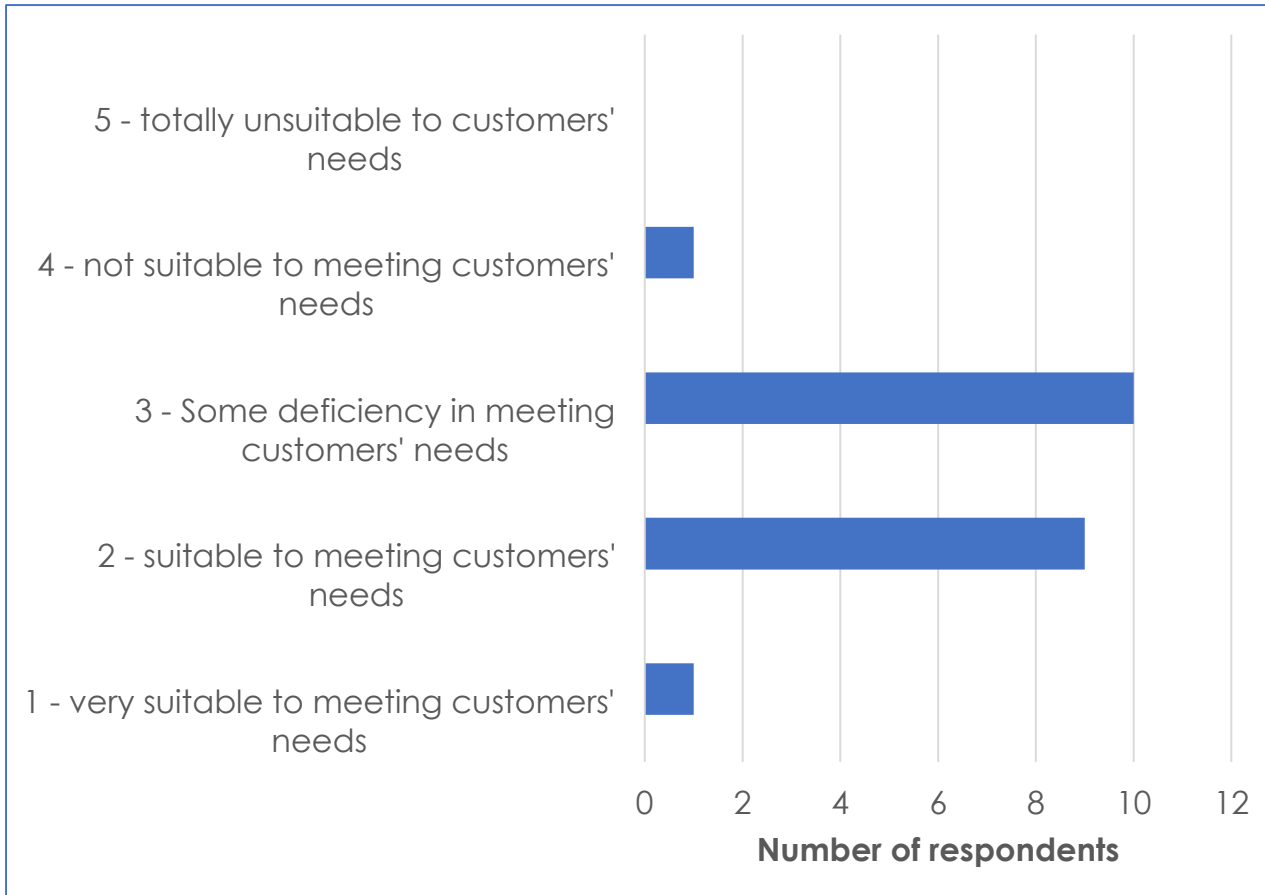
- Participants expect that there will be an **increased reliance** on **partnerships** to generate sales.
- The largest increase in sales is expected to come from partnerships with telecoms, followed by Micro-finance institutions.

HOW WILL PREMIUMS BE COLLECTED IN THE NEXT FIVE YEARS?



- Cash payments is the primary means of collecting premiums among our participants.
- Participants expect that reliance on cash payments will significantly drop, and that direct debits and payments through smartphones will be the preferred methods of premium collection.

COMPANIES VIEW ON HOW INSURANCE PRODUCTS ARE TAILORED TO CUSTOMERS' NEEDS

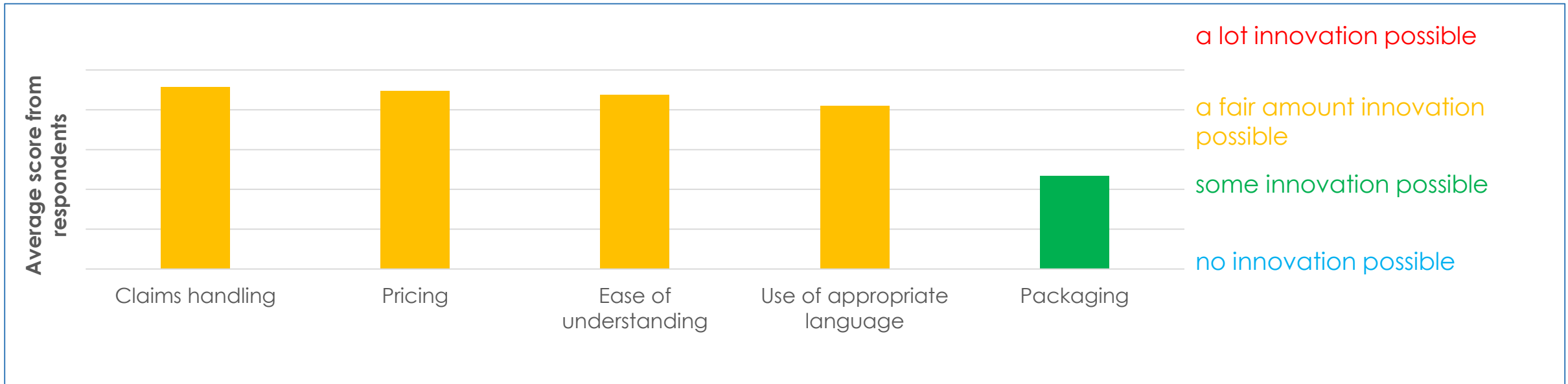


Innovative industry products - special mention:

- **Kidnapping and ransom insurance** – cost of having negotiator, cover fees to response person.
- **Pay-as-you-drive.**
- **Cell funds** – instead of traditional insurance client sets up a fund.
- **Value added products** e.g. cover while moving homes, misfuelling.

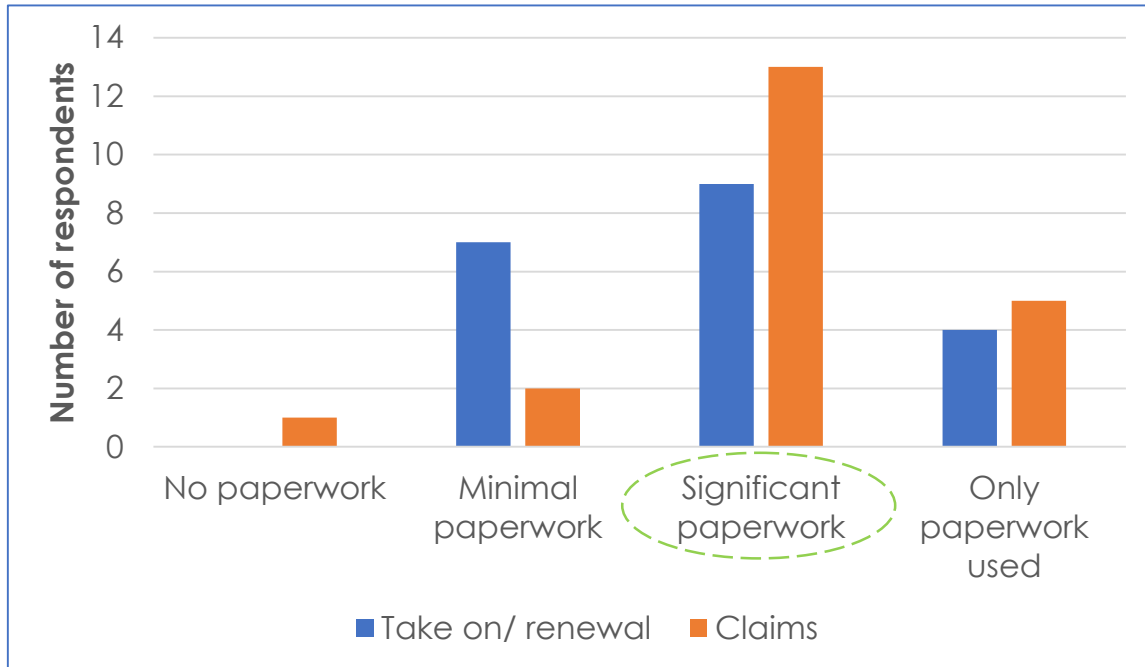
A report by Cytonn investments (2015) stated that "product innovation is the single biggest disruptive opportunity in the insurance sector".

### WHERE DO COMPANIES BELIEVE THAT INNOVATION IS POSSIBLE ?

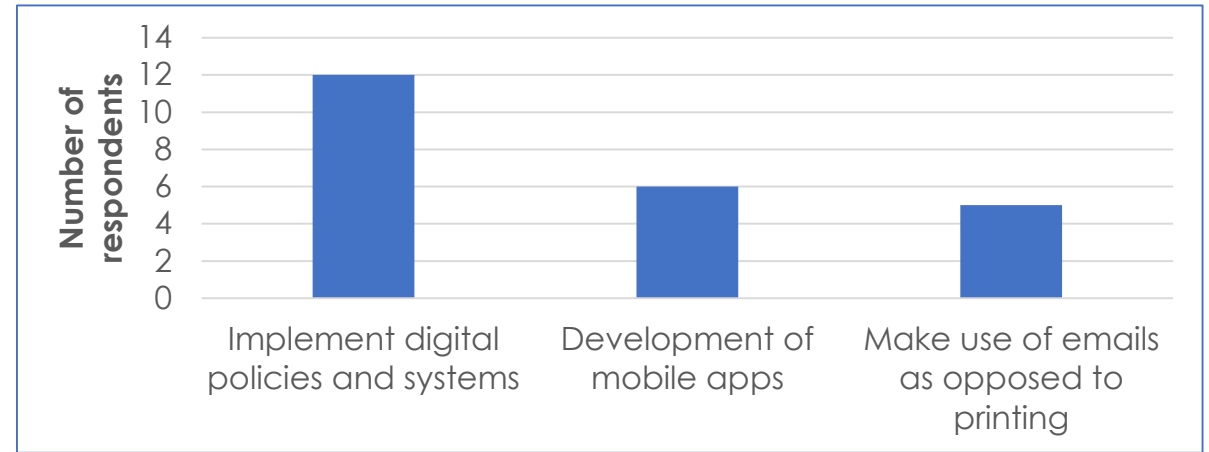


**81%** of companies thought that Value Added Services (VAS) e.g. road side assistance, free health check-ups were crucial to their products.

### COMPANIES' RELIANCE ON PAPERWORK



### METHODS TO REDUCE PAPERWORK

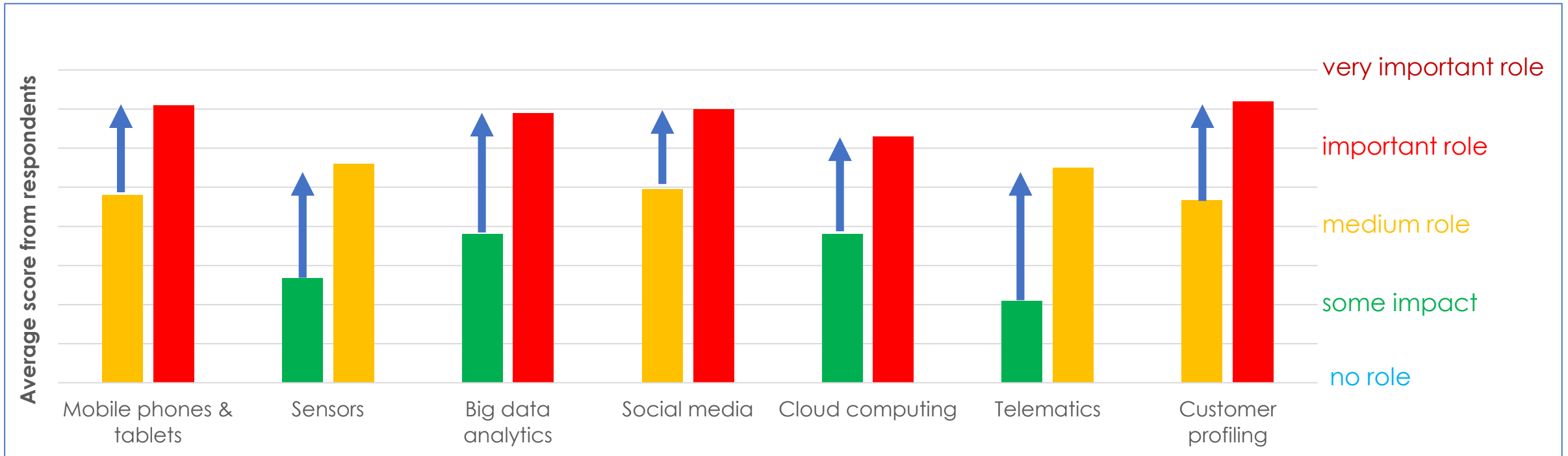


Other methods suggested:

- Introduction of electronic signatures
- Online registration and documentation of claims

- Large amounts of paperwork deter potential customers & result in slow claim pay outs.
- **76%** of participants said that they significantly relied on paperwork.
- Reducing the amount of paper should improve penetration rates.

HOW DO PARTICIPANTS SEE THE USE OF TECHNOLOGY CHANGING IN THE NEXT FIVE YEARS ?



- **79%** of respondents have been proactive in adopting new technologies
- **57%** of respondents thought that legacy systems had a high impact in hindering adoption of new technology



### Industry growth rate

Companies in emerging markets believe industry will grow at 6%-10% per year over the next 3 years

### Risks to premium growth

- Economic conditions
- Regulatory changes
- Competition
- Political climate
- Lack of new projects

### Target market

One of the biggest problems remains how to target the low-income population and provide suitable products

### Technology

Technology will become a key driving factor for sales and distribution – companies who adopt this the fastest might reap the greatest rewards

### Opportunities for premium growth

- Development of new products
- Improving customer service
- Use of technology
- Improved regulation

### Trust

Companies need to increase the level of trust – prove that it is value for money, improve communication and customer service esp. at the claims stage