

# The role technology innovation is playing in the convergence in African insurance landscape

The insurance industry across the African continent is going through a period of rapid transformation as new technologies, business models and customer expectations are reshaping the traditional market. While there are headwinds to growth in South Africa, we see that across other African countries the industry is poised for massive growth over the next decade. However this growth needs to be considered, and planned for, within the context of industry convergence impacting the sector.

In this context convergence refers to industries' products and services coming closer together as they serve the same customers. This blurs traditional boundaries between different sectors and industries. The phenomenon creates both opportunities and challenges for organisations which are left with little choice but to adapt to the changing environment or risk being left behind. In the insurance industry specifically, convergence refers to the increasing overlap between traditional insurers, investment managers, banks and non-traditional players such as retailers and telecoms companies offering insurance and savings products and services to the same client base.

In South Africa, this is most evident in the retail insurance and savings product segments, where established players are currently focusing on winning

market share from other incumbents in a relatively stagnant market, while these incumbents need to respond to new non-insurance brands entering their space. This obviously creates threats such as market share erosion, but equally, it presents opportunities for innovation and expansion.

Across other African countries, and specifically in Sub-Saharan Africa, convergence manifests through untapped markets and partnerships with non-traditional entities. This offers immense greenfield opportunities amid current low penetration. For insurers focused on the continent, the environment demands they strengthen their asset management capabilities, embrace digital transformation, and form strategic collaborations to protect revenue streams and capitalise on growth opportunities.

In this article, we will paint a picture of how convergence is affecting and shaping the insurance industry across Africa, which, as we know, is one of the fastest-growing and most dynamic on the planet. We will examine how different industries are interacting with, and influencing, the insurance sector. Most critically, we will highlight some of the best practices and strategies that insurers can adopt to deliver more value to their customers.



**Setting the scene**

To set the scene, let's look at key statistics reflecting the growth of different industries in Africa from 2010 to 2024, based on data from the World Bank and other sources. These statistics show the relative size and importance of each industry, as well as their growth rates and trends. The following table summarises the main indicators for each industry/sector:

As the table suggests from growth achieved in the past relative to the banking, retail and telecommunications sectors, one can expect the insurance industry in Africa to grow significantly in the next decade, potentially increasing its share of GDP, annual growth rate, number of customers, and revenue. There is no doubt that this growth will be largely driven by how insurers leverage various opportunities presented by the convergence of sectors, and the steps they take to protect their market share.

**Review of the primary sectors of growth in relation to the South African GDP**

**Main indicators for each industry/sector:**

■ 2010 ■ 2024

Industry/sector	GDP Share (%)	Annual Growth Rate (%)	Number of Customers (millions)	Revenue (billion USD)
Insurance	3.1, 4.5	8.5, 12.3	44.2, 121.7	63.4, 259.8
Banking	5.6, 7.2	10.2, 13.5	327.9, 768.4	86.7, 292.3
Telecommunications	4.2, 5.8	15.6, 18.9	649.8, 1 357.6	75.1, 213.7
Retail	12.3, 15.1	11.3, 14.2	N/A	411.9, 406.2
Health Care	5.4, 6.7	7.4, 10.1	N/A	145.6, 406.2



### South Africa

In South Africa, convergence is most prevalent in the insurance and investment management space. The two sectors operate in parallel – in terms of managing long-term financial risks and growth – but overlap. In pursuing the same, limited client base in the country, the sectors are employing similar dynamics in their approaches to product design, client management and market entry.

An analysis of this convergence would be incomplete without understanding their distribution similarities: the mechanism through which they are engaging with the market is similar. The vast majority of providers are not going direct to the target market, especially in the retail sector. Their distribution relies heavily on intermediaries who are key to the client relationships on behalf of insurers. This heavily intermediated model opens the doors for other retail-orientated brands with strong brand association strength to be the go-to brand for insurance and savings products. And these entities can and are setting up their own insurance and saving operations to capture more of the value chain of these products.

### Other African countries

Across the continent, convergence takes on a different look. Certainly, the marketplace from an investment management perspective is a greenfields opportunity. Looking around the world, it would not be a stretch to suggest that Sub-Saharan Africa is probably the most untapped market for traditional savings, stock broking and retirement planning.

On the insurance front, non-traditional players such as telcos have woken up to the immense opportunity and are increasingly entering insurance. For example, in this market, telcos are becoming a massive insurance counterparty for device short-term insurance, and in some instances, conduits for long-term insurance where they're selling general policies.

Other players such as fintechs are increasingly investigating and experimenting with offering various insurances. Overall, though, penetration in the broader African marketplace is light, but it is an arena that offers incredible growth opportunities.

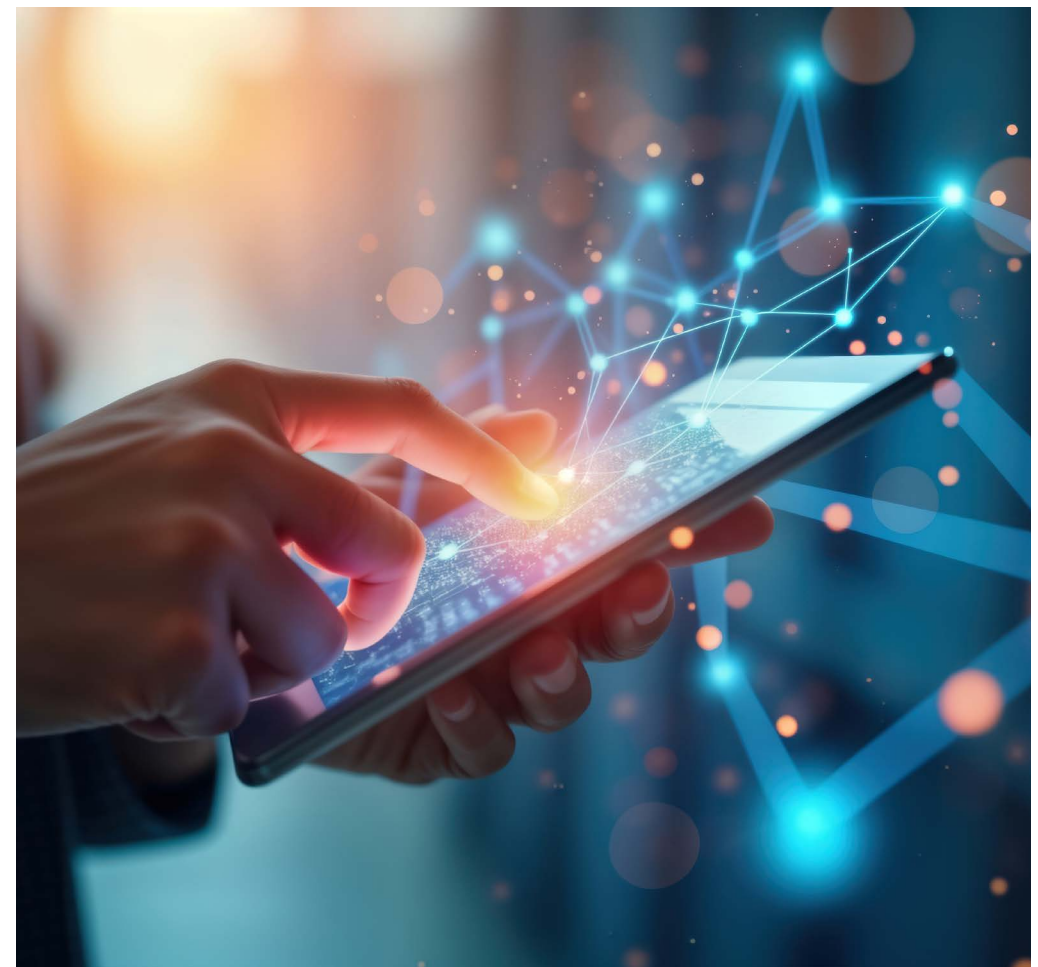
### The role of fintech and technology in convergence

In South Africa it is much tougher for smaller startups or new entrants to break into the insurance and investment manager market. If a new entrant does enter and enjoys success, we typically see the following happen: The large companies assess and evaluate the newcomers and then decide, "if you can help us, great; if you are a threat, we'll just acquire you". This naturally has led to a lot of merger and acquisition activity in the fintech space, particularly on the insurance side.

It's different on the asset management side. There aren't as many big deals because the market is crowded with a large number of players, with a wide range of different funds. This sector hasn't been easily disrupted – yet – most likely because it operates in a complex world. Within the environment of thousands of financial advisors, it has the image of a mysterious, opaque ecosystem. In our view, this masks what can be a straightforward sector for consumers to navigate. It is unclear whether the sector at large prefers to keep the industry as is, but if a business is brave enough to embrace technology and simplify the way it is done, they stand to grab their fair share of the market.

Across the rest of the continent it is a different story: The best description is that the scene is booming. A big driver of this is the regulatory environment, such as in Kenya, where sandboxing allows companies to innovate and test products without full licensing upfront. While insurtech may be somewhat quieter than other areas at the moment, these solutions

already exist and they are in an overall landscape that is incredibly supportive for them to thrive and expand. That said, they haven't yet figured out how to dominate the market. They're experimenting with some highly creative innovations but capturing significant market share remains a challenge.



### Existing and potential use cases in South Africa and across the continent

When we analyse the market in South Africa and in other countries in Africa we most certainly can find proven success stories that emphasise the power of harnessing convergence well. Similarly, there are blue-sky opportunities around the themes of inclusivity, transparency and value-chain integration waiting to be harnessed by forward-looking insurers and investment managers.

*VodaSure's success:* In South Africa, we just need to look at VodaSure for a case study on effectively harnessing convergence. This success story is built on leveraging a core asset, which is the cellular service and devices Vodacom provides, to integrate insurance, both short-term and funeral cover, into the value chain. It stands as a good example of unlocking convergence's benefits in the South African market.

*Digitisation and disintermediation of financial advisors:* The independent financial advisor landscape is ripe for disruption through enhanced clarity, transparency, simplicity and inclusivity, especially in reaching South Africa's underserved markets. Providers need to ask: "How do I digitise and clarify what independent financial advisors do, in order to reach a broader LSM marketplace?". The business that gets this right will become the equivalent of Capitec in insurance and asset management. This breakthrough has not yet been realised, but it will. As it stands now, this represents a vast greenfield opportunity for all players to deeply engage the market. Beyond this, once a user-friendly and effective digital tool is developed for South Africa's underserved segments, the potential to replicate this across Africa is enormous. It could be adapted and scaled relatively easily to various African contexts, accounting for local geographic differences, resulting in a versatile, reproducible asset.

Telcos and digital wallets: This conversation looks north of our borders and appreciates that fintechs and telcos have excelled at nearly bypassing traditional banking. It has been estimated that [59% of Kenya's GDP](#) flows through the M-Pesa platform. The scale is enormous. The key opportunity lies in harnessing platforms like M-Pesa and other digital stores of value. Consider the interplay of savings habits, insurance and how value is transferred. Both insurers and asset managers should be asking how they can customise their propositions to make the most out of each African country's established digital value transfer systems.

#### The convergence roadmap

1. Digitise and disintermediate independent financial advisors.

2. Leverage client and deep market insights to integrate into value chains.

3. Find strategic opportunities to collaborate across sectors in South Africa, with a specific focus across the rest of Africa on store-of-value dynamics.

The story over the next year, and certainly beyond that, is: In South Africa, insurers and asset managers must protect and react through digitisation, operational changes and collaboration. In Africa, they must *innovate and disrupt* through collaborations and deep market analyses. Through investing into the three core action areas, insurers and investment managers can turn the threat of convergence into exciting opportunities.

South Africa: Protect and react.  
Rest of Africa: Innovate and disrupt.



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