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# THE RAPID EVOLUTION OF INSURANCE IN AFRICA:

*Why it's needed and how  
innovation is championing  
new horizons for growth*



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# FOREWORD

*Africa is our home, we drive her growth.*

We at Standard Bank Group are on a journey.

As an African bank we are moving towards becoming a platform services organisation that will allow the continent's people access to both financial and non-financial services through innovative, affordable and customer friendly solutions.

Africa has a young and growing population and insurance has a role to play in enabling it to thrive and prosper. However, traditionally the cost of insurance products and their availability have hampered the uptake of much needed risk protection. This has in turn contributed to low insurance penetration rates across the continent.

But change is happening in Africa. Partnerships, significant advances in technology and the continued adoption of mobile devices have resulted in the emergence of innovative insurance solutions. Insurtechs, mobile network operators and larger FSP's are working together to stimulate sustainable and innovative insurance-focused products that bring access and inclusivity to segments of the population which previously had none.

We are firm believers that partnerships and collaboration foster innovation and only together can we make significant progress in solving for the challenges we face. Sharing our knowledge and insights through this report is just another way we continue to seek ways of growing Africa, the continent we all love and call home. It Can Be.

**Deon de Klerk, Head of Insurance  
at Standard Bank Group**





# INTRODUCTION

To a large extent, access to insurance on the continent has been limited. This is changing as strengthening economies and advancing technologies are providing Africa with an undeniable opportunity to disrupt insurance as we know it. The evolution of insurance in Africa is filled with exciting initiatives for consumers with a trend towards greater inclusion. Innovative technology-led companies currently are, and will continue to reshape consumers' everyday engagement with insurance through new distribution channels, innovative payment methodologies and unique product offerings.

The excitement around this opportunity in Africa is supported by data and drive. Between 2007 and 2016, gross premiums in Africa (excluding South Africa) grew almost twice as fast as the region's Gross Domestic Product (GDP)<sup>1</sup>. More recently, McKinsey and Company estimated that the insurance market in Africa would grow at compound annual growth rates of 7% per year between 2020 and 2025. Although this forecast was made prior to the arrival of Covid-19 on the continent, the pandemic is expected to delay rather than derail future potential growth<sup>2</sup>.

This push for change is coming from a young and growing population who are increasingly reliant on their mobile devices for almost anything money related and are driven by an unrelenting entrepreneurial spirit. They are looking for new ways to connect and protect, bringing affordability and access to the continent.

Historically, insurance penetration on the continent has been low, often due to a lack of awareness of the benefits of insurance, the cost of products being too expensive, selective mistrust of the industry and

*“The evolution of insurance in Africa is filled with exciting initiatives for consumers with a trend towards greater inclusion”*

traditional distribution channels limiting access. In addition, due to low levels of market penetration for banking, insurers have not been able to rely on the usual payment channels provided by banks for premium collection and claims pay-outs to reach more of the population.

These market conditions have resulted in the rise of Insurtechs who, through technological innovation, are tackling consumer awareness and resistance and are addressing inefficiencies within the financial system for product development, distribution, and settlement. Insurtechs across the continent seek to develop simpler, accessible, and more affordable mobile-based options to a market in which 85.8% of the population is informally employed and traditionally underserved<sup>3</sup>. This focus aims to enable greater inclusion in the provision of financial services in Africa.

The impact of Covid-19 on the continent has been significant with real GDP contracting by 2.1% in 2020<sup>4</sup>. However, despite economic activity slowing down, the pandemic has had numerous other effects which support insurance growth in the African market. It stimulated a demand for health-



# THE RAPID EVOLUTION OF INSURANCE IN AFRICA

related products and services and forced a focus on economic and job security. The virus also had the effect of fast tracking the implementation of digital solutions across multiple industry sectors, including the financial sector. And perhaps most relevant to this report, it honed-in the value of insurance-based protection in general. Aside from the consequences of Covid-19, the ongoing effects of climate change is another factor having a profound impact on the continent as Africa's agricultural sector is threatened by the effects of extreme weather.

Amidst these circumstances, the need for financial services solutions to reach a wider population has never been more important. Financial services include the provision of credit, savings and insurance solutions to help consumers start and grow businesses, build up assets, manage risk and improve their quality of life. Insurtechs are pioneering new ways of bringing risk management to the broader market and often include other value-adding services. Financial Service Providers (FSPs) have a critical role to play in collaborating with and enabling these new initiatives to ensure that the best ideas thrive and, ultimately, the consumer has a better outcome.

A primary goal of the Standard Bank Group is enabling access and furthering inclusivity in the provision of financial services to individuals across the continent. As part of our efforts in this respect, we have embarked on a journey to assess the insurance landscapes within the countries we operate in Sub-Saharan Africa. We are gathering

insights across the themes of microinsurance, health and agriculture, which we believe offer major opportunities on the continent.

The focus of this report is innovation, specifically as it relates to opportunities for the growth of Insurance in Africa. At its core, innovation is the introduction of something new. Whether it is a new product, new service, new means of delivery or new payment mechanism, opportunities for innovation can be found across the value chain.

As a business, we recognise that great initiatives will be co-developed and co-distributed through partnerships in the shifting landscape of financial services. The concept of platform businesses and platform thinking is also key in this regard, reimagining how consumers, companies, brands, competitors, and others can interact and create value together<sup>5</sup>.

This report is an executive output from the ongoing innovation research programme being undertaken by the Standard Bank Insurance team together with Step Advisory, a Johannesburg-based strategic growth advisory company. The decision to produce this tailored piece was made with the aim to support industry-wide innovation and co-development, as we recognise that innovation often comes from knowledge sharing. Our customers remain at the centre of everything we do and understanding their future needs in relation to accessible and responsible insurance will help us all understand how we can change our customer experiences for the better.

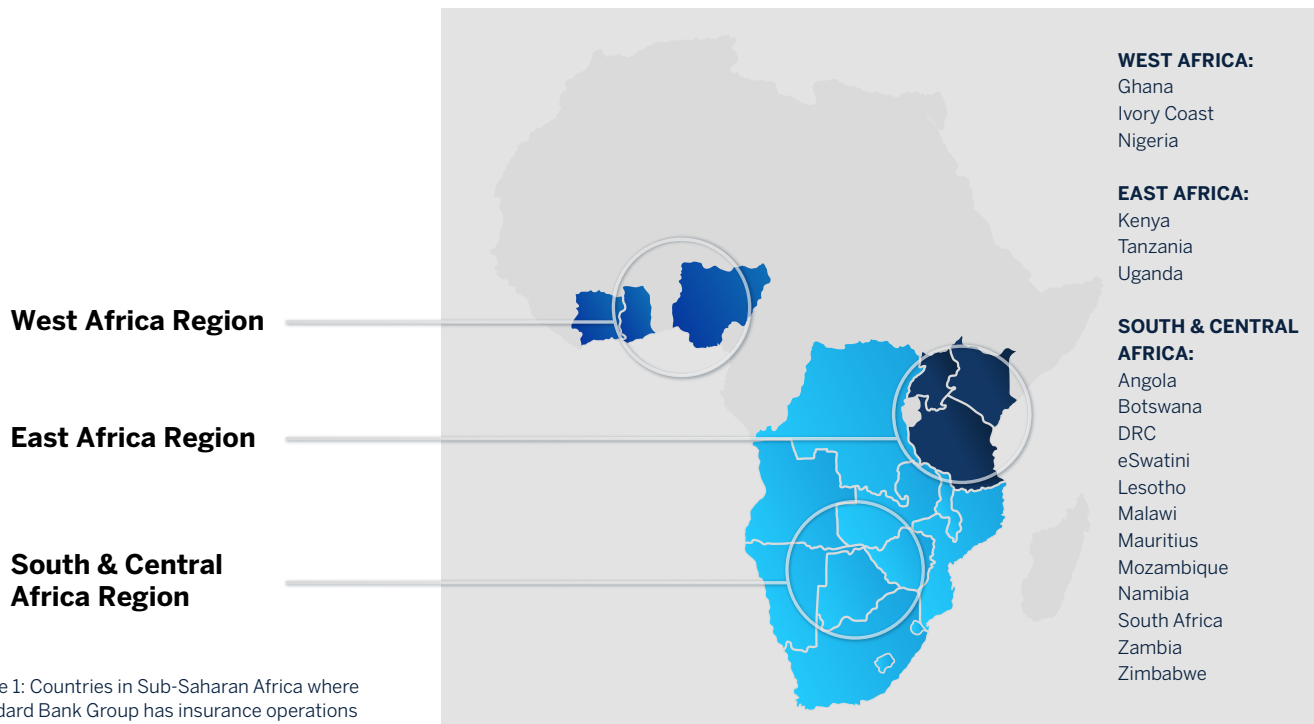


Figure 1: Countries in Sub-Saharan Africa where Standard Bank Group has insurance operations



# GENERAL OVERVIEW OF THE ECONOMIC AND FINANCIAL SERVICES LANDSCAPE IN SUB-SAHARAN AFRICA

Sub-Saharan Africa is home to more than 1 billion people<sup>6</sup> and in addition to the high informal employment rate, almost 60% of the population is below the age of 25<sup>7</sup>. This creates a window of opportunity for African countries to invest heavily in the education, health, technology, and skills development of their people to strengthen the economy and improve the livelihoods of their population. Insurance has a key role to play in this by offering protective solutions that support and enable development, providing financial assistance to those who need it and further improving the quality of life on the continent. The combination of economic growth, mobile penetration rates and innovative solutions, including new ways to engage, makes Africa rich with opportunity.

The International Monetary Fund (IMF) has predicted that GDP in Sub-Saharan Africa will grow by an average of 3.7% in 2021 and 3.8% in 2022<sup>8</sup>. At an individual country level, in a recently published IMF list which ranked countries worldwide according to their real GDP growth estimates in 2020, it was identified that 19 of the top 50 countries were Sub-Saharan African countries<sup>9</sup>. GDP measures the value of all goods and services produced within a country's borders in a specific period of time<sup>10</sup> and its growth is one of the primary indicators of economic growth. Along with strong economic growth, disposable incomes are expected to rise, resulting in improved prospects for business in Africa.

At its core, the appeal of insurance comes from the need to protect against the fear of loss and the resultant financial difficulties. As economies grow, higher levels of productivity and income result in the populations having more assets to protect and higher living standards to maintain. Better quality services, including healthcare, become available often at a premium price. Consequently, the need for insurance is expounded, and increased disposable

income allows for spending on insurance solutions, driving demand.

This link between economic and insurance growth is reflected in the growing premiums in many African markets. Gross Written Premium (GWP) measures the total value of premiums written by insurers and notably, in certain African countries, the growth in GWP is surpassing GDP growth as awareness of, and access to insurance solutions become more pronounced.

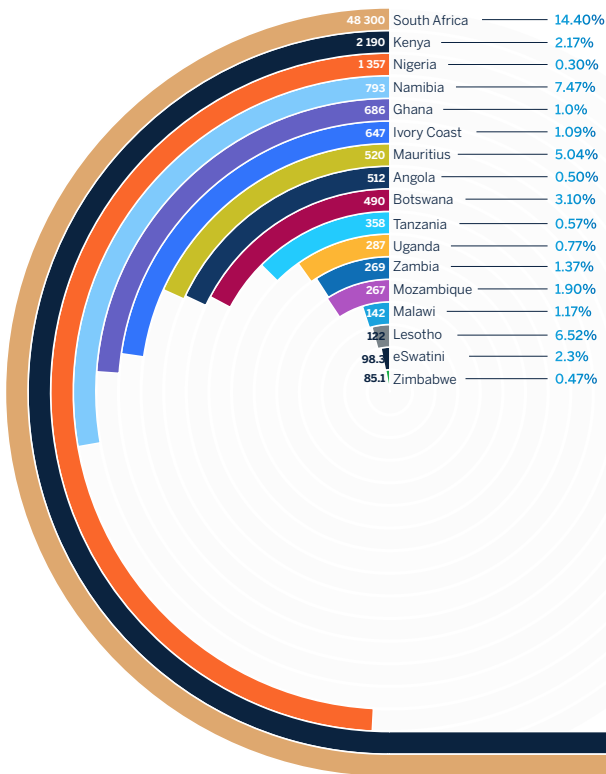
In Ghana, GWP grew 13% in 2020<sup>11</sup> compared to GDP growth of only 0.4%<sup>12</sup> (2019: GWP grew 21% compared to 6.5% GDP growth). While Uganda saw a 3% growth in GDP in 2020 (2019: 6.4%), GWP in the country grew 9.3% (2019: 13.3%)<sup>13</sup>.

Other countries in the study, including Zambia, Zimbabwe and Mozambique, achieved double-digit premium growth rates despite negative GDP growth in 2020. In Zambia, 2020 GDP contracted by 2.8%, while premiums grew 27.8%<sup>14</sup>. Similarly, in Zimbabwe GDP contracted by 6.2%, while GWP in the country grew by a significant 44.8%<sup>15</sup>. Mozambique achieved 15.9% growth in total premiums in 2020<sup>16</sup>, compared to negative GDP growth of -1.2% over the same period.

The growth of GWP in excess of GDP demonstrates a rise in insurance penetration. Insurance penetration is a ratio used to indicate the demand for insurance and is measured by dividing the value of GWP in the market by the value of GDP. Increased penetration suggests a shifting awareness of the benefits of insurance and the need for protection against potential loss. For countries with negative GDP growth, this lack of growth raises concerns around economic security which may result in a heightened appeal for protection despite the estimated lower levels of available income.



## 2020 Market GWP (US\$ Mn) and Insurance Penetration rates



### Notes:

1. Market GWP and insurance penetration pertains to 2020 except for the following countries:
  - Nigeria & Angola: 2019 figures
  - Ivory Coast & eSwatini: 2018 figures
2. Conversion of GWP to USD was performed using an average exchange rate for the year
3. Where insurance penetration was not available in the insurance market reports, it was calculated as GWP/GDP
4. No GWP was obtained for DRC. Insurance penetration is estimated at 0.97% in 2018. This puts the estimated GWP in this market at \$416mn
5. The graphical representation of South Africa's GWP exceeds what is depicted here as it is approximately 25 times larger than Kenya's market

Figure 2: Overview of market GWP and insurance penetration for countries included in our market assessment<sup>17</sup>

As seen in the infographic above, more than half the countries included in the study had an insurance penetration rate equal to or less than 2% (as indicated by GWP and GDP data in 2020, and in a few instances, 2019 or 2018 where information was limited). The demand for insurance is growing, albeit off a small base, with Insurtech and microinsurance solutions, in particular, tackling the challenges of access and affordability to make insurance more inclusive.

The growing number of premiums is evidence of the expanding reach of insurance solutions. This is not only driven by the increased awareness of the need for and benefits of insurance but also by how consumers have changed the way they engage with the industry. A key factor we have identified in the growth and utilisation of insurance solutions has been the way in which innovative market players have forged new paths to get insurance products into a market segment traditionally excluded from financial services participation. A critical driver in this has been the intelligent and scalable leveraging of mobile devices as a market access channel.

By the end of 2020, 495 million people were subscribed to mobile services in Sub-Saharan Africa, representing 46% of the region's population,

*Innovative market players have forged new paths to get insurance products into a market segment traditionally excluded from financial services participation"*

an increase of almost 20 million people when compared to 2019<sup>18</sup>. Coupled with the remarkable growth in mobile device usage has been the rising acceptance of mobile money. This has significantly impacted how financial services are delivered on the continent, not just in cities but across rural communities as well. Transformational innovations in mobile money payments technology have been reducing production and distribution costs while simultaneously providing access through more client friendly offerings. Mobile payments have also enabled big data analytics for entirely new



customer segments which further enhance product development and reach. Alongside this, consumer confidence in this method of financial engagement has surged at a rate that most did not fully anticipate.

Today, the number of mobile money wallets in Africa often exceed bank account registrations. This underscores the necessity for using mobile as a frontier channel to allow users access to a range of financial amenities including making payments. In Lesotho, as an example, 6 of every 10 Basotho are registered mobile money users. This is contrasted with a relatively low banked population of 33%. Zimbabwe is similar, with a mobile money penetration rate of 49% compared to a bank account penetration rate of 28%<sup>19</sup>.

A recent study on mobile banking estimated that mobile payments revenue in Africa could rise from \$3.5bn in 2020 to between \$14bn and \$20bn in 2025<sup>20</sup>. The growth of mobile banking in parts of Africa is among the fastest in the world. For instance, after China, Kenya and Ghana rank second and third in the world for the highest mobile payment usage<sup>20</sup>. As of May 2021, Kenya had 67.8 million registered mobile money accounts, and the country processed \$27.6 billion worth of mobile money transactions in the first half of 2021 alone<sup>21</sup>. In Ghana, transactions via mobile wallets and phones account for 82% of the country's GDP, and the World Bank has recognised Ghana as the fastest-growing mobile money market in Africa over the past five years<sup>20</sup>. Meanwhile, Tanzania's rising mobile money penetration reached 53% in 2020, with 29.7 million mobile money subscriptions<sup>22</sup> compared to the 21 million subscribers the country had in 2018. This shows a 42% increase in just two years<sup>23</sup>.

Crucially, regulators in some African countries are active in encouraging the use of mobile money to extend the reach of financial services to the wider population. For instance, the Central Bank of West African States (BCEAO) issued regulations in 2015 that encouraged non-banks in the Ivory Coast to issue e-money. This set the stage for a digital transformation in Côte d'Ivoire. Between 2014 and 2017, mobile money usage almost single-handedly drove a 20% increase in financial account ownership across the country<sup>24</sup>.

Creating spaces to test new technology and solutions is another way supervisory bodies and industry have supported financial services innovation in driving consumer growth. In Angola, Portuguese

*"The growth of mobile banking in parts of Africa is among the fastest in the world"*

consultancy company Beta-i has partnered with Angola National Bank (BNA) to accelerate financial innovation through a Regulatory Sandbox<sup>25</sup>. This new project allows Fintechs, Insurtechs and other financial service providers the chance to test products and services in a 'real market environment', creating the opportunity to modify and adapt core functions before being officially released.

Despite the significant advances made across Africa to support and enable the provision of more inclusive financial services, there are still continent-wide challenges to overcome. The lack of skilled workers may hinder the ability of insurance companies to maximise their potential. Regulations that are both inflexible and not uniform across countries may hold back regional expansion plans. Another challenge has been the severe economic, health and social impacts of Covid-19 on the continent, including a delay in the implementation of the African Continental Free Trade Agreement (ACFTA). The ACFTA is estimated to boost the continent's GDP by \$450bn by 2035 and pull 30 million people out of poverty, but at this stage many countries are yet to fully open their economies due to pandemic related restrictions<sup>26</sup>. Political instability in many African nations also poses a threat to economic growth.

However, the landscape for doing business in Africa continues to evolve and with sustained economic growth, the continued use of mobile money and regulatory support, customers are being empowered to engage with insurance in new ways.

This report will examine the microinsurance industry, insurance related to the health and agriculture sectors and how partnerships are changing the industry landscape across the continent. It will also delve into how technology and innovative thinking are driving access to insurance solutions in Africa. Many of the solutions shared in the report relate to the rise of microinsurance that is not only catering to lower income clients but is offering products across a variety of sectors within the economy.



# THE RISING SIGNIFICANCE OF MICROINSURANCE



Microinsurance is a category of insurance that offers protection specifically for lower-income households. Insurance solutions in this category are simpler, premiums are lower, and solutions are typically tailored towards lower value assets and compensation for injury, illness or death<sup>27</sup>.

It caters for population segments that historically have had poor levels of access to financial services. This type of insurance generally has less stringent regulatory and compliance requirements, which enables an easier sales process and, by doing so, opens new distribution channels.

One of the primary characteristics of microinsurance is the cost of cover. The low premiums aim to make insurance more affordable to a wider range of the population. As an example, Zimbabwe's Ecosure offers funeral, hospital, and personal accident covers starting from around \$0.50 a month<sup>28</sup>. WellaHealth in Nigeria offers a basic care plan for \$1 a month that includes malaria testing and medication, diabetes and blood pressure testing and advice, personalised diet plans and telemedicine services<sup>29</sup>. Both solutions are mobile-based and great examples of how a simple sales process, combined with technology, has helped create a lower-cost distribution channel. This in turn allows providers to make simpler, less expensive insurance products available.

Regulators have increasingly become more active in promoting the growth of the microinsurance sector, with many issuing regulations designed to effectively govern this area. For instance, South Africa introduced a new microinsurance license in 2018<sup>30</sup>, and Kenya passed microinsurance regulations in 2020<sup>31</sup>. The Zambian insurance regulator has also identified microinsurance as a strategic focus for 2019-2021 and, in collaboration with the industry, developed

Microinsurance Guidelines to promote its provision<sup>32</sup>.

The socio-economic structure of most Sub-Saharan African economies is, to a large extent, characterised by an informally employed workforce, with an estimated 8 out of 10 people informally employed in Africa<sup>33</sup>. Africa is also home to the youngest population by median age in the world at 19.7 years old<sup>34</sup>. Malawi, for example, is one of the youngest countries and has a median age of 16.8 years, with 66% of the population below the age of 25<sup>35</sup>. In Zimbabwe, the median age is 20.5 years, with 58% of the population below the age of 25<sup>36</sup>.

Those in the informal sector and the youth have traditionally been excluded from accessing financial services. They often can't afford such services or don't have the formal employment history, which is a pre-requisite for utilising the sector. However, the introduction of microinsurance coupled with new ways for consumers to engage are making financial services on the continent more inclusive.

Because of the nature of microinsurance offerings and the low premium values, placing reliance on the traditional broker/agent model is too expensive. This has resulted in a number of more innovative and cost-effective distribution channels being implemented to make these solutions viable. In Africa, companies are leveraging the high number of mobile devices and mobile money penetration rates to offer products to a new market of consumers.

The use of mobile money as a payment mechanism has disrupted the insurance market, by allowing anyone with a mobile device to pay for financial services and receive claims pay-outs using mobile money wallets and airtime. In contrast, previously, customers needed to have a bank account.



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## VAAI.CO

**Company launched in:** 2021  
**Solution offered:** An affordable on-demand car insurance solution that enables consumers to purchase prepaid insurance that is valid for 24 hours  
**Key attribute:** Operates similarly to buying prepaid airtime, allowing consumers to purchase insurance they can afford and recharge it when required  
**Starting from:** \$2.70 can buy \$890 worth of insurance. Their solution can cover a maximum of \$8 219 worth of damage  
**Presence in:** South Africa

## CHAMPIONS INSURANCE & NETONE

**Product launched in:** 2018  
**Solution offered:** Easy Cover – aims to cater for the short-term mobile insurance needs of customer. It insures customers on houses and legal representation  
**Key attribute:** Uses OneMoney mobile money platform  
**Starting from:** \$1.50 per month  
**Presence in:** Partnership based in Zimbabwe

## ECOSURE

**Company launched in:** 2014  
**Solution offered:** Life insurance solutions that include funeral cover, hospital cashback and personal accident cover  
**Key attribute:** Allows you to purchase directly from your mobile phone, app or web  
**Starting from:** Less than \$1  
**Presence in:** Zimbabwe  
**User base:** Millions are covered in Zimbabwe

## MICROENSURE & AIRTEL

**Product launched in:** 2014  
**Solution offered:** Provides healthcare insurance solutions  
**Key attribute:** In partnership with Airtel (a telecommunications company) rewards are provided to loyal customers i.e. the more a customer spends with the telecom, the more health insurance could be earned  
**Starting from:** A minimum amount of airtime of around \$2  
**Presence in:** Burkina Faso, Ghana, Kenya, Madagascar, Malawi, Niger, Nigeria  
**User base:** >3 million two years after product launch

Figure 3\*: Examples of microinsurance innovators across various sectors<sup>37</sup>

Regulators, insurtechs, mobile network operators and larger FSPs are working together to stimulate sustainable and innovative insurance-focused products that meet the needs of low-income earners in an affordable manner. This has established a new format of cross-industry collaboration that is delivering valid and arguably vital, protection-related solutions for the most economically vulnerable in our society.

Across the continent, industry participants have started to see the value of microinsurance in terms of the potential it holds for widening participation in the insurance market. With its low premium values, it makes the cost of cover more affordable to more people. Through its innovative distribution and payment models, it has enabled those without bank accounts or internet access to be part of the insurance ecosystem. By introducing simpler, lower-priced solutions, it has made insurance more accessible to larger segments of the population.

*“Microinsurance has the power to make a significant impact on the lives of many and ultimately represents a significant driver for the future growth of Africa’s insurance industry”*

Insurance is now available to the young and those in lower-income households, providing access to health care and financial support for those who historically had none. For these reasons microinsurance has the power to make a significant impact on the lives of many and ultimately represents a significant driver for the future growth of Africa’s insurance industry.

\*Any local currency figures referenced were converted to USD using the average exchange rate for the year



# SECTOR INSIGHTS

## HEALTH

According to a McKinsey & Company report on global insurance statistics and trends, health insurance is consistently the fastest growing insurance type in the world, achieving 7% and 6% growth in 2018 and 2019, respectively, and making up about 25% of global insurance premiums in 2019<sup>38</sup>.

Health insurance is taken out to cover the cost of medical care for individual patients. Traditionally it comes in the form of medical aid schemes and plans, which include benefits to provide care for a wide range of conditions, illnesses, and diseases. The costs associated with medical care are substantial, and premium levels are accordingly set to reflect this cost. This model of health insurance often makes access to care beyond public care facilities a luxury and unaffordable to those with a lower disposable income.

A consequence of this is that a large proportion of deaths across the continent are from curable and preventable diseases, because much of the population is excluded from receiving the care they need. Non-communicable diseases fall into this category and are classified as medical conditions which are non-infectious and cannot be passed from person to person<sup>39</sup>. Among these are heart attacks, strokes, respiratory diseases, and diabetes. Numbers are on the rise, with the World Health Organisation estimating that these disease types kill over 40 million people globally each year, including more than 4 million in Africa. Over 85% of these deaths occur in low to middle-income countries

*“This model of health insurance often makes access to care beyond public care facilities a luxury and unaffordable to those with a lower disposable income”*

and vulnerable communities where access to preventative care is lacking<sup>40</sup>.

The average monthly income of the population provides a valuable indicator of the amount of disposable income they are likely to have and whether there is enough within that to provide for medical care. In Mozambique, the average income is \$38 a month, Malawi \$48 a month and in Tanzania, \$90 a month<sup>41</sup>. For these segments of the population, quality healthcare is primarily unaffordable as there is little income left after providing for food, shelter, transport, and support to family.

Malaria is one such curable and preventable disease that has a significant impact on the continent. The World Health Organisation has assessed that the Sub-Saharan African region accounts for 93% of malaria deaths globally<sup>42</sup>. A study conducted in



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Nigeria in 2017 found the average cost to successfully treat a case of uncomplicated malaria at a public healthcare facility to be \$31.49<sup>43</sup>. It is estimated that about 25% of the country's 200 million population will have an episode of malaria in any given year, with hundreds of thousands dying from the disease or suffering from resultant complications all because they couldn't afford the treatment<sup>44</sup>. The cost of quality Malaria treatment is prohibitive for many, which has made malaria one of the leading causes of avoidable disability and death across Sub-Saharan Africa.

Enabling access to affordable healthcare solutions is paramount. Innovative insurance solutions can make a real difference on the continent not purely in terms of survival but also in enabling the country to

*Innovative insurance solutions can make a real difference on the continent "*

have a fit and healthy population that can contribute to the economic prospects of the nation. The use of digital tools is critical to addressing access and inclusivity within the health ecosystem, and the growth in mobile phones and network connectivity on the continent have created an environment to do that.

### AYO & MTN

**Product launched in:** 2020

**Solutions offered:** Health micro-insurance solutions for common conditions across Africa such as malaria, upper respiratory tract infections and viral infections

**Key attribute:** Cover includes access to telemedicine consults, drug discounts, screening and instant claims settlement via 1 200 local pharmacies as points of care

**Starting from:** \$1 per month

**Presence in:** Nigeria

**User base:** 14 million customers

### APPY SAÚDE

**Company launched in:** 2017

**Solutions offered:** Digital tools to connect people to health-care professionals, medicine and information

**Key attribute:** Platform gives users access to information such as services offered, medical specialties covered, insurance accepted, as well as the contact details of the 1 700 medical facilities across the country

**Presence in:** Angola

**User base:** >12 500 users

### WELLAHEALTH

**Company launched in:** 2017

**Solutions offered:** Hospital and life cover via mobile money

**Key attribute:** Free/boosted life and hospitalisation cover every time a customer recharges with MTN airtime and/or sends money using MTN's mobile money (MoMo)

**Starting from:** \$0.50

**Presence in:** Uganda, Ghana, Zambia and Ivory Coast

**User base:** Information not available

### JAMII

**Company launched in:** 2017

**Solutions offered:** Jamii is a mobile policy-management platform that performs administrative activities of an insurer, while also providing access to low-cost insurance policies ordered on mobile phones using "quick codes" (USSD)

**Key attribute:** Network of over 500 hospitals in partnership with Jubilee Insurance and Vodacom Tanzania, using Vodacom's mobile money for premium collection & hospital payments & reducing insurance administration costs by up to 95%

**Starting from:** \$1 per month

**Presence in:** Tanzania

**User base:** 20 000

Figure 4\*: Examples of insurance innovators in the health sector<sup>45</sup>

\*Any local currency figures referenced were converted to USD using the average exchange rate for the year



One way that innovators are solving the challenge of access to healthcare is through telemedicine. Telemedicine provides remote clinical services, including diagnosis and monitoring, via electronic and telecommunication technologies<sup>46</sup>. As the popularity of telemedicine has grown, the concept has also expanded into a formation of 'telehealth' ecosystems which include advice, reminders, education, interventions, and even remote admissions. These solutions are bringing affordable healthcare to people who in the past were unable to access medical facilities because of transport costs, the lack of qualified staff in nearby areas and ongoing epidemics that made it unsafe to travel.

BIMA is one of the pioneers of telemedicine services and an example of a health-focused insurtech that has achieved significant scale. The company provides 24/7 access to doctors via telemedicine and has a presence in 9 countries across Africa and Asia. It offers microinsurance solutions and personalised health programmes via an app, WhatsApp and SMS<sup>47</sup>. Since its launch in 2010, it has held over 2 million tele-doctor consultations and has around 35 million insurance and health policies on book<sup>48</sup>.

The number of insurtechs entering the health sector is increasing as the ability to use technology to

solve for access and affordability becomes more evident. Larger financial service providers and telecommunications companies are also investing in and partnering with these innovative companies, using their funding and footprints to further increase the reach of affordable healthcare solutions.

*“The number of insurtechs entering the health sector is increasing as the ability to use technology to solve for access and affordability becomes more evident”*

Through technology, innovative insurance providers have been able to open new distribution channels for healthcare that are simpler, affordable and use new payment mechanisms to bring solutions to the unbanked lower-income segments of the population. These advancements can make a significant impact on the journey to bringing affordable, quality care to all.



### AGRICULTURE

Agriculture continues to be a primary contributor to the economies of Africa and the subsistence of her people. It is estimated that agriculture contributes 14% of Sub-Saharan Africa's GDP and employs around 52% of the population<sup>48</sup>. In recent years, the sector has been heavily affected by climate change, with rising temperatures, soil erosion, deforestation and the destruction of grazing lands threatening production.

The increasing frequency and severity of climate-related catastrophes leave farmers vulnerable and has created a need to risk-mitigate against the effects of extreme weather. Namibia is notably one of the countries most affected by climate change. Experts estimate that the climate-change impact on agriculture and fisheries could see the country lose between 1% and 6% of its GDP annually<sup>50</sup>. Without adequate protection, adverse weather conditions will significantly impact the millions of people who depend on agricultural resources and output for survival.

In Tanzania, the economy is mostly based on agriculture, accounting for approximately 29% of GDP, providing 85% of exports, and employing approximately half of the workforce<sup>51</sup>. Similarly, in Zambia, agriculture provides employment and income for three-quarters of the population<sup>52</sup>. Six out of 10 Kenyans depend on farming, livestock, and fisheries to make a living, and the sector contributes around 30% of the country's GDP<sup>53</sup>. These country-specific examples illustrate the critical role agriculture plays both in terms of economic value and sustenance of the population.

More than 60 percent of the population of Sub-Saharan Africa are smallholder farmers<sup>54</sup>. Generally, a smallholder farmer is viewed as a person involved in farming a small piece of land, cultivating food crops, sometimes with small varieties of cash crops<sup>55</sup>. These include small scale farmers, forest keepers, fishers and pastoralists.

Traditionally, insurance solutions in the agricultural sector have been aimed at corporate customers, offering various commercial agricultural covers for crops, livestock, and farming assets. These are evidently important offerings. However, agri insurance products were not priced for the

*“More than 60 percent of the population of Sub-Saharan Africa are smallholder farmers”*

individual and informal small business market. This inevitably excluded the segment of the population who rely on subsistence farming and smaller, less formal agricultural operations to survive from being able to access insurance solutions. However, the introduction of Insurtech and Agritech has changed this as these new players are offering inclusion and affordability to a market sector that has historically been overlooked.

Agritech refers to the use of technological innovations in agriculture to increase yield, efficiency, and profitability<sup>56</sup>. Essentially it helps farmers produce more with less and aims to make the farming process more efficient. Combining this technology with insurance solutions offers farmers value-added services to support their farming initiatives while at the same time providing tailor made protection services.

The use of parametric solutions is one of the innovative ways in which agricultural and insurance technologies have merged to better support both small and large-scale farmers. Parametrics, also known as index-based solutions, uses big data, satellite imagery and sensors to monitor environments in real-time. The monitored metrics are then compared against predetermined ranges of a relevant index to assess whether the conditions are acceptable or not.

Available indices include meteorological (weather indicators including temperature, rainfall and humidity), evapotranspiration (measures level of chlorophyll in the plant), soil moisture (specific to drought assessment) and area yield (measuring the potential harvest outcome). Live monitoring allows better transparency as well as almost immediate pay-outs in the event of a valid claim. The client knows how much they will receive based on the severity and



## THE RAPID EVOLUTION OF INSURANCE IN AFRICA

frequency of the environmental conditions, which helps build trust within the agricultural insurance market<sup>57</sup>. As parametrics offer a choice of indices, it allows for custom-made insurance solutions for individual farmers that are more flexible and tailored to their needs.

This is a new approach to both insurance and agricultural practices for much of the African continent. In order for it to become more accepted as a part of the agricultural process, education is important so that farmers can understand how technology and data can optimise their production and help when they make an insurance claim.

Governments across the continent are proactively supporting and promoting the use of index-based insurance as a means to protect their agricultural sectors. For example, in Zimbabwe, the Insurance and Pensions Commission (IPEC) has partnered with the World Bank for technical and financial support in the development of a regulatory framework for weather-index insurance<sup>58</sup>.

Furthermore, the National Smallholder Farmers Association of Malawi (NASFAM) has said it intends to reach out to 50 000 smallholder farmers with a weather-based index insurance solution to protect them from crop losses due to bad weather<sup>59</sup>.

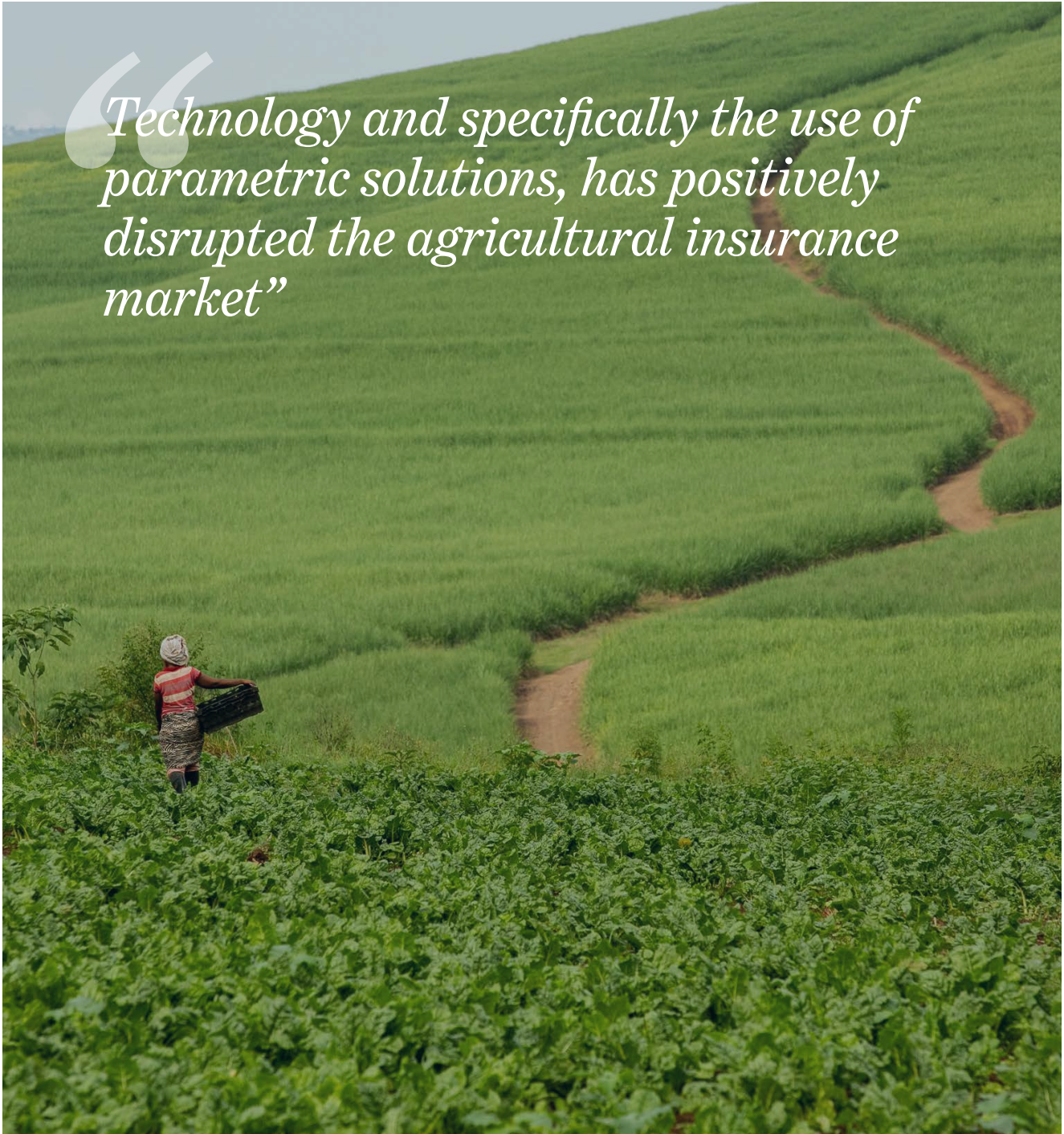


Figure 5\*: Examples of insurance innovators in the Agricultural sector <sup>60</sup>

\*Any local currency figures referenced were converted to USD using the average exchange rate for the year



*“Technology and specifically the use of parametric solutions, has positively disrupted the agricultural insurance market”*



Other innovators in the agricultural space worth highlighting are ITIKI and Agritask. ITIKI was launched in 2011 and offers a drought prediction solution for small scale farmers in Kenya, Mozambique and South Africa. The drought early warning system is a forecasting tool that integrates indigenous and scientific drought forecasting data and uses an SMS service to share weather information from a network of sensors<sup>61</sup>.

Agritask is a holistic agronomic platform that integrates a wide array of technologies, tools and data sources to quantify risk and in turn produces

alerts, recommendations and insights. Data sources include sensors and aerial images, and their solutions are used in over 30 countries<sup>62</sup>.

Technology and specifically the use of parametric solutions, has positively disrupted the agricultural insurance market and is helping farmers both better understand their environments and mitigate the risks associated with adverse weather conditions. By supporting farmers in this regard, these innovations will play a key role in safeguarding the sustainability of the agricultural sector on the continent.



# THE POWER OF PARTNERSHIPS

– *Forging innovation ecosystems*

Across the continent, financial service providers, technology companies and mobile network operators are joining forces to change the face of insurance in Africa.

Each participant brings a vital component to this ecosystem that, when combined, allows for unprecedented levels of customer-centricity. Together we give customers more flexibility and choice in both what solutions are available and in how they want to interact with them. Partnerships are truly reshaping the consumer's everyday engagement with insurance and, by doing so, are extending the reach of financial and other value-adding services to new segments of the population.

Africa is widely considered an emerging market, and small businesses are crucial to the growth of its economies. One of the challenges typically faced by small businesses is that of achieving scale. In order to grow, businesses need funding which is not often readily available. The partnership model and the use of platforms is changing that as larger players partner with smaller ones to leverage their agility in order to deliver innovative solutions to the marketplace quicker.

Smaller players benefit from access to funding, exposure to wider networks and the footprint of larger organisations to reach more customers than they would have been able to reach individually.

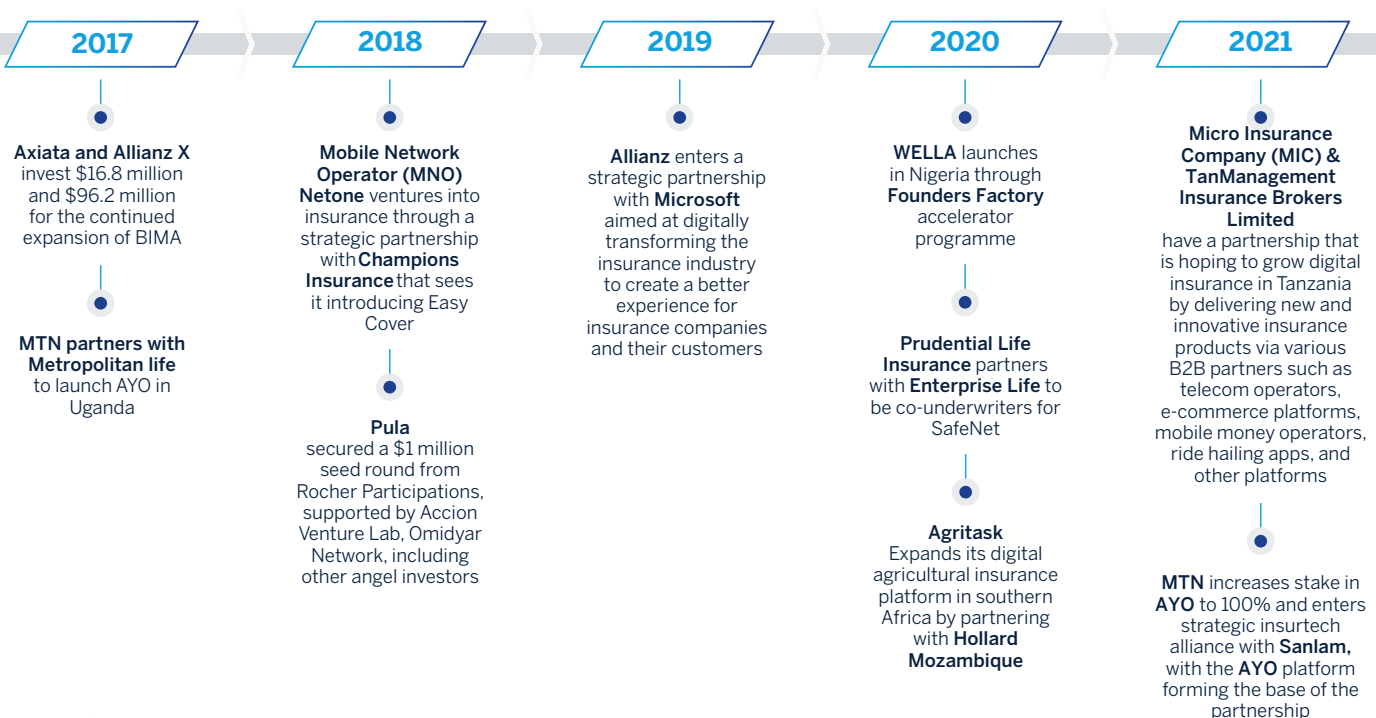


Figure 6: Timeline showing how players are partnering for the growth of innovative insurance solutions on the continent over the last 5 years<sup>63</sup>



Figure 6 on the page above highlights a few of many such partnerships that have been activated in Sub-Saharan Africa, expanding the reach of innovative solutions and allowing for greater inclusivity in the delivery of financial services offerings.

A platform is defined by Techopedia as a group of technologies used as a base upon which other applications, processes or technologies are developed<sup>64</sup>. In the insurance world, platform thinking has revolutionised the way providers look at meeting customer needs. It reimagines how various players in the ecosystem can work together to co-create value. Within a platform, insurance companies can digitally distribute their own as well as competitor products, including those from outside the industry, as part of a more holistic customer value proposition. Platforms also support small business growth as small companies are able to offer their products and services on a larger stage, benefiting from the lure of other, and perhaps more prominent, players involved.

WellaHealth is a health technology start-up, and an example of a platform where insurance and non-financial solutions joined forces to meet customer needs better. WellaHealth launched in Nigeria in 2020, intending to provide affordable and accessible high-quality healthcare to all Africans.

The company's first product was a malaria only

*“Partnerships are fundamental to enabling innovative, sustainable solutions with the ability to scale”*

microinsurance solution, and they have since expanded to include access to telemedicine consults, drug discounts, screening, and pharmaceutical care software to manage patient relationships for pharmacies. WellaHealth runs its health care program in partnership with AXA Mansard and has partnered with Airtel and Standard Bank Nigeria to expand the distribution of their products. Through collaboration, WellaHealth has created an innovative healthcare ecosystem with the potential to significantly impact access to care on the continent<sup>65</sup>.

Partnerships are fundamental to enabling innovative, sustainable solutions with the ability to scale. The creation of and use of platforms enhances the benefits that come from collaboration and allows the industry to help customers in new ways. Partnering fosters innovation, expands reach and undoubtedly adds value.



# CONCLUSION

The African continent offers vast opportunities for the growth of financial services, including the delivery of insurance solutions. The insurance industry in recent years has experienced great change as providers strive to enable cost-effective access and risk-cover options for all. The combination of new distribution channels, accessible payment options and simpler, more affordable microinsurance solutions is allowing a new generation of Africans the opportunity to engage with financial services, which historically, have been out of reach.

Our research is showing that true change comes from collaboration, and when financial service providers, mobile network operators and technology companies work together, it creates an environment for innovation to thrive. In this context, agriculture and health have been identified as key areas poised for transformation that can and will affect millions of lives positively. Within these, financial institutions have a critical role to play in enabling ideas and initiatives as well as in reaching parts of the population not previously accessed. The socio-economic landscape on the continent has resulted

*“Financial institutions have a critical role to play in enabling ideas and initiatives as well as in reaching parts of the population not previously accessed”*

in a clear need to address specific factors such as access and affordability. Heavily linked to these factors is an element of flexibility that comes with simpler, tailored solutions meeting more direct needs of individual circumstances. To ensure the adoption of these financial innovations, education will also be critical in creating awareness of the benefits of insurance and instilling confidence in the sector.

**At Standard Bank Group, we believe that co-development and partnerships are the future of the financial services ecosystem. Partnerships are core to our strategy, and as a Group, we are on a journey to become a platform business that partners to provide financial and non-financial solutions in Africa. One of our key objectives is to enable access and inclusivity through innovative, cost-effective and client-centric solutions.**

**We are continuously in search of innovative solution providers to partner with and invite you to engage with us as we drive growth on the continent.**



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Standard Bank Group is a financial institution that offers banking and other financial services to individuals, businesses, institutions and corporations in Africa and abroad. The mission of the company is to continue to search for simpler and more innovative ways to offer financial services that lead by need. As the landscapes of economies across Africa change, Standard Bank provides products, services and platforms that continue to empower customers and help them grow. Standard Bank operates in more than 20 countries.

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Deon was appointed as Head of Insurance for the Standard Bank Group in January 2021. His role includes informing and driving the Insurance strategy across all countries in which the Group operates. Prior to this Deon was CE of Wealth Africa Regions, accountable for all non-banking financial services (Life insurance, Short-term insurance, Investments, Health and Fiduciary) outside of South Africa. Deon is a keen chef and currently lives in Jersey, Channel Islands.



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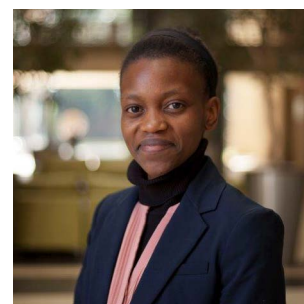
Kirsty joined the Standard Bank team in 2016 as a CA(SA) trainee. Since qualifying she has worked mostly in Insurance, supporting various teams to craft and deliver on strategic initiatives. She holds a Bcom Rationum Law degree with Accounting Honours from Nelson Mandela University in Port Elizabeth, where she grew up.



Step Advisory is a Johannesburg-based strategic growth advisory company with a proven track record of helping business leaders grow their businesses. Step Advisory's four core areas of expertise include: Research & Analytics, Strategy & Growth, Implementation & Execution, and Mergers & Acquisitions.

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Faith joined Step Advisory in June 2017 as a qualified CA(SA) having completed her Bachelor of Accounting Science with an Honours in Finance at the University of Witwatersrand and her articles at Grant Thornton. Her strategy consulting experience has exposed her to several practice areas as well as numerous industries.



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Jessica holds a Masters degree in Management from WITS Business School. Prior to that Jessica obtained a PDM at the Business School. She joined Step Advisory in February 2021. She loves problem solving and her attention to detail and creative eye are some of her key attributes.



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