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MEDIA INFORMATION

AFRICA INSURANCE PULSE 1/2020 LAUNCHED – DIGITIZATION TO TRANSFORM THE CONTINENT’S INSURANCE INDUSTRY

Zurich, 1 October 2020 – According to the *Africa Insurance Pulse*, on “The digitization of Africa’s insurance markets”, launched today by the Africa Insurance Organisation (AIO), digitization will enhance the appeal and affordability of risk transfer products in Africa. Underwriting and risks management will benefit from improved access to data and analytics. At the same time, technology will help streamline the insurance value chain and enhance the efficiency of administrative processes. Ultimately, digitization is hoped to boost awareness and demand for insurance solutions, eventually translating into higher insurance penetration in Africa. These are some of the key findings of this year’s edition focused on the digitization of Africa’s insurance markets. Faber Consulting produced this research on behalf of the AIO for the fifth year. This edition has been exclusively sponsored by Africa Re, the leading pan-African reinsurance company and the largest reinsurer in Africa.

Dr. Corneille Karekezi, Group MD and CEO of Africa Re, stated: "We are seeing pronounced differences in the degree of digitization across African insurance markets and its players. At Africa Re, we are keen to promote, accompany and support the digitization of our core markets. The advanced technology helps insurers to access new client segments, improve their services and differentiate their products to overcome the focus on pricing that has eroded many of our markets in the past years."

Jean Baptiste Ntukamazina, Secretary General of AIO, said: "During the COVID-19 crisis, digitization in Africa, as in other economies, has demonstrated its benefits. While regulators and policymakers recognized the systemic nature of the insurance industry, the industry demonstrated its ability to continue to provide its services to policyholders without any disruption. Ultimately, this will reflect in an acceleration of the application of the new technology across Africa."

"The *Africa Insurance Pulse* is based on a combination of in-depth market research and valuable insights from senior insurance executives operating across Africa," commented Henner Alms, Chairman and Partner at Faber Consulting. "The study found that currently approximately 5% of insurance premiums are already generated digitally. In the long term, this share could rise to 20-50% of premiums."



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In Africa's frontier markets, the introduction of digital technology contributes to advance administrative processes and improve risk management. In more advanced markets, such as Kenya, Nigeria or Ghana, digital products are already sold via mobile platforms and the technology helps to finally curb down on the sales of fraudulent motor policies. Personal lines are expected to be digitized first, followed later by commercial lines and then specialty lines. In the long run, executives expect that most insurance products will be distributed digitally.

Africa's insurers and reinsurers are looking at a variety of digitalization strategies to strengthening their franchise and increase the insurance penetration too. The large, global players follow a multi-pronged digitalization strategy whereby they digitize their own processes, test new avenues with internal labs, collaborate or invest in technology partners. The smaller players, by contrast, frequently pursue a sequential approach to digitization to improve the different processes within their own value chain before engaging in a partnership with InsurTech companies or digital platforms to broaden their access to new customers.

The main barriers to digitization are lack of financial literacy of policyholders, limited insurance awareness, modest income, low levels of trust and lack of access to online products. By contrast, the main factors promoting digitization are an increasing level of mobile phone penetration, large numbers of young people, a growing middle class and compulsory insurance schemes. Although there is a strong consensus that digitization will boost insurance sales, insurers are still wary as to when these effects will materialize. Most African insurance executives thus take a cautious approach when investing in the technology, using a sum equivalent of up to 2% of their revenues to drive forward their digitization strategy.



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ABOUT FABER CONSULTING

Founded in 2008 and based in Zurich, Faber Consulting supports its clients in researching and analyzing their business environment, developing and implementing a distinct strategic profile and effectively communicating with their key stakeholders. We focus on organizations from the financial services industry, mainly insurance and reinsurance companies. Our services proposition is based on our partners' in-depth sector expertise and senior management experience gained in the Americas, Asia, the Middle East and Europe.

For more information about Faber Consulting, please visit faberconsulting.ch and download our renown publications [here](#).

ABOUT AFRICAN INSURANCE ORGANISATION

Established in 1972 in Mauritius, the African Insurance Organisation (AIO) is a non-governmental organisation recognised by many African governments. Following the headquarters' agreement with the Government of Cameroon, the Permanent Secretariat of the AIO was set up in Douala. The AIO pursues the objective of developing a healthy insurance and reinsurance industry in Africa and promoting inter-African co-operation in insurance. Currently, the AIO has 362 members, 342 of them from 47 countries in Africa and 15 associate international members from 9 countries.

For more information on African Insurance Organisation, please visit african-insurance.org.

ABOUT AFRICA RE

Established in 1976 by 36 member states of the African Union (AU) and the African Development Bank Group (AfDB), the African Reinsurance Corporation (Africa Re) is the leading reinsurance company in Africa and the Middle East.

In 2019, Africa Re premium income stood at US\$ 845 million while its shareholding capital was US\$ 975 million.

Africa Re is a pan-African financial institution whose shareholding is split between African shareholders (75%) and non-African investors (25%).

For more information on Africa Re, please visit africa-re.com.