

African market wide open for innovative insurers

Escalating urbanisation, a rising middle class and a growing younger population create significant opportunities for insurers to enter this largely untapped African market



Herman Lombard, founder and executive director of African Unity,

While the effects of the global financial crisis are still being felt, the African Development Bank predicts a growth in Africa's GDP to 4% in 2019 and 4.1% in 2020,

Africa's insurance industry accounts for just 1.2% of insurance premiums written globally, with South Africa accounting for about 75% of that. "The potential for doing business in Africa is enormous, and companies are coming up with innovative and efficient ways to meet the expectations of this market," says Herman Lombard, founder and executive director of African Unity,

According to reports, only 8% of low-income earners have full life insurance and most are not able to afford the premiums for their most dominant risk – loss of job or income.

Coupled with the fact that the informal economy in South Africa has a spend of R280bn, rivalling the formal economy's R300bn, Lombard believes that there are huge incentives for insurers to move away from traditional models to products that are accessible and affordable to the under- and uninsured.

The regulatory regime of a region is critical to compliance and growth. In South Africa, new prudential and market conduct regulations as well as the introduction of the IFRS 17 Accounting Standard have put financial and regulatory pressure on insurers. "These new regulations are progressive and allow for new entrants and innovation into the market," he says.

Young, tech-savvy population

A PWC report on the African insurance industry estimates that the population on the continent will grow by 114.4% by 2050 to about two-billion people. Furthermore, because the population of Africa is the youngest in the world with an average age of just 19.7 years in 2010, there will be a large working-age population.

"For insurers this is good news because a younger population is linked to GDP growth which in turn makes for a wealthier population and an increase in insurable lives and assets", says Lombard.

Lombard stresses that a younger population also means a more tech-savvy population who are connected 24/7 and have expectations of customised solutions and an entirely virtual, paperless relationship with their insurer.

"This will force many insurers into a paradigm shift away from their legacy infrastructure and systems to adopting technology to suit the needs of the customer and to offer competitive pricing".

Innovative insurers who have taken on board emerging technologies are now able to quickly analyse customer data, enabling them to understand their customer's needs and rapidly develop new products.

In Africa, partnerships with insurtech companies are becoming increasingly popular, enabling greater innovation and a faster response to customer expectations.

"Ultimately, all insurers should be optimising their digital capacity to meet customer expectations and add value and efficiencies to the business", says Lombard.

Attracting and retaining talent remains a key risk for insurers in the region and the industry will have to upscale its investment into training, especially in the technology and actuarial fields if it is to entice young talent.

Lombard believes that many organisations will have to rethink their traditional, rigid approach to working hours and focus on outputs and deliverables, if they are to draw millennials into the business.

"Although there are many regulatory and environmental challenges in the region, globalisation and the emergence of the global citizen makes for a conducive environment in which to innovate new customer-centric products", he concludes.

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