

How are insurers in sub-Saharan Africa being affected by, and responding to, COVID-19?

Initial insights

May 2020

Disclaimer

- As a result of the COVID-19 pandemic, [FSD Africa](#) and [Cenfri](#) are focusing some of their research on how insurance markets across SSA are responding to the crisis.
 - Many insurers are experiencing or will experience challenges to their operations and business models, resulting from COVID-19 and limitations due to social distancing and lockdowns and, perhaps, significant increases in claims.
 - However, some insurers are seeing increasing interest in insurance products. As such, this crisis is in some ways an opportunity for insurers and insurance products to demonstrate their relevance and ability to have a real impact during a crisis.
- We've had a series of calls with insurers across sub-Saharan Africa to discuss how the pandemic has affected their internal and external business operations and how they have responded thus far.
- **This document presents the preliminary insights from these calls. A forthcoming report will be released in June.**

Meetings

	Number
Insurers	16
Life	5
Non-life	10
Composite	1
Insurtechs	4
Offering life products	4
Markets covered	14

Shifting to remote work

- More than **60%** of SSA countries have implemented quarantine measures and lockdowns, have restricted travel and have cancelled public gatherings ([IMF, 2020](#)).
- Insurance industry actors have been forced to switch to remote work and have done so with varying levels of ease.

Challenges

- Having technological infrastructure in place – laptops, VPNs
- Supervising and motivating staff
- In some countries, insurance was not considered “essential” – a major challenge for those who could not work remotely.
- Difficulties with distribution partners/regulators who have not made the remote transition as smoothly.



COVID-19 inclusions/exclusions

Not uniform across SSA – both country and product specific

Life insurers

- Credit life insurance in South Africa covers borrowers' debt in the case of retrenchment, disability or death – COVID-19 not excluded.
- Generally, COVID-19 is not excluded in life or hospitalisation products in SSA, so insurers are covering it.
- In CIMA, COVID-19 is excluded in life insurance products.
- In Kenya, COVID-19 is excluded, but as an industry association, insurers agreed to cover it.

General insurers

- Business interruption and continuity products often exclude COVID-19 (e.g. pandemics) and often a primary peril (damage to physical assets) must occur for insurance to kick in.
- In some instances, COVID19 is covered if a store has to close because a staff member was infected and the store needs to shut down.

Reinsurers

- Hesitant to cover COVID-19
- Not willing to underwrite new hospitalisation or life insurance policies which include COVID-19

Sales

Impact	Response
<p>Sales have slowed or completely stopped throughout the region, due to:</p> <ul style="list-style-type: none">• Agents not being considered an essential service and not being able to work• Distribution being largely agent and broker driven in SSA• Consumers not being able or willing to engage digitally• Regulation not enabling of digital sales, e.g. e-signatures• Banks not being able to operate and/or being stricter with lending, e.g. credit-life halted• Constraints on income	<ul style="list-style-type: none">• Many insurers are making plans to switch to more digital communication and sales methods or have done so already (e.g. WhatsApp, web portals, online websites, mobile platforms for agents, Facebook and call centres)• Some insurers have switched to focus on client retention rather than new sales, especially due to pressures on disposable incomes.

Premium collection and pricing

Impact	Response
<p>Certain insurers not affected severely by COVID-19 when it comes to premium collection</p> <ul style="list-style-type: none">• Group policies held by employers• Digital premium payments made via mobile money, EFT, debit orders	<p>Premium reductions</p> <ul style="list-style-type: none">• Predominantly motor (e.g. Malawi, South Africa and Zambia)• Some insurers require consumers to engage directly instead of implementing reductions across the market (e.g. Rwanda). <hr/> <p>Premium holidays</p> <ul style="list-style-type: none">• Mostly on motor and credit-life insurance• Typically three months
<p>However, some insurers have been witnessing a reduction in premium payments.</p> <ul style="list-style-type: none">• Those made in cash or via airtime deductions• Those who pay large, annual premiums• Constrains on income – both individual and sector-specific	<p>Scaling down coverage</p> <ul style="list-style-type: none">• Mostly for motor and corporates• Limited by inflexibility of insurers in markets <hr/> <p>Flexibility in premium instalments</p> <ul style="list-style-type: none">• Annual policies moved to instalments (typically up to three)

Claims

Impact	Response
<p>There has been a mixed impact on claims, depending on the market and type of product under consideration</p> <ul style="list-style-type: none">• Some insurers witnessing reductions in claims<ul style="list-style-type: none">- Hospital and motor insurance• Others have seen no impact on claims.<ul style="list-style-type: none">- COVID-19 peak has not yet occurred.• To a lesser extent, seeing a spike in claims<ul style="list-style-type: none">- Credit-life <p>Challenging for some insurers to pay claims remotely</p> <ul style="list-style-type: none">• Physical presence required to pay claims• Claims verification more challenging <p>Delay in claim payments</p>	<p>Insurers digitising claim submission</p> <ul style="list-style-type: none">• Pictures of claim documents• Self-servicing via web portal for customers• Web portal for agents• E-claims model for servicing partners (e.g. hospitals) <p>Insurers changing the channel through which they pay</p> <ul style="list-style-type: none">• Pushing for claim pay-outs via MM, EFT• In some instances, paying directly to distribution partner (e.g. MFI) <p>Insurers working with government to allow them to physically enter their offices to pay claims</p>

Balance sheet impacts

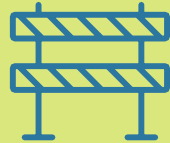
Impact	Response
<p>Insurers' balance sheets under pressure</p> <ul style="list-style-type: none">• Market turmoil affecting asset allocations (particularly life insurers)• Low sales• Products not going to market• Increased lapse rates• Increased costs to digitise quickly	<p>Many insurers are requesting some relaxations from the regulator</p> <ul style="list-style-type: none">• Solvency ratios• Capital minimum requirements• Cash and carry <hr/> <p>Leaner approach to operations in future</p>

Regulatory engagement

- Proactive, consultative and clear communication in some markets
- In other markets, uncertainty and lack of coordination with industry remaining a challenge
- Barriers to digitisation, such as e-signatures and e-KYC, are top of mind for insurers
- Most engagement focused on prudential side, e.g. solvency and capital minimum requirements
- Requests to reduce the level of effort required by insurers to illustrate compliance, e.g. postpone on-site inspections, leniency in submissions of returns and audits, etc.

Key barriers and opportunities

Barriers



- Reinsurance constraints and lack of risk layering options
- Balance sheet issues
- Regulatory barriers to digitisation
- Consumers' constrained incomes
- Shifting consumer behaviour to digital
- Consumers may have a negative perception of insurance in markets where COVID-19 was excluded.
- Operational constraints

Opportunities



- Push to digitise own backend processes
- Need for regulators to create an enabling regulatory environment for digital innovation
- Incentives for consumers to transact digitally
- Availability and saliency bias of consumers
- Need to innovate

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About Cenfri

Cenfri is a global think-tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About FSD Africa

FSD Africa is a non-profit company that aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK aid from the UK Government. FSD Africa also provides technical and operational support to a family of 10 financial market development agencies or "FSDs" across SSA called the FSD Network.

