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On fuelling economic growth in Africa through insurance penetration

In what ways did the Covid-19 pandemic impact the insurance sector in Africa?

FARID CHEDID: Government measures to reduce the spread of Covid-19 such as national lockdowns have translated into slow economic growth, and in some cases recession. The performance of the insurance sector is traditionally closely linked to that of the economy – if the economy grows, so will the insurance sector. Insurance companies have not been able to maintain the same amount of turnover during this period, especially as investment levels decreased. This has put pressure on insurance companies, pushing them to grow their portfolios in the face of economic slowdowns. However, even with these difficulties, many companies have managed to do well, not only because of good management, but because prior to the pandemic they had invested in ICT infrastructure.

Which measures can be taken to increase penetration in sub-Saharan Africa?

CHEDID: Companies are following different strategies to navigate the challenges inherent to the insurance industry in sub-Saharan Africa. Digitalisation, micro-insurance and microfinance are key to boosting penetration in the coming years. Digitalisation is the easiest and best way to distribute products and reach a larger share of the population, especially through apps, but not everyone has a smartphone or disposable income. While this makes retail insurance more challenging, digitalisation is the long-term solution. In the short term, however, companies can focus on commercial insurance, as well as work with oil, gas, mining, renewable energy and industrial firms via brokers to provide risk-management solutions.

To increase penetration and awareness, it is necessary to help brokers promote their products and risk-management expertise on the individual, family and company level. Nowadays, products and solutions for health, employee benefits, political violence and cyber-risk are much needed. While brokers are at times perceived as working against insurance companies, they are in fact important assets in the industry as they promote and distribute products. Indeed, what makes the difference between a successful and unsuccessful market is cooperation among all players, as is the case with the Inter-African Conference of Insurance Markets, a grouping of 14 countries that share a common insurance code.

How can insurance support wider economic growth?

CHEDID: Insurance is both an investment and an enabler of spending. International brokers act as ambassadors, helping foreign direct investment in each country by providing local knowledge and risk assessment of political, social, economic, legal, environmental and technological situations. Brokers help to control exposure and transfer the impact of losses to insurers. Strategic risks can then be analysed and solutions provided to boost investments.

For example, the primary income earner in a family must save money in case of illness or sudden death. However, if the individual gets health and life insurance, they will make an investment that allows them to spend a much bigger portion of their income on daily needs. As such, insurance is an important tool for economic growth. Unfortunately, insurance is not always used this way. In order to facilitate a change in mentality, there needs to be greater awareness among the general population about how insurance works and how everyone can benefit from it. This will encourage people to spend and invest more, helping the economy grow. Awareness campaigns need to be largely centred around individuals and families, as companies generally already know how to use insurance.