
Insurance for inclusive and sustainable growth:

Imperatives for action
from a four-country
synthesis

OCTOBER 2019





Authors

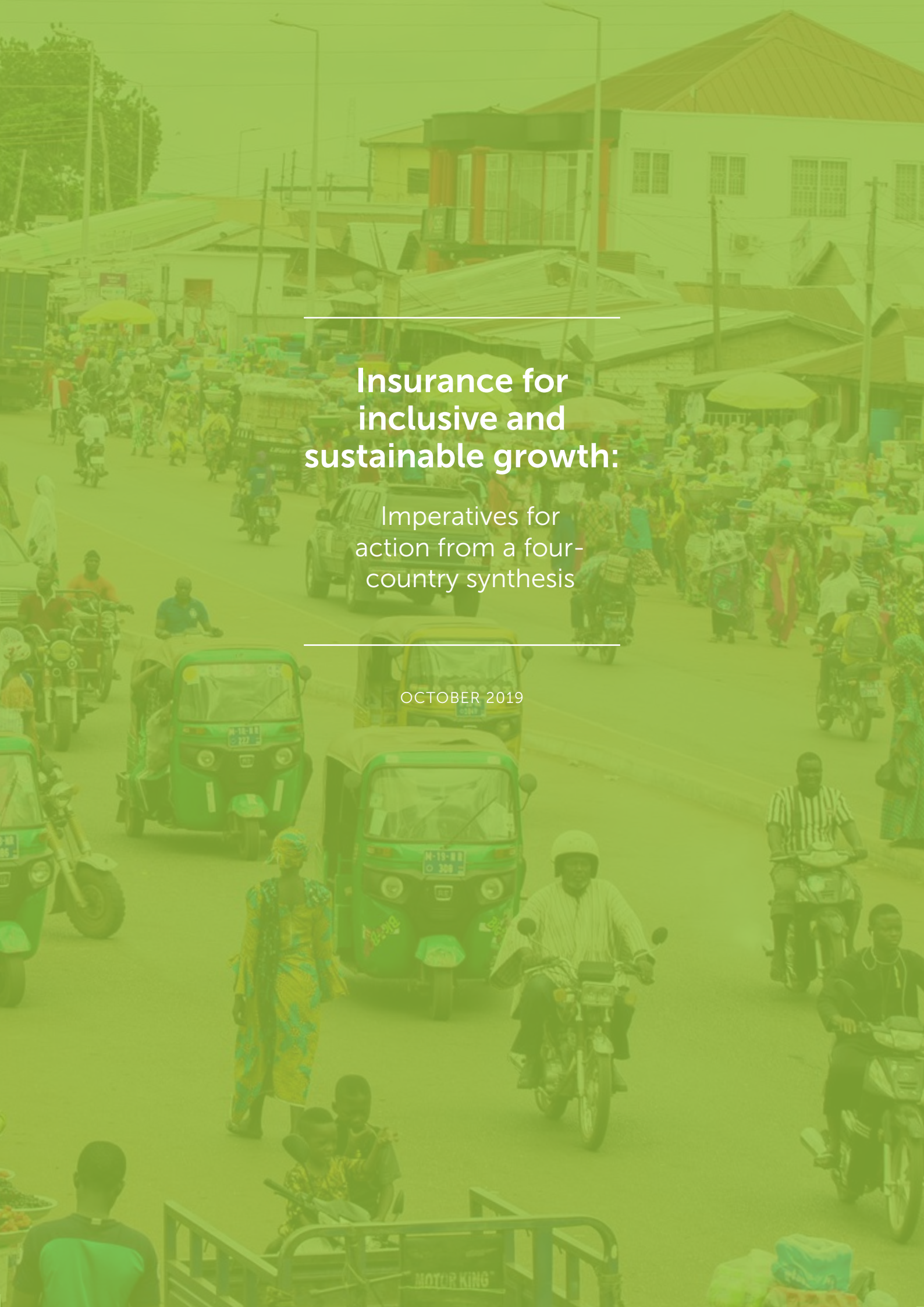
Mia Thom
Christine Hougaard
Jeremy Gray
Baraka Msulwa
Kate Rinehart-Smit
Jana de Waal

©2019

Insurance for inclusive and sustainable growth:

Imperatives for
action from a four-
country synthesis

OCTOBER 2019



Acronyms & Abbreviations

A2ii	Access to Insurance Initiative
API	Application programming interface
BNR	National Bank of Rwanda
BoG	Bank of Ghana
CBHI	Community-Based Health Insurance
CBN	Central Bank of Nigeria
CMA	Capital Market Authority
DFID	Department for International Development
EFInA	Enhancing Financial Innovation & Access
EWS	Early warning system
FII	First Integrated Insurance
FSDA	Financial Sector Deepening Africa
FSRCC	Financial Services Regulation Coordinating Committee
GAIP	Ghana Agricultural Insurance Pool
GDP	Gross domestic product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GWP	Gross-written premiums
IPRS	Kenyan Population Registration System
IRA	Insurance Regulatory Authority
KYC	Know-your-customer
MFI	Microfinance institution
MNO	Mobile-network operators
NAIC	Nigerian Agricultural Insurance Corporation
NAICOM	National Insurance Commission (Nigeria)
NHIA	National Health Insurance Authority
NHIF	National Hospital Insurance Fund
NHIS	National Health Insurance Scheme
NIA	Nigerian Insurers Association
NIC	National Insurance Commission (Ghana)
RBS	Risk-based supervision
REITs	Real estate investment trusts
SA	South Africa
SME	Small and Medium-Sized Enterprise
SSA	Sub-Saharan Africa
USAID	United States Agency for International Development

About this note

This is the sixth and final note in a series that explores the role of insurance in sustainable development and inclusive growth in sub-Saharan Africa (SSA) from three perspectives:



The notes in this series are summaries of larger diagnostic studies to explore the development path and contribution of the insurance market in four countries: Ghana, Kenya, Nigeria and Rwanda. These countries were selected to cover a range of countries in terms of demography, innovation, economic composition and insurance penetration.

The series is organised as follows:

Note 1

introduces the series and positions the scope of the diagnostics.

Notes 2 to 5

present the findings for each of the case study countries, respectively.

Note 6

(this note) synthesises key themes in insurance market development across the case study countries and draws conclusions and recommendations on how to further develop insurance markets to support sustainable growth and economic development. It draws on the findings of the insurance market diagnostic studies, as well as supplementary desktop research.

¹ Capital markets are often used strictly to refer to exchanges. However, the capital market is used in this report to refer to the demand and supply of capital, consistent with Chamberlain et al. (2017).

Collaboration

The case studies were commissioned by the UK Department for International Development (DFID) and the Centre for Disaster Protection to inform the development of its global approach to insurance market development. It was rolled out in partnership with the World Bank, Financial Sector Deepening Africa (FSD Africa) and Cenfri. The World Bank authored the Kenya and Rwanda diagnostics, while Cenfri authored the Ghana and Nigeria diagnostics.



DFID leads the UK's work to end extreme poverty. It is tackling the global challenges of our time, including poverty and disease, mass migration, insecurity and conflict, with the aim to build a safer, healthier, more prosperous world for people in developing countries and in the UK.



The Centre for Disaster Protection works with developing countries to find better ways to manage the risks of disasters and to deliver earlier, more cost-effective support for people when disasters occur. The Centre is funded by UK Aid from the UK Government.

Find out more at: www.disasterprotection.org



FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.



Cenfri is an independent think tank based in Cape Town. Cenfri's mission is to support financial inclusion and financial sector development through facilitating better regulation and market provision of financial services.



WORLD BANK GROUP

The World Bank Group is a global partnership of five institutions working for sustainable solutions that reduce poverty and build shared prosperity in developing countries. It is one of the world's largest sources of funding and knowledge for developing countries.

Acknowledgements

The authors would like to thank all those consulted in the course of the country studies, as well as those who provided inputs and comments on the synthesis themes. Your time and insights shaped the analysis and findings. Juliet Munro (FSD Africa), Ronald Bohlander (DFID) and Craig Thorburn and Fiona Stewart from the World Bank all provided valuable comments on the draft synthesis report. All errors and omissions are our own.

Table of Contents

	Executive summary	9
1.	Introduction	16
2.	How is insurance contributing to development?	21
2.1.	What is working?	21
2.2.	What is not working?	23
3.	What is needed to unlock the role of insurance in development?	27
3.1.	Ensuring visible and proactive policy leadership to unlock change	27
3.2.	Supervising risk rather than rules to raise standards	30
3.3.	Driving innovation to strengthen resilience	33
3.4.	Re-engineering compulsion to deliver better social outcomes	37
3.5.	Unlocking risk transfer and management for enterprise development	39
3.6.	Investing insurance assets for development	43
4.	Conclusion	46
5.	References	47
6.	Appendix	50
6.1.	Cross-country examples from section 3.1	50
6.2.	Key actions to implement the six imperatives	51

List of tables

Table 1	Actions for policymakers, regulators and the development community	13
Table 2	Insurance market context in the case study countries	18
Table 3	Key actions to implement the imperatives	51

List of boxes

Box 1	Examples of SME insurance offerings in the study countries	25
Box 2	Steps in transitioning to RBS	32
Box 3	Evaluation considerations for localisation policy implementation	41
Box 4	Value chain case study: transport and logistics	42

List of figures

Figure 1 Insurance-for-growth transmission mechanisms	16
Figure 2 Take-up of insurance, including government-provided health	21
Figure 3 Examples of innovation	22
Figure 4 Insurer expense ratios	24
Figure 5 Number of insurers	24
Figure 6 The Evolution of the Policy Objective for Insurance	28
Figure 7 Evolution of RBS transitions	31
Figure 8 Trends across countries	34
Figure 9 Policy levers and regulatory tools available to enable innovation	35
Figure 10 Compulsory insurance products across the markets	38
Figure 11 Enterprise risk management practices observed and proposed policy imperatives	40
Figure 12 The transport and logistics value chain	42
Figure 13 Average annual infrastructure investment gap, 2016–2040	43

Executive Summary

Insurance matters for growth and development

Insurance has a strong role in combatting poverty and advancing development², in at least three ways:

1

Improving individual and household resilience. Insurance makes households more resilient in the face of financial shocks and builds peace of mind even if no risk events occur. By transferring risk to an insurer, individuals and households can concentrate on living their day-to-day lives productively. Insurance also enables households to access services such as credit, health and education that may otherwise not be attainable to them³.

2

Improving business resilience and productivity. Insurance supports business development in at least three ways: effective risk transfer bolsters the survival rate of entrepreneurs and is a fundamental part of corporate sustainability. It also facilitates exports and imports and enables foreign investment. The tools and techniques created by insurers help or oblige entrepreneurs to develop risk management and mitigation strategies to prevent risks from occurring. Insurance also helps to ensure access – at better terms – to business financing by reducing the risk of borrower default and providing tools for risk pricing.

3

Developing the demand and supply of capital. The insurance sector can help develop the demand and supply of capital to support investment – what this paper refers to, broadly, as capital market development⁴. This is done by mobilising capital through premium collection, through its role in enabling business development and its linkages with the pensions market, by pooling capital into larger pots of funds that are more efficient to manage and invest, by allocating such capital to productive opportunities and, indirectly, by helping to grow capital market institutions, governance and professionalism.

Recognising the role that insurance can play in supporting sustainable development and growth, the UK's DFID and the Centre for Disaster Protection partnered with the World Bank, FSD Africa and Cenfri to conduct a series of diagnostics that explore how these three roles manifest in four countries in SSA: Ghana, Kenya, Nigeria and Rwanda.

This paper synthesises cross-cutting themes from the study countries and beyond and draws conclusions and recommendations on how to further develop insurance markets.

² This is supported by a strong theoretical and empirical research base, as quoted in Chamberlain, D, Coetzee, L & Camargo, A., (2017). Funding the Frontier. Role of inclusive insurance markets in economic growth and poverty reduction. Available at: <https://cenfri.org/publications/role-inclusive-insurance-markets-economic-growth-poverty-reduction>.

³ Credit insurance may enhance access to credit, while the financing stream associated with insurance supports the provision of health services. Insurance is also a mechanism to ensure continued access to education in the event of the death or disability of a breadwinner.

⁴ Capital markets are often used strictly to refer to exchanges. However, the capital market is used in this report to refer to the demand and supply of capital, consistent with Chamberlain et al. (2017).

Synopsis of findings

The insurance markets in the four countries deliver on some of the potential described, but prevailing market challenges mean that much greater impact is possible, should the following challenges be addressed:

Risk-protection gap. The majority of households and businesses in the study countries remain without any insurance cover. This demonstrates a large risk-protection gap:

- **Household gap.** Fifty-one percent (51%) of adults across the four countries indicated that they faced a risk-event within the last year, but only 1% used insurance and over 20% turned to welfare-reducing strategies, such as selling assets or reducing expenditure, to cope with the impact of the shocks. Outside of state-provided health insurance, only 4.1 million adults – about two percent of the total adult population – in the study countries are covered by insurance. Yet 5.3 million adults across the four countries are within easy reach as they have a bank account, mobile phone, are formally employed and earn the equivalent of USD\$5 or more a day.
- **Business gap.** While corporate insurance is the mainstay of the insurance sector in all four countries, SME cover remains low to absent due to distribution challenges in reaching small businesses, a lack of a sector value chain appreciation among insurers and a mismatch between the product offering and the tailored needs of SMEs. Complex, large corporate risks are often carried offshore and, where localisation requirements are in place to onshore some of these risks, inefficiencies and concerning market practices are observed. The focus has also not shifted from risk transfer⁵ to a proactive risk management⁶ role for corporate insurance in any of the countries. More broadly, disaster risk management for resilient cities and communities is not yet entrenched as a major consideration in the insurance discourse.

Limited intermediation role. Moreover, in none of the four study countries is the insurance sector large enough to play a substantial role in building demand and supply of capital. The combined size of insurance assets across all four was less than USD10 billion in 2016, ranging from 0.8% to 7.7% of GDP. A reliance on shorter term non-life rather than life insurance for the bulk of premium volumes leads to largely short-term assets and liabilities, with limited need for long-term investments. This is exacerbated by a limited supply of long-term investment instruments.

Structural challenges to innovation. Innovation is critical to close the risk-protection gap and build the intermediation role of insurance, but all four countries face structural innovation constraints. While each country's insurance sector and context is unique, a dearth of good quality data, skills and capacity constraints, inefficiencies, cannibalistic competition on the back of compulsory insurance and various enabling environment constraints drive alarmingly high cost structures (with one in three insurers across the four countries having expense ratios of over 80%) and a general lack of innovation.

Imperatives to build better market outcomes

The study-country experience highlights six imperatives to close the risk-protection gap and facilitate the intermediation role of insurance to support sustainable growth and development:

1. Ensure visible and proactive policy leadership to unlock change. Leveraging insurance as a tool for economic development requires clear policy leadership that also translates into a clear mandate for the regulator, as well as effective coordination across government and industry.

⁵ Risk transfer is the transferring of the financial impact of a risk occurring from an individual or business to the insurance industry.

⁶ Risk management involves putting in place tools and techniques created by insurers to prevent risks from occurring.

Summary imperatives: visible and proactive policy leadership to unlock change

- Provide policy direction via clearly articulated development objectives
- Capacitate the development policy leader by means of a clear and explicit market development mandate
- Implement coordination mechanisms to ensure a clear understanding of roles between the policymaker and regulator, and between all other official decision makers and regulators
- Set targets for market development and identify key indicators for monitoring and measuring progress

2. Supervise risks rather than rules to raise standards. Many insurers in the study countries have weak business fundamentals despite efforts by regulatory authorities to use rules-based requirements to raise industry standards. The weak financial viability of insurers poses a risk of institutional failure. Such failure would be damaging to the perception of insurance and ultimately the development of the insurance industry. This strengthens the imperative for a gradual move towards risk-based supervision (RBS). Doing so will entrench a proportionate regulatory and supervisory approach and a risk-based mindset among regulators and market players alike, and generally improve the level of professionalism and technical strength in the market – all of which are needed for broad-based innovation.

Summary imperatives: supervise risks rather than rules to raise standards

- Implement gradual steps towards RBS
- Start by entrenching a risk mindset within the market and regulatory authority

3. Drive innovation to strengthen resilience. Policymakers and regulators need to take a more active role in leading and enabling innovation in their markets. Building the business case for comprehensive innovation requires context-relevant policy and regulatory tools, coordination across regulatory authorities and the creation of enabling infrastructure through access to public knowledge and datasets. Equally important is ensuring regulatory certainty, streamlining supervisory processes and leveraging proportionate regulatory and supervisory approaches to trigger new ventures, products, services and processes. Besides these regulatory and supervisory tools, the policymaker and regulator have an important convening and signalling role to prompt the market to innovate and address market-level constraints that hinder innovation.

Summary imperatives: drive innovation to strengthen resilience

- Leverage context-relevant policy and regulatory tools to remove barriers to innovation
- Facilitate innovative business models through proactively engaging, encouraging and supporting innovation
- Address market structure constraints

4. Re-engineer compulsion to deliver better societal outcomes. Compulsory insurance is found in some form or another in all the study countries. While instituted in pursuit of valid public-policy objectives, compulsory insurance often creates market incentives – including price undercutting – that negatively impact insurers' performance, lead to poor consumer value and, ultimately, erode trust in the market well beyond the particular products. This means that, by and large, compulsory insurance is not delivering on societal objectives in the study countries. Some stakeholders have even lost clarity on what societal objectives are intended. This creates an imperative for policymakers and regulators to reassess the validity of compulsion given the

underlying policy objectives, to monitor market practices to keep the market accountable to such objectives if compulsion is maintained and, if necessary, to re-engineer or re-build the whole ecosystem and product to align to the intended outcomes.

Summary imperatives: re-engineer compulsion to deliver social outcomes

- Assess underlying policy objectives of existing compulsory products
- Monitor and keep the market accountable to such policy and societal objectives, e.g. by engaging industry where value is low or effects are not as intended
- If necessary, re-engineer compulsory products for better outcomes

5. Unlock risk transfer and management for enterprise development. The experience in the four countries suggests that there is much scope to increase the contribution of the insurance sector towards enterprise growth and economic development. Efforts are required to facilitate alternative distribution channels and design appropriate products to reach the largely untapped SME market. This will benefit from a value chain-based appreciation of the underlying economic sector/industry and the risk transfer and risk mitigation needs along the value chain. For corporate insurance, steps are needed to encourage proactive risk management among clients. For large, complex risks, the impact of local content constraints should be assessed to ensure access to global, specialised risk pools as appropriate to serve niche enterprise risks.

Summary imperatives: unlock risk transfer and management for enterprise development

- Enable and encourage alternative distribution channels to reach SMEs
- Map the risks of key value chains to understand the insurance needs of enterprises and encourage the development of products to meet their needs
- Encourage risk management among corporate clients
- Unlock access to global, specialised risk pools

6. Invest insurance assets for development. The insurance industry's role as institutional investors is likely to remain limited unless long-term savings rise on the back of a growing middle class who have the capacity to save, appropriate long-term investment instruments are developed and made accessible to insurers, and fiscal policies incentivise long-term savings. Gradually building the role of the insurance sector in the supply and demand of capital in the first instance requires the incentivisation of long-term savings to build insurance sector assets. Linkages with the pensions market, via the much larger investment pool it potentially mobilises, pose the most potential for growing the role of insurers as asset managers. In the longer-term, insurers will benefit from the development of appropriate investment instruments, while in the short-term, capital rules can be revisited to ensure that they promote the risk-based allocation of resources.

Summary imperatives: invest insurance assets for development

- Build more assets by incentivising long-term savings
- Leverage insurance-pension linkages
- Promote appropriate long-term instrument development
- Ensure sufficiently risk-sensitive capital rules to enable efficient allocation of capital

As most of the imperatives relate to structural market development constraints, long-term multi-stakeholder engagement is needed to achieve incremental impact. This requires coordination and cooperation between policymakers, regulators, development partners and market players. The upside of staying the course is substantial: the opportunity to wield insurance as a tool for the greater good of markets, economies, and the populations of countries that pursue such a course – thereby, ultimately, furthering the sustainable development goals.

What will it take?

These imperatives present a call to action for policymakers, regulators, development organisations and the insurance industry alike. The policymaker plays a particularly relevant role to drive and coordinate efforts across different stakeholders and to ensure that the regulatory authority and other decision-makers have a market development mandate, while regulatory authorities need to act by proactively facilitating innovation, gradually implementing RBS, including ensuring that there are risk-sensitive capital rules in place that incentivise the efficient allocation of capital, and monitoring the performance of compulsory products. Development partners have an important role to play in generating consumer and SME data, convening diverse stakeholders and building capacity and skills. Ultimately, it is the insurance industry that must act to leverage data, build systems and skills and track the right metrics to convince their investors to take the innovation challenge heads on.

Table 1 summarises the key actions to implement the six imperatives, highlighting the role of policymakers, regulators and development partners, respectively.

Table 1: Actions for policymakers, regulators and the development community

Imperative	What will success look like?	Potential actions and roles
Visible and proactive policy leadership to unlock change	<p>Policymakers deliberately leverage insurance as a tool for broader economic development.</p> <p>Regulators have a nuanced understanding of market development imperatives and the mandate to implement regulatory frameworks to achieve these objectives.</p>	<p>Policymakers (primary responsibility):</p> <ul style="list-style-type: none"> • Provide policy direction via clearly articulated development objectives • Capacitate the regulator and other official decision-makers by means of a clear and explicit mandate • Engrain coordination mechanisms in legislation to ensure effective coordination across regulatory authorities <p>Regulators:</p> <ul style="list-style-type: none"> • Act on mandate and coordination structures as provided by policymaker • Implement the required monitoring and progress measurement framework <p>Development partners:</p> <ul style="list-style-type: none"> • Support the development and ongoing operation of an effective coordination mechanism • Work with policymakers and regulators to set targets for market development and identify key indicators for monitoring and measuring progress • Set regional or global best-practices or frameworks around these targets and indicators
Supervise risk rather than rules to raise standards	<p>Regulatory frameworks and supervisory systems are risk-based. They protect consumers without unnecessary barriers, incentivise innovation, improving inclusion and technical capacity, value and overall standards in the market.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> • Ensure legislation grants the regulator the mandate required to implement RBS

Imperative	What will success look like?	Potential actions and roles
	<p>An entrenched risk appreciation among insurers raises the level of professionalism and market performance.</p>	<p>Regulators:</p> <ul style="list-style-type: none"> • Start by outlining an RBS approach in consultation with industry • Build an internal risk-rating approach and gradual interventions based on risk • Develop risk-based subsidiary rules through iterative consultations to enhance capital and solvency requirements to be more sensitive to risk • Develop a broad set of tools to sanction and rehabilitate risk institutions • Support industry to build data and capacity for risk-based approaches <p>Development partners:</p> <ul style="list-style-type: none"> • Support policymakers and regulators to develop risk-based regulation and supervision • Support regulators to develop capacity, systems and data to effectively implement RBS
<p>Drive innovation for better resilience outcomes</p>	<p>Regulators have the guidance and tools to facilitate innovation and manage the associated risks.</p> <p>Insurers innovate and offer value to consumers.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> • Design regulatory architecture to grant the regulator the mandate and discretion to enable innovation • Help facilitate innovation, by creating enabling infrastructure, such as an enabling payments ecosystem and by otherwise proactively encouraging innovation • Develop a legal basis for coordination structures between different regulators and ministries • Making datasets available to industry to enable cost effective and better value products (e.g. motor vehicle, birth and death registries) <p>Regulators:</p> <ul style="list-style-type: none"> • Extend the role of the policymaker to proactively encourage innovation, e.g. through: <ul style="list-style-type: none"> • Convening industry or holding trainings • Implementing context-relevant, appropriate test and learn or sandbox approaches to innovation • Ensuring regulatory certainty through ongoing communication with the market • Coordinating with fellow regulators on cross-cutting topics such as payment system innovation <p>Development partners:</p> <ul style="list-style-type: none"> • Work with regulators to implement appropriate regulation for innovation tools • Collect consumer and SME level data in collaboration with regulators and market players and disseminate and embed the associated insights into insurers' strategies • Support the development of new, innovative models or technologies to solve core insurance challenges, e.g. through innovation competitions or direct assistance to market players (where relevant in partnership with policymakers and/or regulators) • Support skills trainings programmes to develop regulatory and industry skills <p>Industry:</p> <ul style="list-style-type: none"> • Deepen digitisation to save costs and better engage the consumer • Adopt customer-centric approaches to better serve customers and encourage usage • Broaden distribution approaches and consider new innovative distribution partners, such as digital platforms, to reach more customers • Leverage alternative payments and identify options to include more • Build trust with the market

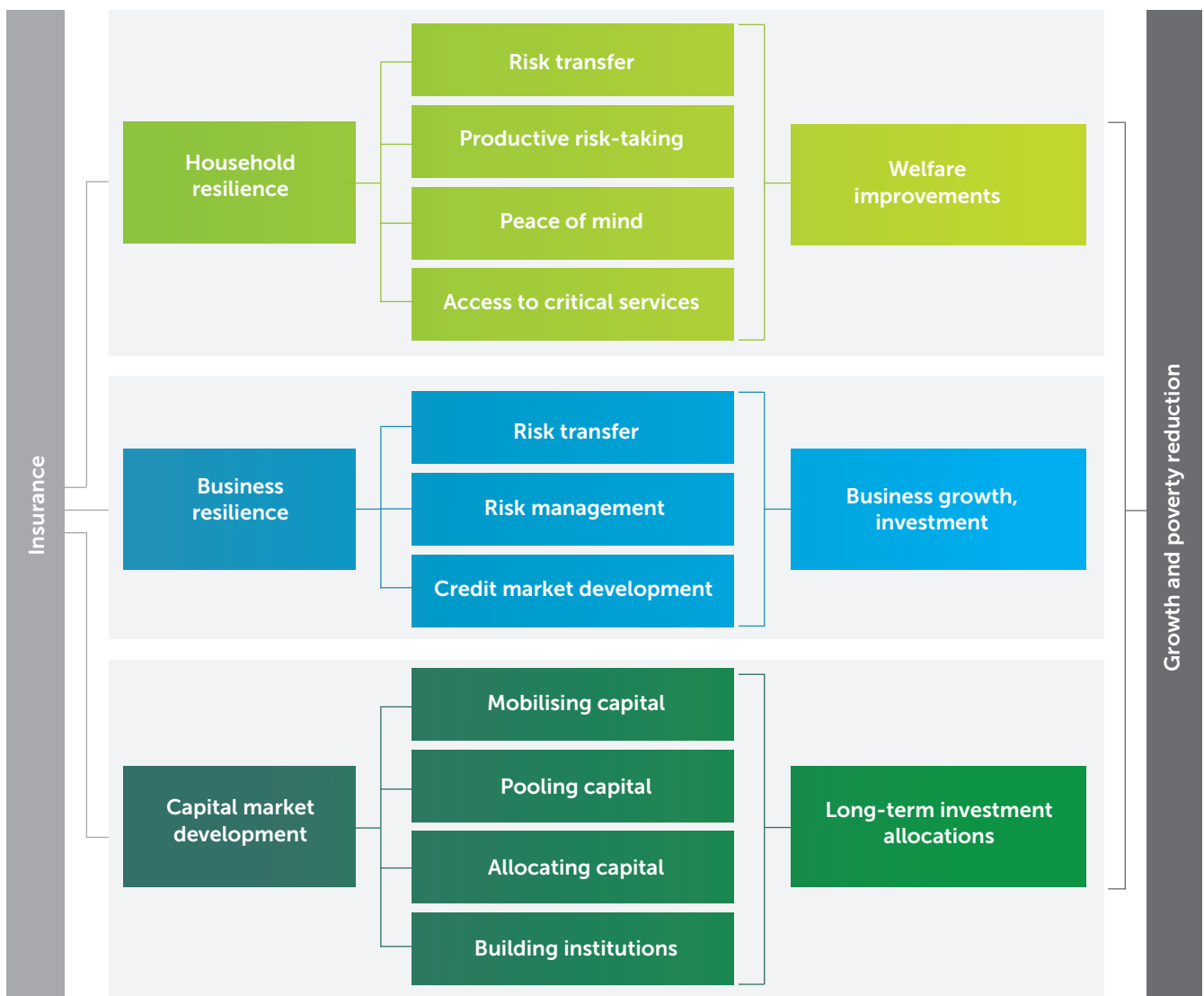
Imperative	What will success look like?	Potential actions and roles
<p>Reengineer compulsion to drive better societal outcomes</p>	<p>Compulsory products deliver on their policy and societal objectives, thereby providing value to consumers and improving the perception of insurance.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> Assess underlying policy objectives for compulsory products, determine whether they are meeting such objectives and, in collaboration with regulators, reengineer compulsory products that are not <p>Regulators:</p> <ul style="list-style-type: none"> Monitor and hold the market accountable to policy objectives for compulsory products <p>Development partners:</p> <ul style="list-style-type: none"> Support policymakers and regulators to develop indicators to monitor the impact of compulsion against the policy and societal objectives of compulsory products Work with regulators and policymakers to develop and implement technology and national databases, such the motor vehicle registration database, to help with compliance and reduction of fraud
<p>Unlock risk transfer and management for enterprises development</p>	<p>Enterprises, both large corporates and SMEs, have access to appropriate risk transfer, management and mitigation solutions, which will improve their resilience and productivity.</p> <p>Localisation policies serve policy and economic growth objectives.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> Identify key sectors that require better risk management and create engagement structures to bring together key stakeholders to manage the risk, including insurers Develop an SME strategy including risk management and insurance Evaluate localisation policies to determine whether they are meeting policy and economic growth objectives <p>Regulators:</p> <ul style="list-style-type: none"> Monitor SME level data to better understand risks and needs in innovation engagements with industry (where relevant in coordination with policymaker) Identify and remove and regulatory barriers to SME insurance, including e.g. bancassurance restrictions <p>Development partners:</p> <ul style="list-style-type: none"> Support insurers to build technical underwriting skills and business models that enable them to become risk managers for business Support provider innovation targeted at serving SMEs, including brokering relevant partnerships between SME aggregators and insurers Determine strategic value chains within priority sectors and map the risks faced throughout the value chain to unpack specialised needs and build the business case to serve such group <p>Industry:</p> <ul style="list-style-type: none"> Expand product options for SMEs by understanding their needs and by partnering with key aggregators, such as digital platforms, value chains, MFIs, cooperatives and professional bodies
<p>Invest insurance assets for development</p>	<p>Suitable long-term investment instruments are available and used by insurers.</p> <p>Insurers have longer-term liabilities, facilitating greater investment in long-term instruments.</p> <p>The insurance sector allocates this capital to productive opportunities, and indirectly helps to grow capital market institutions, governance and professionalism</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> Build longer-term insurance liabilities by incentivising long-term savings Develop capital market strategies that allow new long-term investment instruments to be developed <p>Policymakers and regulators:</p> <ul style="list-style-type: none"> Ensure sufficiently risk-sensitive capital rules to incentivise efficient allocation of capital Harmonise insurance-pension linkages through improved coordination between pensions and insurance regulators <p>Development partners:</p> <ul style="list-style-type: none"> Support the development of more domestic long-term investment vehicles such as REITs or infrastructure funds Support capital market development strategies to increase the investment options and deepen capacity <p>Industry:</p> <ul style="list-style-type: none"> Innovate to grow long-term insurance assets Collaborate with capital market providers to develop long-term investment instruments to allow the diversification and more productive investment of assets Develop pooled products for pension funds Outsource asset management to specialists or invest in pooled products to better leverage limited scale and investment skills

1 | Introduction

Insurance matters for economic development and growth. There is growing empirical literature that confirms that countries are much more likely to experience sustained growth if their insurance markets develop well, and that the insurance function – risk management as well as intermediation – plays a critical role in supporting and sustaining inclusive growth (USAID, 2006; literature review in Lester, 2014). The consensus is that insurance market development is a strong predictor of economic development across countries at different stages of development (Webb, 2012)⁷.

Multiple pathways to impact. The literature suggests that the impact of the insurance market on inclusive and sustainable growth occurs via at least three different pathways or transmission mechanisms, as illustrated in Figure 1.

Figure 1: Insurance-for-growth transmission mechanisms



Source: Adapted from Chamberlain, Coetzee and Camargo (2017)

⁷ As quoted in the FSD Africa publication "Funding the Frontier" (Chamberlain, Camargo & Coetzee, 2017).

Improve individual and household resilience. In the first instance, insurance can contribute directly to individual welfare by providing a mechanism for households to build resilience in the face of financial shocks and by ensuring peace of mind even if no risk events occur. It enables households to take productive risks to invest and grow their incomes. Insurance also plays an important facilitating role by enabling households to access other services such as credit, health and education.

Build business resilience and productivity. Secondly, insurance supports business development in at least three ways: (i) by transferring business risks, thereby reducing uncertainty and smoothing income; (ii) by enabling or enforcing risk management strategies to prevent or reduce risk incidence; and (iii) by facilitating access to credit by reducing borrower risk and helping to price risk⁸.

Developing the demand and supply of capital. Via their role as institutional investors, insurers can also play an important role in developing the demand and supply of capital to promote investment and infrastructure development, thereby supporting growth objectives. The term “capital market development” as applied in this document is therefore a broader conception of capital markets than just capital market institutions and exchanges⁹. This impact comes about through the mobilisation, pooling and allocation of capital collected through premiums, as well as by helping to grow the professional investment industry, thereby contributing to the development of capital market institutions¹⁰.

Beyond these three pathways, which form the primary focus for the study, insurance has an important role to play in the overarching topic of societal resilience to major risks – most notably climate related risks, but also sovereign risks from societal unrest or political instability. The growing incidence of climate-related risks such as natural disasters, as well as other sovereign risks, demands rethinking societal risk management and risk transfer to build resilient cities and rural communities¹¹. The local and global insurance industries are important stakeholders in this debate, as the burden otherwise falls on governments, the donor community and, ultimately, households themselves, with severe welfare implications¹².

Insurance market development interplay

The ability of the insurance market to contribute towards economic growth varies depending on the insurance market’s own stage of development:

Insurance growth follows economic growth trajectory. Insurance market development follows a unique path in every country. Typically, however, four stages of insurance market development are observed. In the first stage, insurance markets are dominated by corporate-asset insurance. In the second stage, the retail market starts to emerge, but is still largely based on compulsory insurance and is serving formal employee groups. The third stage sees the expansion of the voluntary retail insurance market and the emergence of longer-term insurance contracts as the popularity of life insurance and contractual savings increases. Finally, stage four sees the development of a

⁸ See Chamberlain, Camargo and Coetzee (2017) for a full discussion of each role.

⁹ Capital markets are often used strictly to refer to exchanges. However, the capital market is used in this report to refer to the demand and supply of capital, consistent with Chamberlain et al. (2017).

¹⁰ The insurance sector can mobilise capital through premium collection and pensions, as well as by enabling business investment as discussed. Insurers are able to pool savings from numerous small investors and, in the process, accumulate significant investable funds. Larger funds are more efficient to manage and invest and they allow greater diversification of investments. Insurers can allocate capital more effectively to productive opportunities than individual investors by investing over longer time-horizons, building professional skills and data to manage assets and identify opportunities for investment, by transacting at scale with greater efficiency and by reducing the unproductive contingency capital investors need to hold as a precautionary measure for potential risks.

¹¹ UNEP- PSI, for example, aims to better understand, prevent and reduce environmental, social and governance risks and better manage opportunities to provide quality and reliable risk protection.

¹² An in-depth exploration of these topics falls outside of the scope of the current study, but the study has identified major sovereign and societal risks as important future diagnostic topics.

diversified retail insurance market across income segments, distributed through group and individual sales, with an increasing contribution by voluntary sales and the emergence of niche insurance products¹³.

As markets progress across the stages, the investment portfolios of insurers become more sophisticated and diversified: from an initial emphasis largely on short-term government securities and bank deposits, to substantial allocations to real estate, to competitive allocations across equity, corporate bonds and longer duration government bonds.

Two-way relationship between insurance and economic development. Each insurance market stage is roughly correlated with economic development, with countries at lower levels of gross domestic product (GDP) per capita typically being in an earlier stage of development¹⁴. Therefore, the growth and development of the insurance market, to a large extent, depends on the development of the economy, while a growing insurance market in turn supports economic development, thereby creating a virtuous cycle.

A case study view. How does the interplay between economic growth and insurance market development manifest in practice? This synthesis note explores the actual role of insurance in contributing to sustainable and inclusive growth across four case study countries.

Diverse economic and insurance contexts. Table 2 provides a snapshot of key socio-economic and insurance market indicators across the four case study countries. At a glance, the countries differ significantly by population sizes, level of economic development as gauged through GDP per capita, as well as the size and performance of the insurance sector.

Table 2: Insurance market context in the case study countries

Theme	Indicator	Ghana	Nigeria	Kenya	Rwanda
Socio-economic context					
Demographic	Population (millions)	29	189	50	12
	Urban population (%)	55	50	27	17
Macroeconomy	GDP per capita (USD)	1,641	1,994	1,508	748
	GDP growth rate (%) – 2017	9	0.8	4.9	6.1
	Inflation (%) – 2017	12	16	6	7.2
Political economy	Government debt (% of GDP)	72	16.1	56	40.2
	Mo Ibrahim Index of African Governance (index out of 100)	65 Rank: 8/54	48 Rank: 35/54	59 Rank: 13/54	64 Rank: 9/54
Financial inclusion	Access to accounts (%)	58	40	82	50
	Mobile money account (%)	39	6	73	31
	Smartphone ownership (% adults in Q1/2019)	36	41	45	27
	Number of MNOs (2018)	9	9	4	3

¹³ These stages are not universal, but rather form a heuristic of common identifiable characteristics that is a useful frame of reference. Not all countries will neatly fit into a single stage. The stages are based on the work of Lester (2014) and USAID (2016) as analysed in Chamberlain, Camargo and Coetzee (2017), who also provide a detailed discussion on drivers of insurance market development.

¹⁴ Note, again, that this is a heuristic framework and that there will be outliers. Not all developed markets will necessarily have high insurance penetration.

Theme	Indicator		Ghana	Nigeria	Kenya	Rwanda
Insurance market context						
Size	Penetration (GWP % GDP)		1.14	0.3	2.6	1.6
	GWP (USD, billions)		0.5	1	2	0.14
	Insurers' asset base (USD, billions)		1	3.2	5.1	0.46
	Size of life industry (% of total market premiums)		45	32	40	18*
Value	Claims ratio (%)	Life	n/a	451	n/a	69*
		Non-life	39	30	63	64*
Competition	HHI	Life	1,750	1,173	1,113	3,624*
		Non-life	819	464	523	1,410* 2,037**
Performance	Combined ratio (%)	Life	n/a ¹⁵	112	n/a	108*
		Non-life	n/a	125	102	114*

*Includes only private insurers; **Includes private and public insurers

Sources: Ghana: NIC Annual Report (2016); Nigeria: NIA digest (2016); Kenya & Rwanda: WB Draft Reports (2018); World Bank, Global Findex Data (2017); Ibrahim Index of African Governance (IIAG) online; IMF Regional Economic Outlook: Sub-Saharan Africa (2017); World Bank data; CEIC Data: Nigeria; Central Bank of Kenya Statistics; Trading Economics: Rwanda; GSMA, The Mobile Economy Sub-Saharan Africa (2017); PwC: African Insurance Industry: African Insurance Industry Poised for Growth; Swiss Re Institute. sigma No 3/2018

Low market development in global context. The four study countries lag behind global levels of insurance market development. Kenya has the highest level of penetration amongst the study countries at 2.6%, followed by Rwanda at an estimated 1.6%, Ghana at 1.1% and Nigeria at only 0.3% of GDP. This compares to a global average of 6.1% (Swiss Re, 2018). Kenya also has the largest life insurance market, followed by Ghana. In both these markets, life insurance premiums comprise more than 40% of total premiums, while for Nigeria and Rwanda this figure drops to 32% and 18%, respectively. According to the stages of insurance market development framework outlined previously, these figures suggest that Nigeria and Rwanda are located in stage two, Ghana can be found in early stage three and Kenya is considered a more mature stage three insurance market¹⁶.

Correlated to low general economic development. The stages of insurance market development are largely correlated with economic development. Ghana, Rwanda and Kenya reported recent economic growth rates that exceeded the SSA average growth rate, while Nigeria's growth rate lagged behind. Kenya and Ghana's higher GDP per capita estimates, as well as their higher percentages of life insurance business, are consistent with their economic performance and stage three placement, while Rwanda's relatively lower GDP per capita is characteristic of its stage of development. Nigeria has a higher GDP per capita than the other countries in Stage 2 and Stage 3, yet it meets all the other criteria for Stage 2¹⁷.

¹⁵ Combined ratios are not reported on in the NIC's Annual Report. Therefore, figure for the life industry which is the expense ratio only is 65 percent and for the non-life industry's expense ratio only it stands at 133 percent. The expense ratio = management expenses + commissions whereas the combined ratio = management expenses + commissions + claims.

¹⁶ Locating a country's insurance sector along the continuum of insurance market development helps to provide clarity on stage-appropriate policy interventions that will enable it to progress to the next stage of development and unlock better returns for both risk mitigation and intermediation.

¹⁷ Notably, the Nigeria study shows that the economic recovery – characterised by a return to positive GDP and current account surplus in 2017 – has failed to translate into improved levels of GDP per capita, which have remained on a downward trend since 2014.

Structure

This document is structured as follows:

Section 2 takes a closer look at how insurance is currently contributing to economic development across the four countries, by considering examples of success, as well as what the remaining challenges are.

Section 3 identifies and explores six imperatives to unlock the role of insurance in development:

- 3.1** Ensuring visible and proactive policy leadership to unlock change
- 3.2** Supervising risks rather than rules to raise standards
- 3.3** Drive innovation to strengthen resilience
- 3.4** Re-engineering compulsion to deliver societal outcomes
- 3.5** Unlocking risk transfer and management for enterprise development
- 3.6** Investing insurance assets for development

Section 4 draws conclusions from the synthesis findings.

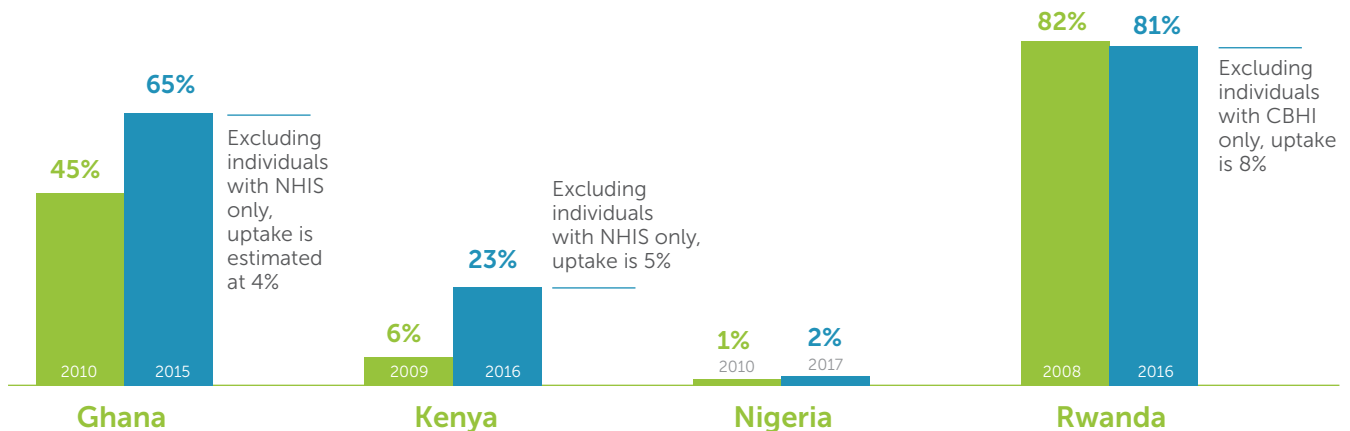
2 | How is insurance contributing to development?

As is clear from Table 2, the four case study countries¹⁸ each have a unique socio-economic, macroeconomic, political economy and insurance market development context. What can we learn from the workings of their insurance markets about the scope and challenges for leveraging insurance as an economic development tool?

2.1. What is working?

Expanding reach on the back of social health insurance. Figure 2, below, illustrates that insurance take-up has increased considerably over the last eight years in three of the four countries, albeit off a very low base, with 22.4 million adults currently being served across the four countries. Government-provided national health insurance schemes¹⁹ are a strong driver of this usage. Initiatives promoting and extending the coverage of public health insurance schemes are also having a knock-on effect of increasing insurance awareness more broadly, not just in health insurance. The estimated number of individuals covered only by public health insurance is 18.3 million adults²⁰, or 82% of all the insured, which means that only around 4.1 million²¹ adults are covered by other types of insurance (FII, 2015; FinAccess, 2016; EFINA, 2017; FinScope, 2016; FinScope, 2010).

Figure 2: Take-up of insurance, including government-provided health



Sources: FII (2015); FinAccess (2016); EFINA (2017); FinScope (2016)

¹⁸ Ghana diagnostic: https://cenfri.org/wp-content/uploads/2019/02/The-role-of-insurance-in-inclusive-growth_-Ghana-diagnostic.pdf

Nigeria diagnostic: https://cenfri.org/wp-content/uploads/2019/02/The-role-of-insurance-in-inclusive-growth_-Nigeria-diagnostic.pdf

Kenya diagnostic: forthcoming

Rwanda diagnostic: forthcoming

¹⁹ Rwanda is progressing to Universal Health Coverage through the decentralised Community-Based Health Insurance (CBHI) model, which provides basic health coverage to the majority of the population. Ghana introduced the National Health Insurance Scheme in 2003, which is a universal scheme that aims to provide equitable health access and financial coverage for basic health services. Kenya has the National Hospital Insurance Fund (NHIF), which was established in 1966. It is government led and membership is compulsory for those in the formal sector and voluntary for those in the informal sector.

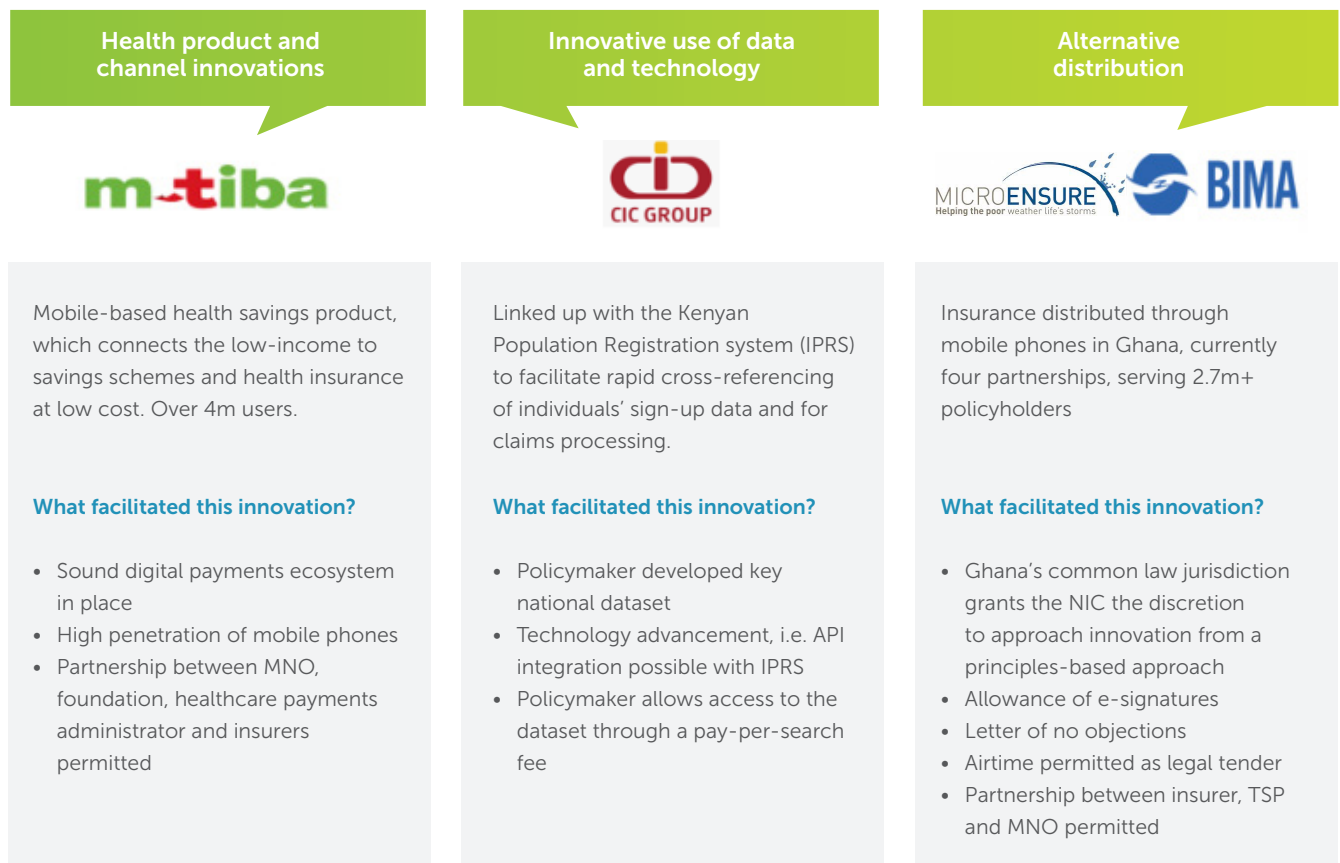
²⁰ FII (2015) data, which was used for the insurance figures for Ghana, does not disaggregate national health insurance scheme products provided by the government from other health products. Therefore, the estimate was done by drawing on the older 2010 FinScope data for Ghana, which does disaggregate health products. In 2010, 90% of those insured were covered only by the NHIS. Therefore, to calculate the number of adults covered by NHIS in Ghana 2015, we took 90% of the total number of people insured. As this is an imperfect solution, this is simply an estimate to illustrate the sheer magnitude of those covered by government provided health insurance.

²¹ The 4.1 million adults covered by insurance excluding those who are only covered by government-provided health insurance represents demand-side figures. Recent innovations that we discuss throughout this note report on supply-side figures and differ greatly from the demand-side figures. For example, BIMA and M-tiba together have 5.5 million subscribers. The difference in insurance uptake figures from demand-side and supply-side data suggest that either individuals may not be aware that they have insurance products, that individuals have multiple policies, or that recent innovations have significantly increased insurance uptake over the past three years.

Pockets of retail market innovation. Though retail market innovation is still nascent in all four of the study countries, promising innovations are emerging in specific product types, distribution channels and in the use of technology and data:

- **Health product and channel innovations.** Health innovation has been a significant driver of insurance uptake across the countries. For example, BIMA in Ghana, which distributes health, hospital and death plans through mobile phones, covers over 1.5 million individuals. M-tiba in Kenya, a mobile-based health savings product that incorporates health insurance at low cost, has over four million subscribers.
- **Alternative distribution.** Alternative distribution channels, such as mobile insurance (m-insurance) and bancassurance have unlocked scale in some instances. For example, in Ghana in 2015, there were an estimated 2.7 million policyholders with m-insurance, and 60% of all microinsurance products were distributed through mobile channels (NIC & GIZ, 2015). In 2016, bancassurance accounted for 15%, 17% and 16% of all gross-written premiums (GWP) in Kenya, Nigeria and Ghana respectively (EY, 2016). However, not all attempts at innovation have been successful. Innovations in mobile insurance in Kenya lag in the use of mobile distribution in other financial services despite the proliferation of mobile money. In Rwanda, the initial mobile insurance experience was disappointing, leading to a complete redesign. These examples highlight the importance of ongoing testing and learning.
- **Use of technology and data.** Insurers across the four countries are increasingly migrating from paper-based legacy systems to digital processing. With that, the use of data is gaining momentum. For example, CIC Insurance in Kenya is using the national Kenyan Population Registration System (IPRS) to facilitate rapid cross-referencing of individuals' sign-up data and for claims processing.

Figure 3: Examples of innovation



Source: Author's own

Enterprise insurance offerings effective for large, simple risks. In all four countries, insurance markets have contributed to the development of large, local corporate enterprises, with insurers tending to focus on large commercial contracts. The largest drivers of premiums are property, fire and theft insurance, which account for approximately 10% to 20% of premiums, respectively. These products are largely distributed through corporate brokers.

Increasing linkages between pensions and insurance could support capital market development function. In all four of the study countries, insurers – as institutional investors – currently play a limited role in capital market development, and insurance assets are characterised by large allocations in short term investments²². Nevertheless, there are signs of increasing linkages between the insurance and pensions markets that could strengthen the intermediation function in the medium-term. These increasing linkages were observed in Ghana and Nigeria. The asset base of the pensions market is substantively larger than that of the insurance market and the pensions sector fulfils a significant role in intermediating long-term savings for investments. There is thus scope for the intermediation function of insurance to grow via the intersect between the insurance and pensions market. The Ghana and Nigeria studies identify scope for growing linkages between the insurance and pension markets via the growth of the insurance annuities market, but this is not flagged in the studies as a growth area in Kenya or Rwanda. The broader asset management functions fulfilled by insurance groups present another intersect between the two markets. The role of insurance companies in pension asset management varies across the four countries. In Rwanda, for example, coordination across the insurance and pension regulators supports the role of insurance companies to manage pension fund assets, thereby contributing to the growth of the pensions sector, whereas in Nigeria there is complete ringfencing of insurance assets.

2.2. What is not working?

Despite the instances quoted in 2.1 where insurance already supports household resilience and enterprise development, the overarching picture from the four study countries is of insurance markets facing structural constraints which, in turn, inhibit the role of insurance in development in household resilience, business resilience and capital market development.

Traditional business models not geared for innovation. On the whole, there has been limited innovation in addressing the risk needs of consumers and enterprises. The industry consultations across the four countries revealed that shareholders and executives for the most part remain focused on short-term returns generated from corporate and high net-worth individual clients. Business models also remain skewed towards compulsory lines with problematic financial performance for insurers. For example, motor insurance accounts for between 22-48% of non-life premiums across the countries (NIC, 2016; NIA, 2016; IRA, 2017; BNR, 2017). The focus on compulsory lines distort the development of markets and has implications on the long-term sustainability of insurers²³.

Gaps in data and skills. Consumer data is not systematically used to inform or inspire product or channel innovation, reported financial data is sometimes unreliable and limited insurance skills, especially underwriting skills, were identified as a major constraint in all the studies. All of this makes it challenging for insurers to take a longer-term view where innovation is prioritised.

High-cost structures. Limited insurance skills, underutilised consumer data, outdated systems, top-heavy management structures and inefficiencies lead to high, unsustainable cost structures for many insurers in the study countries. Figure 4 shows that 33% of insurers across the four

²² For example, the insurance studies found that almost 50% of insurance assets in Ghana are allocated to cash and deposits followed by Rwanda (38% of total assets), Nigeria (22%), and Kenya (10%), respectively.

²³ Government-provided health insurance products (which in some countries, are compulsory) were not included in the analysis as we limited it to insurance products which are regulated under the Ministry of Finance.

countries have an expense ratio of 80% or above (NIC, 2016; NIA, 2016; IRA, 2017; BNR, 2017). High costs inhibit insurers' ability to pay claims and innovate, which reduces client value and can, ultimately, undermine trust in the insurance sector.

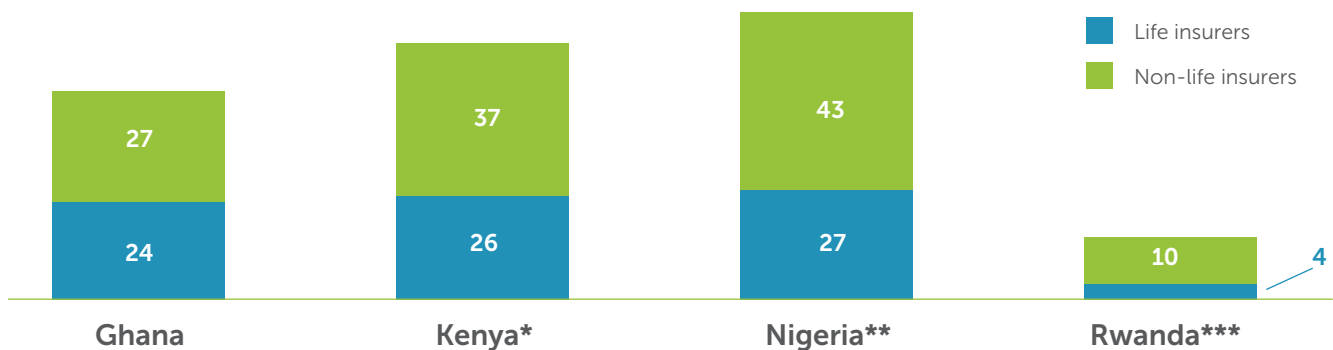
Figure 4: Insurer expense ratios

	Expense ratio >60%	Expense ratio >70%	Expense ratio >80%
Ghana	33 • 75%	29 • 66%	19 • 43%
Nigeria	43 • 63%	35 • 41%	27 • 40%
Kenya	25 • 40%	21 • 33%	19 • 30%
Rwanda	6 • 43%	4 • 29%	3 • 21%
Total # of insurers	107 • 52%	89 • 43%	68 • 33%

Source: NIC (2016); NIA (2016); IRA (2017); BNR (2017)

Large number of insurers competing for the same market. Figure 5 shows that the insurance markets in all four countries are fragmented²⁴ with many small insurers competing on price for a share of compulsory lines. This unhealthy competition results in undercutting that often reaches irrational levels and, together with the limited scale of insurers, constrains revenue streams.

Figure 5: Number of insurers



*11 of which are composites, **13 of which are composites, ***only private insurers

Source: Author's own

Consumer market remains largely untapped. Fifty-one percent (51%) of the adult population across the study countries (i.e. 70 million adults) reported having faced at least one insurable risk within the last year. As discussed, only 4.1 million are estimated to have insurance beyond state-provided health insurance. In all the countries, insurers tend to focus on serving salaried employees and the top-end of individual retail market, apart from some mobile insurance and

²⁴ The Herfindahl-Hirschman Index (HHI) is a commonly accepted measure of market concentration and fragmentation. In the forthcoming paper Does fragmentation and reliance on compulsion hinder innovation, growth and development? author Craig Thorburn finds that faster growth and development in the insurance sector is significantly and positively correlated with less fragmentation. The natural level for HHI for the life industry is 2,500 and 1,100 for the non-life industry. HHIs above these indicate that the industry is not competitive and HHIs below this indicate that the industry is competitive and fragmented. Table 1 illustrates that the HHI for both the life and non-life industry in Rwanda is above the natural level, indicating that the industry is not competitive. Table 1 also illustrates that the HHI for life and non-life for Kenya, Nigeria and Ghana are below the natural level, indicating that they are competitive and fragmented.

limited other alternative distribution ventures. This leaves many who face risks, and even those who are within easy reach of insurance, uncovered. Across the four countries, 5.3 million²⁵ adults have a bank account, a mobile phone, are formally employed and earn the equivalent of USD5 a day or more. However, only 2.1 million individuals within this target market are covered by insurance. This illustrates that there are 3.2 million individuals who should be relatively easy to reach in terms of affordability and pre-existing distribution touch points, yet remain unserved (FinScope, 2010; 2016; FII, 2015; FinAccess, 2016; EFINA, 2017).

Welfare implications. Of the individuals in the study countries who faced a risk within the last year, less than 1% claimed from insurance. In contrast, 23% used savings to cope, 18% borrowed from friends and family, 15% did nothing, 11% reduced expenses and 8% sold assets (FinScope, 2010; 2016; EFINA, 2017; FinAccess, 2016). While these coping strategies may be appropriate for small, frequent risks, insurance is a more appropriate mechanism for larger, less frequent risks. Savings are generally not able to fully cover the financial impact of larger risks and depleting savings undermines productive investments and welfare-building. Moreover, doing nothing, reducing expenses or selling assets can be welfare-reducing strategies.

Most SME insurance needs unmet. Although the country case studies identified several SME-focused insurance products (see Box 1), most available products are best described as scaled-down corporate products that do not necessarily account for the nuanced needs of SMEs. On the whole, the number of small enterprises served is very small when the actual number of these entities is very material to the economies of the countries. Insurers face several challenges in serving the small business market: the sales and claims processes for small business insurance are reportedly difficult and expensive and probably need a total rethink, it is difficult to reach small, unnetworked businesses, pointing to distribution challenges, and there is often a mismatch between what small businesses need and their actual demand for insurance products²⁶.

Box 1: Examples of SME insurance offerings in the study countries

In Kenya, there are a few insurance companies that provide cover targeting SMEs. Products such as Britam Biashara²⁷, CIC's Biashara Salama²⁸, UAP Old Mutual's BiasharaSure²⁹ and ICEA Lion's BizBora³⁰ are stand-alone bundled products that are packaged and marketed to SMEs. They typically include general insurance cover (e.g. fire and peril, theft, all risks and goods in transit) and oftentimes have life benefits (e.g. credit life, disability and funeral expenses) but have not been specifically tailored for SME needs.

In Ghana, a scan of market products identified several that are SME-related³¹. Safe Shop Comprehensive Policy is an insurance product provided by Vanguard Insurance targeted at shop owners across the country. In addition to providing cover for theft and shop owners' liability, the comprehensive insurance offering covers fire and perils such as flood and earthquakes. Enterprise Insurance offers a credit-linked insurance product through MicroEnsure, which provides business cover (for property damage by fire and allied perils) and life cover (credit life for the borrower, permanent disability, hospitalisation, life insurance for spouse and children)³².

²⁵ FII (2015) data which was used for the insurance figures for Ghana does not include an income variable. Therefore, the estimate was done by drawing on the older 2010 FinScope data for Ghana, which does include an income variable. In 2010, 35% of the adult population had a bank account, mobile phone, were formally employed, made USD5 a day or more and was covered by an insurance product(s) excluding NHIS. Therefore, to calculate the number of adults in this target market who are covered by insurance, we took 35% of the total number of adults covered by insurance beyond NHIS in 2015 (which is also an estimate). As this is an imperfect solution, this is simply an estimate to illustrate the sheer magnitude of those who are within reach of insurance yet remain uncovered.

²⁶ It is notable that these same challenges were faced and solutions found to some extent at least in terms of household level "microinsurance" where smaller versions of more conventional insurance products were also found to be inappropriate.

²⁷ BRITAM: www.britam.com/web/kenya/general-insurance/individual/britam-biashara

²⁸ CIC: <https://cic.co.ke/product/cic-biashara-salama/>

²⁹ UAP Old Mutual: https://www.uapoldmutual.com/component/uom_products/productitem/biasharasure

³⁰ ICEA: www.icealion.com/product/business-insurance-bizbora

³¹ Vanguard: <https://www.vanguardassurance.com/products/sproducts.php>

³² Enterprise/MicroEnsure: <https://microensure.com/oisl-enterprise-group-deliver-insurance-microensure/>

Limited role in enterprise risk management. Corporate enterprises are better served than SMEs as smaller businesses are not key target markets for most insurers across the study countries. While insurance does play a role in risk transfer for corporates, insurers do not yet serve as proactive risk managers in real-economy value chains³³. The business case for holistic enterprise risk management is undermined by a lack of access to essential information. Insurers lack the necessary data and information to assess the risk exposures of enterprises and the impact that may materialise, and business models are not tailored to individual corporate clients' risk needs. Underwriting skills are also limited which constrains insurers' capacity to help their clients proactively manage their risks.

Limited local capacity to serve large risks. Large commercial risks are mostly covered via global reinsurance markets rather than domestically. The Ghana, Nigeria, and Kenya studies show that a large share of non-life risks is transferred offshore³⁴ despite localisation requirements as discussed below. This can be ascribed to a lack of local capacity to cover large, complex, risks including disaster risks. With changing climate patterns, these hazards are likely to become more complex to manage and require more capacity and deeper collaboration to share skills and data.

Localisation requirements introduces inefficiencies – capacity building key. In Ghana and Nigeria, local content requirements have been instituted to develop local insurance markets. Any consideration of offshore risk placement requires approval from the insurance regulator, which evaluates whether local capacity has been exhausted³⁵. Applications for offshoring, and the formation of insurance risk pools to ensure that local capacity is collectively exhausted introduce inefficiencies to the market and may keep otherwise unsustainable businesses afloat. In Ghana, interviews indicated that only around 20% of applications to offshore risk are accepted. In Nigeria, anecdotal evidence from stakeholders highlighted challenges in the effective working of local risk pools. In the case of Kenya, domestic reinsurance companies raised concerns about the localisation policies of neighbouring countries like Tanzania limiting their ability to bring regional risk exposures onshore. Such inefficiencies can only be justified over the short term to build domestic capacity in underwriting. If this is not achieved, localisation may grow the insurance sector without contributing to economic development, or potentially at the cost of economic development.

Constraints in allocation of capital towards productive opportunities and infrastructure. Insurance companies in the study countries play a limited role in capital market development. The combined size of insurance assets across all four was less than USD10 billion in 2016, which is smaller than the total assets owned by the South African insurance sector³⁶. Insurance assets range from 0.77% to 7.7% of GDP. The scale of insurance market investable funds is not yet substantial for long-term investment allocations. Moreover, insurers hold limited liabilities that require long term assets and suitable investment instruments where attractive risk-return profiles are limited. Despite these constraints a more significant role could be played if appropriate investment instruments are developed.

³³ Real-economy value chains can be defined broadly as "socioeconomic systems that include all enterprises cooperating to serve a particular market" (Springer-Heize, 2018). They consist of a series of stages that span all the way from the inputs required to create a specific product to the final sale of that product to consumers. The term also refers to the totality of the actors involved (GIZ, 2015).

³⁴ In Ghana, the diagnostic findings show that 65% of total non-life premiums are reinsured offshore, in Nigeria 81%, and in Kenya 47%.

³⁵ In Ghana, local market capacity is set on an annual basis as an absolute amount required across different classes of business. For example, local capacity for fire insurance is GHS100 million (or USD256 million), while local capacity for marine insurance (cargo) is GHS 180 million (or USD46 million). In Nigeria, local content regulations outline prescribed minimum levels (in percentage of total spend) that enterprises operating domestically are expected to spend on particular classes of insurance. For example, oil-and-gas operators are to spend on life insurance services (100% of total spend), non-life insurance (70%) and marine insurance (40%).

³⁶ In 2016, the South African insurance industry owned USD12 billion in assets and administered USD210 billion.

3 | What is needed to unlock the role of insurance in development?

The study-country experience as outlined in Section 2 shows that there is a clear mismatch between the role of the insurance market in economic development in principle and in practice. Drawing on these experiences, this section identifies six imperatives, which are described in turn, for realising the potential of the insurance market in driving economic development:



Realising these imperatives requires a joint effort across many stakeholders, including policymakers, regulators, development partners and the insurance industry. The policymaker plays a particularly relevant role to drive and coordinate the efforts across different stakeholders.

3.1. Ensuring visible and proactive policy leadership to unlock change

Policy direction essential to market development. Ensuring that insurance is leveraged as a tool for economic development requires a competitive and competent insurance sector but also, importantly, a strong policymaker and regulator that provide an enabling environment for development. Policy leadership is essential to unlocking the role of the insurance market in development. This holds at a national level, but also at a regional and global level.

The sample countries demonstrate that policy leadership consists of four core elements:



Visible and proactive policy leadership that will unlock change in the first instance provides a clear vision for change and the policy direction to get there. Effective policy leadership then mandates the regulator to deliver on the policy objectives and coordinates and convenes the right stakeholders to make change happen. Finally, clear policy guidance forms the benchmark for monitoring progress. Implicit across these elements is the role for the policymaker as champion to lead change.

The sub-sections that follow consider how these core elements play out in the sample countries. Further country-specific details can be found in the Appendix. Four essential ingredients applicable to all core elements are identified in the following box:

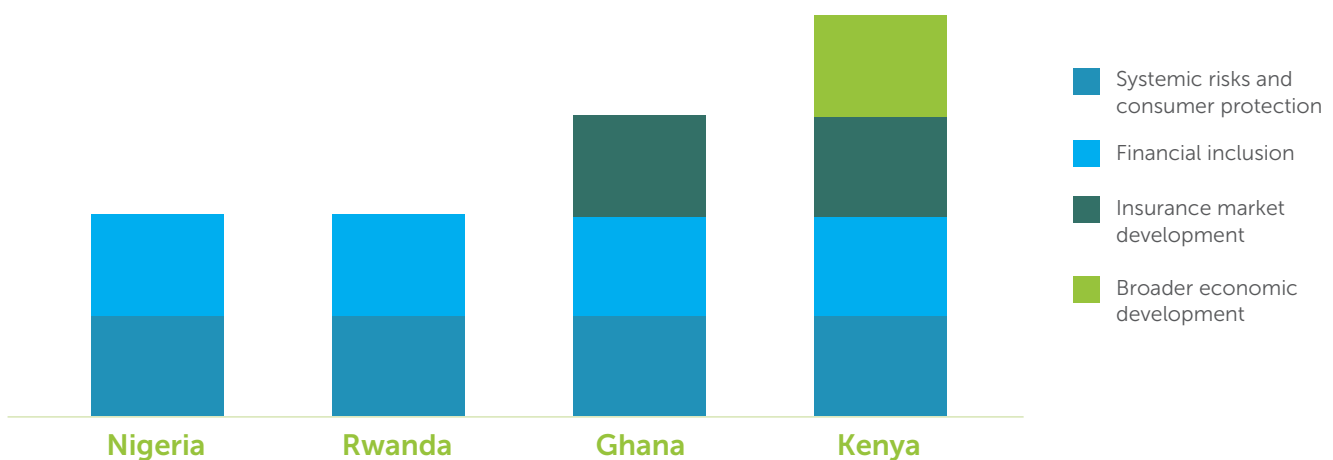
Summary imperatives: visible and proactive policy leadership to unlock change

- Provide policy direction via clearly articulated development objectives
- Capacitate the development policy leader by means of a clear and explicit market development mandate
- Implement coordination mechanisms to ensure a clear understanding of roles between the policymaker and regulator, and between all other official decision makers and regulators
- Set targets for market development and identify key indicators for monitoring and measuring progress

3.1.1. Policy direction

Evolving policy objectives. Policy objectives for insurance have evolved over time from an initial focus on limiting systemic risks and consumer protection, to financial inclusion, then more recently to insurance market development, and now to contributing to broader economic development. This evolution reflects the shift in the global development discourse to recognise firstly the importance of financial inclusion and, more lately, the role of the financial sector in serving the Sustainable Development Goals. As the policy objectives evolve, earlier objectives are not negated but rather built on. Figure 6 depicts the insurance policy objectives stated in insurance legislation across the sample countries.

Figure 6: The Evolution of the Policy Objective for Insurance



Source: Author's own (2019)

Varying levels of policy leadership. A country's policy objectives set the goal posts for achieving impact. Reaching the objectives requires clear leadership from the policymaker. The country diagnostics show that policymaking functions and roles differ across the sample countries. In Kenya, the Ministry of Finance's present and proactive policymaker role has directly contributed to the role the IRA has been playing in insurance market development in Kenya, while consultations for the Ghana diagnostic indicated that the fact that the Ministry of Finance has recently taken on a more proactive role in providing policy direction, also for the insurance sector, and is playing an important role in the impetus for insurance market development. This contrasts to the largely absent role for the Nigerian Ministry of Finance in providing insurance policy leadership and low visibility of a developmental policy role for the Ministry of Finance and Economic Planning in Rwanda.

Policy direction clarifies mandate and facilitates coordination. The case study-country experience suggests that policy direction, in the form of clearly articulated development objectives, a development strategy and a proactive policymaker demonstrating change leadership, is important to ensure that insurance is leveraged as a tool for economic development. This policy direction and mandate then translates into a clear mandate for the regulator, as well as effective coordination across government and industry to advance the objectives. Each is considered in turn in the following sections.

3.1.2. Mandate

Mandate does not always align with objectives. As noted above, one of the roles of a visible and proactive policymaker is to set the mandate of the regulatory authority to act on the policy vision or, where the policymaker holds this mandate directly, to share or delegate it as appropriate. A clear mandate helps to capacitate the regulator and place it in a position to deliver on policy objectives. The case study-country experience shows that, though regulatory authorities often implicitly assume a market development mandate (notably the NIC in Ghana as well as, to some extent NAICOM in Nigeria), policy clarity on mandate may be conducive to the promotion of insurance market development. Kenya is a notable example: the IRA is bestowed with an explicit market development mandate that it has effectively leveraged to support inclusive insurance and broader market development initiatives.

Limited mandate challenges prioritisation of market development. Regulators such as NAICOM and BNR who are without an explicit development mandate will not be held accountable for advancing it, nor will their performance be assessed by the extent of their contribution to market development. More generally, an unclear mandate may lead to a size and potentially compulsion-based metric of success, rather than a developmental perspective on the role of the insurance market.

Mandate limitations play off in regulatory and supervisory actions. Without a clear development mandate, it is difficult for regulators to take into consideration how their actions or inactions could affect the development of the insurance market. For example, delays in product approval, present in some of the case study countries, can undermine or discourage innovation that is vital to developing the market. The absence of a clear mandate also undermines a regulator's authority to engage and coordinate with key stakeholders. Coordination is considered in more detail in the following section.

3.1.3. Coordination

Necessary, but challenging. Besides providing policy direction and clarifying mandates, the policymaker must also take ownership of facilitating coordination. This entails convening and empowering regulators around a topic, as well as making decisions where trade-offs arise. The study-country experience shows that, even where official coordination structures exist, there are challenges in ensuring effective coordination in practice³⁷. Nevertheless, a policy mandate for coordination is a necessary starting point.

Effective coordination can have significant market impact. A prominent example of successful coordination from among the study countries is the negotiations between the Bank of Ghana (BoG) and the NIC about the use of airtime as payment of insurance premiums. Banking regulation did not allow the use of airtime as legal tender, but coordination between the two financial sector regulators paved the way for the Market Conduct (M-Insurance) Rules of 2017 to permit the payment of insurance premiums via airtime deductions. This was quoted in industry consultations as a major determinant of the growth in the mobile-insurance market³⁸.

³⁷ In Rwanda there is no clear coordination structure, while in Ghana coordination happens unofficially via the Financial Sector Regulators' Forum. In Nigeria, the Financial Services Regulation Coordinating Committee (FSRCC) forms a more formal coordination structure, but faces challenges addressing core market development issues that go beyond its mandate, such as the use of airtime as legal tender for mobile insurance purposes. In Kenya, the IRA is a member of the Financial Sector Regulators Forum, but there are again operational challenges to effective coordination beyond a defined set of activities.

³⁸ Collecting premiums through airtime deduction carries higher costs for consumers due to tax charged on airtime. So, while airtime deductions facilitate use in the short-term, it is suboptimal, and it is important to move to mobile money in the long-term due to lower costs for consumers.

Where coordination is ineffective, the converse holds true. For example, in Ghana, the stakeholder consultations suggest that ad hoc engagements in the absence of formal coordination mechanisms have driven inefficiencies in the health space. NIC-licensed insurers that want to offer health insurance also need to obtain a Private Commercial Health Insurance Scheme Licence from the NHIA, which falls under the scope of the Ministry of Health as opposed to the Ministry of Finance. Inadequate communication between the two regulators gave rise to issues surrounding the coordination of licenses and registration.

3.1.4. Monitoring progress

Measuring the contribution of interventions to objectives. The next core policy role is to determine whether the implemented strategic actions and interventions are contributing to the overall policy objectives – so that objectives and interventions can be adjusted accordingly as relevant. This requires an understanding of what is happening in the market.

Evolution of policy objectives requires evolution of indicators. Traditional insurance indicators, especially gross written premiums as a percentage of GDP but also to an extent insurer solvency, return on equity, market concentration, number of licenced insurers, total premium volumes and total asset base of the insurance sector, serve as proxy indicators for the soundness and growth of the insurance market. With the evolution of policy objectives, indicators of progress also need to evolve³⁹.

Focus still largely on traditional indicators. It is apparent from the insurance regulatory authorities' annual reports in the study countries that the measurement focus remains largely on the more traditional indicators that measure insurance market soundness and growth, but do not provide adequate insight into how the market is developing and to how insurance is contributing to broader economic objectives. Although most of the sample countries have progressed to setting policy targets and developing indicators for financial inclusion and microinsurance, they have not begun capturing the contribution of insurance to economic development beyond measuring insurance premiums as percentage of GDP.

Regulatory implications not explicitly tracked. As a result of the focus on traditional indicators, the consequences and effects of new regulatory frameworks (such as bancassurance) or potentially controversial regulatory developments (such as strict local content requirements) are not explicitly being monitored. For example, three of the four sample countries have formalised bancassurance regulations. All of those regulations contain restrictions that either limit the number of insurance and/or bank partnerships, or limit the distribution channel to retail sales, in other words excluding sales to SMEs and corporates. However, none of the countries explicitly measure or acknowledge the potential impact of such restrictions. This suggests a policy imperative to deliberately reconsider the suite of indicators and monitoring framework to inform the prioritisation of interventions for market development.

3.2. Supervising risk rather than rules to raise standards

Section 2.2 showed that cannibalistic competition and the high cost structures exhibited across the study countries inhibit many insurers' ability to make an underwriting profit⁴⁰, pay claims and innovate⁴¹, ultimately reducing client value and eroding trust in the market.

The case study experience suggests an imperative for a gradual move towards RBS to help address the weak business fundamentals seen across the markets. RBS allows regulators to allocate resources to insurers with the greatest risk.

³⁹ For example, the Access to Insurance Initiative recently published a summary of key performance indicators relevant for regulators with an inclusive insurance objective (Chiew & Tatin-Jaleran, 2019).

⁴⁰ For example, in Nigeria the five largest life insurers have a net profit ratio of 21%, the middle tier of insurers has a net profit ratio of 1% and the bottom tier (insurers who have less than 1% market share) have a net profit ratio of -24% (NIA, 2016).

⁴¹ Innovation is constrained by limited capacity to spend, which inhibits their ability to not only pay claims but also reach new segments of the market.

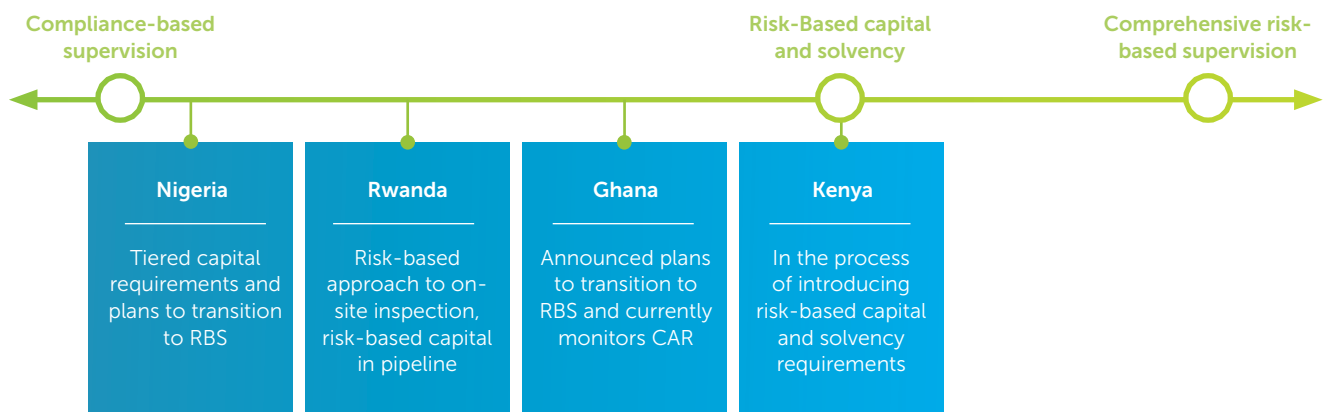
It is also proven to improve professionalism within the regulator and industry. This enhanced level of professionalism helps to resolve irrational competitive behaviour as well as encourage innovation (a2ii, 2015; World Bank, 2009).

Summary imperative: supervising risk rather than rules to raise standards

- Implement gradual steps towards RBS
- Start by entrenching a risk mindset within the market and regulatory authority

Countries are at different stages on the journey to implement risk-based approaches. While each of the four countries announced that they have plans to transition to RBS, they are at different stages of the journey, with most being in the preliminary phase; as illustrated in Figure 7.

Figure 7: Evolution of RBS transitions



Source: Author's own

In the absence of RBS, all the study countries, to some extent, rely on compliance and rules-based approaches to regulation and supervision. Notable effects in the market include:

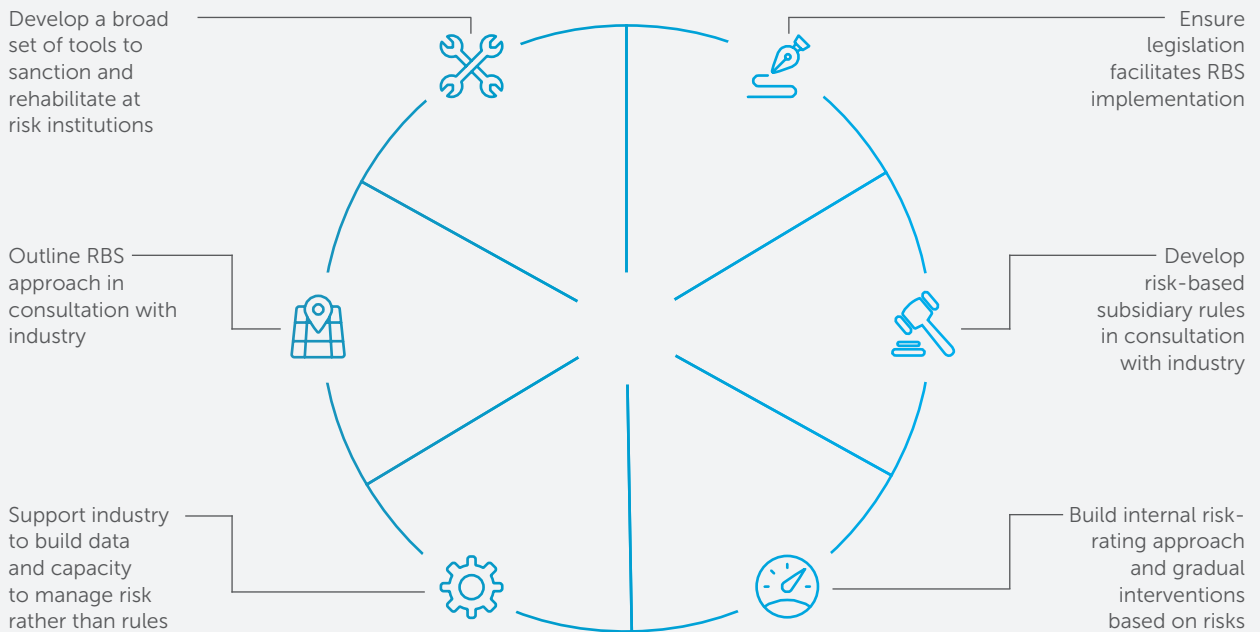
Limited success in raising standards through absolute minimum capital increases. Some countries strive to improve the soundness of the industry through increasing the absolute minimum capital requirement to force mergers or the exit of underperforming insurers. For example, Nigeria has increased capital requirements substantially over time; in 2007 after an increase, the number of insurers reduced from 117 to 49 (AfricaPractice, 2015; Ikuomola, 2018; NAICOM, 2018). However, the Nigeria diagnostic shows that this decrease in number of insurers did not go hand-in-hand with improved expense ratios, net-profit ratios, claims ratios or the introduction of innovative products or partnerships.

Compliance-based supervision does not build a risk-based corporate culture. With compliance-based approaches, regulators have had to enforce and monitor strict and simplistic capital requirements. This has meant that regulators and insurers have not been forced to build their competencies and skill-set in assessing risks or to embed a corporate culture based on an understanding of risk. As capital requirements under compliance-based supervision do not reflect the true risks faced by insurers, by default, some insurers end up holding too much capital for their risk profiles and whereas others hold too little capital. This in turn, combined with a lack of professionalism within the industry, may impact on the level of innovation in the market.

Regulator resources are currently not allocated in the most efficient and economic manner. As the markets are highly fragmented, it is challenging for regulators to supervise such an extensive number of players. Oftentimes, regulators find themselves spending their time and resources helping struggling firms who have not met minimum capital requirements.

RBS-implementation is an ongoing process requiring a shift in mindset. Implementing RBS is not a quick or easy process. In most instances, it takes years to fully implement RBS as supervisors need to fundamentally change the way they think about regulating and supervising the insurance market – from a check-box style rules and compliance-based mindset emphasising the financial situation of insurers, to a supervisory approach built on actively and continually assessing market and individual insurer risks and how insurers are managing such risks, and on implementing corresponding preventive and corrective measures. This change in mindset and systems also needs to be entrenched among market players. RBS is therefore likely to be more successful if it is implemented gradually and in tandem with existing compliance approaches, giving insurers and supervisors the opportunity to build the necessary technical capacity and infrastructure. The steps a regulator takes to transition to RBS, as outlined in Box 2, are context-specific and can be taken in an order that suits the regulator and industry. Only after insurers develop new risk management approaches that are incentivised under RBS, and regulators feel confident in their ability to make sound judgements and have reliable risk rating tools, should supervision become entirely risk-based (World Bank, 2009; A2ii, 2015; Toronto Centre, 2018).

Box 2: Steps in transitioning to RBS



While the way in which RBS is implemented is context specific, there are certain steps that policymakers and regulators should consider when making the transition, which can be taken in an order that makes sense to regulators and industry:

- **Establishing a transitional arrangement and clearly communicating to industry.** As RBS does not happen overnight, it is important that a transitional arrangement is established. The timelines and requirements for the transition should be clearly communicated to ensure certainty in the market.

Box 2: Steps in transitioning to RBS (continued)

- **Ensuring that regulators have the mandate to effectively implement RBS.** Effective RBS implementation requires legislation giving the regulator the powers needed to implement the approach. This includes the power to determine the necessary capital and other prudential rules based on risks and, responsive to the results of the risk assessment, a range of intervention tools that can be used as appropriate to the nature of the situation.
- **Develop risk-based subsidiary rules in consultation with industry.** Regulators need to work with industry to develop appropriate risk-based subsidiary rules to ensure that there is buy-in and appropriate rules in place.
- **Creating an appropriate early warning system (EWS)/risk-rating approach.** EWS and risk-rating models summarise each of the risk and control factors and support the risk assessment that the supervisors make of the supervised entities. These typically consist of inherent risks, management and control risks and capital, and are assessed through onsite inspections and offsite reviews. In order to ensure that everyone is on the same page, it is important for regulators to provide a level of transparency regarding the risk assessment and intervention processes it uses.
- **Develop a broad set of tools to sanction at-risk institutions.** As discussed, it is important that legislation empowers regulators to employ a range of actions according to an insurers' risk as determined by the EWS/risk-rating tool. Regulators need to understand what this "intervention toolkit" consists of, as different types of supervisory action will be required depending on the assessment of the likelihood and potential impact of the issues identified at different insurers. The regulator needs to be transparent with industry about the different types of intervention tools they have at their disposal and when and how they would expect to use them.
- **Ongoing coaching and mentoring for regulatory staff and industry.** Making the transition from rules-based to risk-based assessments is no small task. Initial and ongoing training is essential. Regulators should hold and attend trainings on specific aspects of RBS over an extended period, for both themselves and for insurers.
- **Improved data, reporting and skills.** RBS requires that regulators and market players alike play a more active role in assessing risk, and that insurers engage in proactive risk management. Therefore, effective RBS implementation requires the availability of resources, skills and capacity within the market. RBS also requires trustworthy data and improved and consistent reporting on a number of metrics.

Source: World Bank (2009); A2ii (2015); Toronto Centre (2018)

3.3. Driving innovation to strengthen resilience

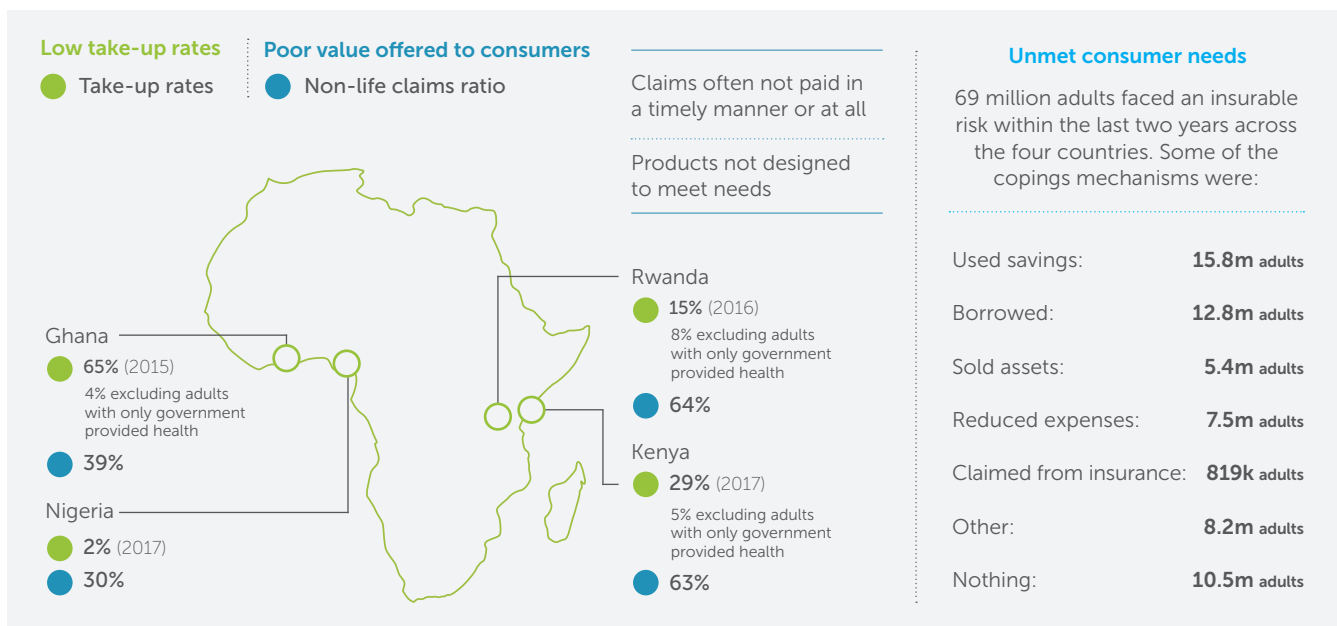
Innovation is critical to make insurance products relevant and valuable to households and businesses alike and achieving new and changed outcomes in terms of market development. As discussed in Section 2 and summarised in Figure 8, excluding national health cover, less than 3% of the adult population in the study countries use insurance (FII, 2015; FinScope, 2010; 2016; EFlNA, 2017; FinAccess, 2016). Thus, most individuals' needs for insurance go unmet – instead, consumers rely on other coping mechanisms when faced with a shock. Moreover, for those who are served, low claims ratios⁴² and poor claim experiences are indicative of poor value. This can be ascribed to a pervasive lack of innovation across the four markets, which is compounded by the prevalence of compulsory products. Enabling comprehensive innovation across the case study countries is therefore essential.

Summary imperative: driving innovation to strengthen resilience

- Leverage context-relevant policy and regulatory tools to remove barriers to innovation
- Facilitate innovative business models through proactively engaging, encouraging and supporting innovation
- Address market structure constraints

⁴² Claims ratios in Ghana and Nigeria are substantially lower than those in Kenya and Rwanda as illustrated by Figure 8, on the next page.

Figure 8: Trends across countries



Source: FII (2015); FinScope (2010; 2016); NIC (2016); NAICOM (2016); AXCO (2017); Stakeholder interviews (2018)

Limited skills and consumer data challenge innovation. Enhanced technical skills, sufficient economic resources to invest in new approaches, and improved management of current and new business are all central to innovation. Insurance-related skills – actuarial⁴³, underwriting, risk-management, capital management and loss adjustment – are limited in all the study countries. A lack of skills and capacity thwarts innovation as it undermines insurers’ efficiency, pricing accuracy or in some instances, the ability to determine a price that is in any way related to the costs, profitability and product design ability. Insurers in the study countries also have limited information on their consumers and tend to underutilise public consumer data in instances where it exists⁴⁴. This in turn makes it challenging for insurers to innovate around consumer needs and to reach new population segments.

Incremental innovation most likely – though not enough. Many insurers in the study countries have traditional business models that focus on compulsory products and the top-end of the market. They also typically use traditional channels, such as brokers and agents, for distribution. It takes significant investment for providers to move towards new, innovative business models. Due to the high costs of doing business in their markets and fragmentation that makes irrational price wars on compulsory lines commonplace, many insurers are constrained when it comes to considering budgets to innovate. Thus, they simply do not have the resources or risk appetite to make a transformative move towards innovation. Small tweaks to existing models and new distribution partnerships are therefore likely to be more appealing than a complete overhaul of current, traditional business models, especially in the short-term. However, small-tweaks will simply not be enough to make insurance products relevant and valuable to households and businesses alike in the long-run. A more comprehensive overhaul of existing business models may be required.

Context-relevant policy and regulatory tools key. Policy and regulatory tools play a critical role in enabling innovation. Figure 9 provides a framework for unpacking different levels of these tools to support innovation: as a first order, policy and regulation should create an enabling environment to incentivise the business case for insurance. This can be done through the design of regulatory

⁴³ Number of actuaries recognised by IAA: Kenya: 24, Ghana: 12, Nigeria: 8, Rwanda: 0.

⁴⁴ This was mentioned as a notable constraint in the Kenya diagnostic.

architecture, by removing unnecessary barriers and by creating enabling market infrastructure. The next level of engagement is to proactively encourage innovation, which ranges from the flexible application of regulatory tools to proactively engaging with industry to signal the policymaker and regulator's stance on innovation. In specific instances, policymakers can even go as far as to use fiscal tools such as tax incentives or subsidies to incentivise insurers to innovate.

Figure 9: Policy levers and regulatory tools available to enable innovation

Imperative	Applications and tools
Explicitly reduce/remove regulatory basis	<ul style="list-style-type: none"> • Design regulatory architecture to grant regulator discretion to encourage innovation • Create regulatory coordination structures • Communicate for regulatory certainty • Create enabling infrastructure • Enhance product approval process
Proactively facilitate innovative business models	<ul style="list-style-type: none"> • Use a flexible approach to test and learn (<i>E.g. waivers, letters of no objection, sandboxes</i>) • Proactively encourage innovation (<i>ex: training, signaling, communication with market players, hold innovation competitions, showcase innovations from other markets.</i>) • Use of fiscal tools (<i>ex: tax incentives or subsidies</i>)
Address market structure constraints	<ul style="list-style-type: none"> • Design regulation in a way that incentivises innovation rather than fragmentation and irrational competition (<i>ex: risk-based supervision, separating composites/disallowing new composites</i>)

Source: Author's own, based on Beyers, et al. (2018)

Enabling the business case for innovation. The first imperative is for policymakers to design regulatory architecture in a way that grants the regulator the discretion and mandate to encourage innovation. As discussed in Section 3.1, only one regulatory authority across the study countries has an explicit market development mandate, though this mandate is to some degree assumed implicitly by each of the other three authorities. Equally important is creating an enabling environment that incentivises the business case for innovation. This can be done, for example, by removing barriers to innovation or by creating enabling market infrastructure, as the following country examples illustrate:

- **Coordination to remove innovation barriers.** Innovative developments often cut across or fall between the mandate of multiple regulators, which means they are subject to more than one set of regulatory requirements, or they fall within grey unregulated areas. Facilitating innovation therefore requires coordination across relevant authorities (Beyers et al., 2018). In Nigeria, the FSRCC was set up to promote coordination between financial sector authorities⁴⁵. Specific regulatory authorities can also drive coordination as needed. The NIC in Ghana, for example, coordinated bilaterally with the BoG around the issue of airtime deductions, which is discussed in more detail in a following section. The IRA in Kenya coordinated with relevant financial sector authorities by means of a technical committee before allowing specific products, such as index insurance and mobile insurance, onto the market.
- **Creating enabling infrastructure through access to public datasets.** Insurers often have limited information on their consumers, which introduces inefficiencies in the insurance

⁴⁵ However, as only financial sector authorities are members, it is challenging for the FSRCC to address issues that involve regulatory authorities that fall outside the financial sector, such as for issues relating to mobile insurance.

value chain or prevents developing products and services to meet the needs of underserved consumers. Developing key national datasets and granting insurers access to this can thus improve insurers' ability to innovate. For instance, in Kenya, policymakers developed the Kenyan IPRS, which is a national ID database that connects government departments and pools all centrally held personal data about an individual. In one documented example, the CIC Insurance group linked with the IPRS through API integration and pays a negligible fee with a pay-per-search structure. CIC uses the IPRS for the sale of insurance products as well as for claims processing, thereby reducing costs and increasing efficiency and reach (insight2impact, 2018).

- **Facilitating effective premium payments.** Premium collection depends on an effective payment system. Policymakers and regulators are increasingly working towards modernising their market's payment systems. The Rwanda study shows that the BNR has expressed interest in linking mobile-money operators with financial institutions. As the government is pushing the country to become a cashless society, its national payment system is currently undergoing rapid modernisation. Regulatory authorities can also remove specific premium collection barriers. For example, in Ghana, as earlier mentioned, the NIC worked with the BoG to allow the use of airtime deductions as legal tender, thereby facilitating mobile insurance premium payments⁴⁶. Nigeria, on the other hand, does not permit airtime deductions for premiums, and stakeholder interviews suggested that this has hindered innovation in mobile distribution.
- **Ensuring regulatory certainty.** Lack of clarity on legislation constrains insurers' ability to innovate. For example, despite e-signatures being legally permitted in Ghana and Kenya, stakeholder interviews for both studies indicated that there is still uncertainty among market players about whether the regulator will permit digital sales and electronic signatures. The regulator has not communicated its position to the market, which has hindered insurers' willingness to develop products which rely on e-signatures. In contrast, bancassurance guidelines and regulations in Ghana, Nigeria and Kenya, mobile insurance guidelines in Ghana, as well as microinsurance guidelines and regulations in all four countries have facilitated innovation by providing regulatory certainty.

Proactively encouraging innovation. Apart from building an enabling environment, regulators can also use explicit tools to encourage innovation, such as letters of no-objection, waivers, sandboxes and exemptions, as well as softer tools such as signalling, building awareness and convening around market innovation. Such tools have been used to varying degrees across the study countries:

- **Flexible approach to test and learn from innovation.** In Ghana, the NIC allowed certain providers to offer mobile insurance by extending a letter of no objection. This allowed the NIC to test and learn from this innovation. The IRA in Kenya plans to develop a regulatory sandbox, in which innovators test innovative products, services and business models before formally entering the market, subject to certain safeguards. The sandbox will allow IRA to study the impact of innovations and determine whether there is a need to amend regulation as the products go to market (A2ii, 2018).
- **Signalling innovation imperative.** In Kenya, the IRA has demonstrated its commitment to innovation by offering informal advice to innovators and providing them with regulatory feedback and clarity. The IRA has also encouraged innovation hubs and participated in the A2ii Inclusive Insurance Innovation Lab, thereby signalling their stance on innovation (A2ii, 2018).
- **Incentivising innovation through fiscal support.** In specific contexts, policymakers may use fiscal tools such as tax incentives and subsidies to incentivise insurers to reach out to underserved market segments. For example, the Nigerian Agricultural Insurance Corporation (NAIC) is established as a state-owned enterprise mandated to provide agricultural risk cover

⁴⁶ In all the study countries bar Nigeria, mobile money has gained considerable traction. Percent of the adult population (15 years +) with a mobile money account: Ghana 39%, Kenya: 73%, Nigeria 6%, Rwanda 31% (Global Findex, 2018).

to Nigerian farmers by means of subsidised premiums. However, private insurers wishing to offer agricultural insurance cannot benefit from the tax subsidy. The Nigerian diagnostic found this to have undermined market incentives for agricultural insurance at scale and hindered innovation in this space. The Ghana Agricultural Insurance Pool (GAIP), which comprises of 16 non-life insurers, is the only entity that can offer agricultural insurance products. As premiums are not subsidised, achieving scale has proven to be an issue. There are 4,000 existing policies distributed predominately at the meso-level. The Ghana diagnostic found the GAIP model to hinder innovation in regard to agricultural insurance and to ultimately not be sustainable.

Addressing market constraints. It is important for regulators to continuously monitor and address market constraints to innovation such as fragmentation and irrational price wars on specific product lines. Insurers in markets where there is high fragmentation and irrational competition tend to have limited capital to invest in innovation. Regulators can utilise regulation to address such market constraints. For example, in Nigeria no new composites are allowed to enter the market. Ghana and Rwanda legally required composites to separate. This move has led to stronger life insurance growth and an invigoration of the life insurance sector. In Kenya, composites are allowed to choose whether to separate or not. Data shows that composite insurers have underperformed in terms of market share relative to those who separated out life and non-life business (Thorburn, forthcoming).

Development partners facilitate innovation. Development partners have played a pivotal role in facilitating innovation in some of the case-study countries by funding data collection activities, providing technical assistance to innovative players, funding research reports and supporting the development of legislation and regulations for the insurance sector. For example, FSDK in Kenya and EFlNA in Nigeria have funded consumer demand-side surveys, which have assisted insurers in better understanding the needs of consumers, plus have supported various capacity building efforts. AFR in Rwanda funded a report on inclusive insurance to inform the development of the microinsurance regulations passed in 2018. They also supported the development of the national agricultural insurance scheme, which offers crop and livestock insurance to small-scale farmers.

3.4. Re-engineering compulsion to deliver better social outcomes

The objective of compulsory insurance products is to achieve specific social objectives as opposed to simply provide insurers with a captive consumer market through which the sector can increase insurance penetration. Across the four countries, compulsory products proved to offer very low value and thus failed to meet the social objectives they were intended to. It is therefore important that policymakers and regulators reengineer compulsory insurance products to ensure that they deliver better social outcomes.

Summary imperative: re-engineering compulsion to deliver social outcomes

- Assess underlying policy objectives of existing compulsory products
- Monitor and keep the market accountable to such policy and societal objectives, e.g. by engaging industry where value is low, or effects are not as intended
- If necessary, re-engineer compulsory products for better outcomes

Pervasive policy tool. As Figure 10 illustrates, compulsory insurance is pervasive throughout the study countries. In the non-life insurance market, compulsory lines account for between 22%⁴⁷ and 48% of all premiums (NIC, 2016; NAICOM, 2016; IRA, 2017; BNR, 2017). Compulsory insurance is typically instituted to achieve public policy objectives such as protecting consumers

⁴⁷ If you exclude oil and gas, motor insurance accounts for 32% of non-life premiums in Nigeria. It is not possible to disaggregate oil and gas premiums for the other countries.

or economic activity where the market mechanism would fail to do so by itself; or growing the domestic insurance industry. For example, workmen’s compensation is intended to incentivise insurers and employers to protect workers from work-related injuries and to also improve the safety of the workplace by putting a price on risk and incentivising good performance through cheaper premiums. This typically results in companies putting in place risk-management plans and mitigation strategies to prevent risks from occurring in the first place. On the other hand, third-party motor insurance is typically aimed at protecting third parties in the event of road accidents, as well as reducing the number of road accident incidences and making roads safer.

Figure 10: Compulsory insurance products across the markets



Source: NAICOM (2016); NIC (2016); IRA (2016); BNR (2016)

Creating negative incentives. When insurance products are required by law, insurers tend to focus on these compulsory product lines. As a result, their business models suffer. The study-country experience shows that compulsory insurance leads to price wars and cannibalistic competition, which undermines profitability. The associated under-pricing creates an incentive for insurers to reduce claims in an attempt to boost profitability. Moreover, a focus on compulsory lines disincentivises insurers from innovating as they shy away from developing a proactive sales force, introducing new types of products into the market and/or improving efficiencies of existing products. Ultimately, consumer value is undermined.

Shaping policyholder perceptions. In many cases, compulsory products constitute the first experience that consumers have with insurance. Thus, they inform consumers’ understanding of insurance and willingness to take-up voluntary products. This could be leveraged for insurance market growth. However, across the four markets, many examples were highlighted where compulsory products were either not claimed on, or claims were not paid or paid in an untimely manner. This led to individuals perceiving compulsory products to be a tax, rather than as products that provide protection to them as individuals or society as a whole.

Not delivering on public policy objectives. The case study evidence suggests that the negative market dynamics associated with compulsory insurance overshadow the underlying policy

priorities. By and large, compulsory insurance is not delivering on societal objectives as intended,⁴⁸ but rather eroding trust in the insurance market more generally. The exception is government-provided compulsory health products, such as the NHIS in Ghana, NHIF in Kenya and CBHI in Rwanda. While these schemes do face some value constraints, they have played an important role in creating nationwide awareness about the concept of insurance and in contributing to the resilience of households when it comes to health shocks.

Weighing up intention versus effects. The study-country experience suggests that, when considering whether to make a product compulsory, policymakers need to carefully consider whether the product will deliver social and policy goals.

Holding the market accountable. Once a policymaker introduces compulsory insurance into a market, they become dependent on insurers to cover that particular risk, provide value to their policyholders and ultimately deliver specific societal outcomes. To ensure that this happens, regulators need to monitor, report on and supervise compulsory products against such objectives⁴⁹. Market conduct or treating-customers-fairly guidelines can be leveraged to set out the expected market practices, including claims management terms and standards for customer complaints resolution⁵⁰. In some instances, depending on the context, the compulsory product might need to be reengineered in legislation itself.

3.5. Unlocking risk transfer and management for enterprise development

Risk transfer and management role underutilised. As discussed in Section 2, insurance does fulfil an important role in corporate risk transfer in the study countries but has limited reach among SMEs. Moreover, the insurance industry currently plays a limited role in helping businesses proactively manage risk. Thus, the experience in the four countries suggests that there is much scope to increase the contribution of the insurance sector towards enterprise growth and, thereby, economic development. This sub-section considers the imperatives for doing so.

Summary imperative: unlocking risk transfer and management for enterprise development

- Enable and encourage alternative distribution channels to reach SMEs
- Map the risks of key value chains to understand the insurance needs of enterprises and encourage the development of products to meet their needs
- Encourage risk management among corporate clients
- Unlock access to global, specialised risk pools

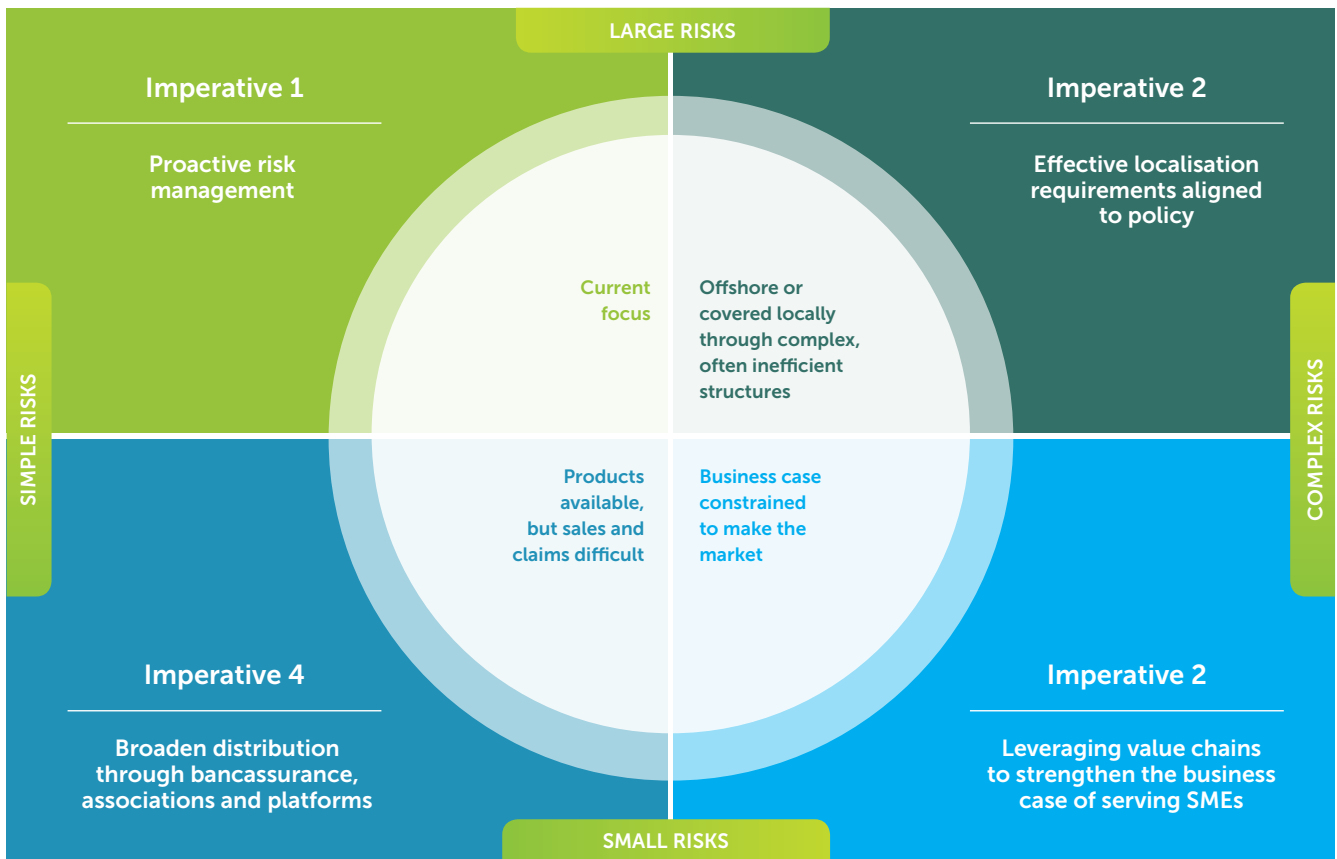
Diverse business insurance needs. Enterprise-risk management practices differ, depending on the size and complexity of the risks faced. The size of risks that enterprises face can be classified along a spectrum from small to large, while the complexity of risks can be classified from simple to complex. Figure 11 presents a simple framework to highlight the observed contributions and challenges of the insurance market towards enterprise development, which we then used as the basis for our proposed policy imperatives.

⁴⁸ For example, stakeholder interviews indicated that workmen's compensation is currently not changing the environment of workplaces or behaviour of its workers and therefore failing to help enterprises and individuals mitigate risks.

⁴⁹ For example, by requiring insurers to report on indicators such as number of claims submitted, average time it takes to pay claims or claims ratios for specific compulsory products.

⁵⁰ Ghana and Nigeria already have such guidelines in place, but stakeholder interviews suggested that it is unclear whether they are enforced, which undermines their intended purpose.

Figure 11. Enterprise risk management practices observed and proposed policy imperatives



Source: Authors' own

Imperative 1: Large and simple risks the current focus, however limited focus on quality

Current focus on large, simple risks. Most domestic-enterprise insurance provision in the study countries can be classified in the top left quadrant, namely for simple risks faced by corporates rather than SMEs. Commission structures and distribution incentives are skewed predominately in favour of large, broker-driven corporate contracts. Compulsory products dominate the retail market, with the largest drivers of gross written premiums to the business sector being property, fire and theft insurance.

Enhance value proposition to encourage risk management. While large, simple risks are being addressed by domestic insurance markets, there is still room to encourage proactive, preventative risk management that considers the holistic risk needs of large corporates and SMEs. Insurance companies have prioritised risk transfer solutions as drivers of profitability, as opposed to encouraging risk management. The latter is essential to ensure the stability of risk exposures in an economy. Moving beyond reactive risk transfer will require a reprioritisation of the role of insurance in enterprise development by both insurers and enterprises themselves.

Imperative 2: Large, complex risks often offshored, though not without friction

Constraints in addressing large, complex risks. Domestic insurance companies currently play a limited role in addressing large, complex risks, such as natural disasters (e.g. floods, droughts and earthquakes), environmental damage, epidemics, political risk, terrorist attacks or the failure of significant infrastructure (e.g. ports and bridges). Complicated liability products are also limited⁵¹

⁵¹ Such as pension fund indemnity in Ghana – despite it being a legal requirement flagged by industry and the regulator in consultations for the Ghana diagnostic.

and there are few niche corporate product offerings for specialised risks such as aviation or shipowners' insurance in Kenya, or indemnity or cyber insurance in Ghana. Constrained domestic balance sheets, lack of high quality and reliable data, and limited specialised skills and personnel mean that most risks are reinsured and, eventually, carried offshore.

Unlock access to global, specialised risk pools. In Ghana and Nigeria, offshoring restrictions apply until local capacity is exhausted. As discussed in Section 2, localisation policy has implications for the adequacy of risk cover available to domestic enterprises and the cost of doing business locally. Global risk pools are needed to effectively spread large, complex risks. Global players are also able to apply specialised skills to such risks and build the necessary data for effective risk management. Moreover, foreign reinsurers can proactively contribute to building domestic skills and data capacity. This creates a policy imperative for reconsidering the intended objectives versus actual effects of local insurance content requirements.

Box 3 highlights relevant considerations when implementing or evaluating localisation policies.

Box 3: Evaluation considerations for localisation policy implementation

The impact of localisation policy is highly context dependent; hence, it is critical to set clear objectives and evaluate preconditions for localisation within a market context⁵².

The arguments in favour of localisation policy should be evaluated, to determine whether the policy increases value-added output, corrects a market failure or supports employment or some other broader objective. These will need to be weighed against arguments against localisation policy, such as potential misalignments in the policy objective and the policy, misallocations of resources or noncompliance with international regulations.

At this stage of evaluation, it is important that research be done to understand the impact of localisation policy on the insurance industry and on the economy. Throughout, transparent and efficient processes for implementation should be advocated. Where necessary, global risk pools should be allowed to complement domestic insurance capacity, in line with economic objectives.

Source: African Development Bank (2015); UNIDO (2016); Tordo et al. (2013)

Imperative 3: Small and complex risks largely unmet due to skills and data gaps

Limited capacity and information to address small, complex risks. SMEs tend to have heterogeneous risk exposures, arising from their diverse business models and sector exposures. Limited skills and data constrain insurers' appetite and ability to deliver comprehensive risk management solutions for small enterprises. There is currently no clear, unified approach for how to gather information on enterprise-risks needs – particularly for SMEs. All of this undermines the business case for tailored SME insurance solutions. The result, as shown in Section 2, is that bespoke SME cover is largely absent in the study countries.

Value-chain lens helpful to unpack specialised needs. The policymaker has a role to play in bridging the data and information gap in the market. Creating products that add value to enterprises by limiting their losses and enabling product risk taking requires a clear understanding of the risks they experience. The diversity of needs across and within industries requires a diversity of solutions to unlock risk transfer, risk management and access to credit for enterprises. A granular understanding of specific value chains and the inherent risks and needs at different points in the value chain thus enables more suitable and appropriate insurance offerings to be designed and delivered.

⁵² A local content gap analysis would need to be conducted (beyond the scope of this study). The analysis would address considerations across the following dimensions: skills, capacity, funding, information, infrastructure, regulatory and institutional. See African Development Bank (2015) for further details.

Box 4 demonstrates how the value chain lens can be applied to assess business insurance needs.

Box 4: Value chain case study: transport and logistics

The usefulness of the value-chain approach as a mechanism to gather information on enterprise risks and needs can be demonstrated by considering the transportation and logistics sector in Ghana, which makes up over 10% of the country's GDP (Ghana Statistical Service, 2017).

Figure 11: The transport and logistics value chain



Source: Author's own

The transport-and-logistics sector consists of various subcomponents with varying risk and financing needs. Figure 12 provides an illustration of the wide-ranging activities within the sector. On either end of the value chain, the transport industry is responsible for the import and export of goods into and out of Ghana. Transportation vehicles form an integral part of the value chain, as do the goods that they are required to transport. Insurers typically cover the risks that vehicles and goods are stolen and/or damaged, however there is limited cover for risk that may arise from human error, fatigue and/or alcohol consumption by drivers. In addition to the movement of goods and services, and the assets and people that move them, the storage of goods is a critical component in the value chain. Here, insurance companies can play a considerable role in proactive risk management.

Despite the significance of the sector in driving economic development, the Ghana diagnostic found the role of insurance in risk transfer, risk management and access to credit for the transport sector to be limited⁵³.

Coordination for value chain development. An investigation of strategic value chains within priority sectors can point out specific challenges and opportunities for the insurance sector to serve SMEs and beyond. In order to leverage strategic value chains, financial sector policymakers would need to coordinate dialogue and partnerships with sectors outside of financial services (e.g. Ministry of Transport or Ministry of Agriculture) to draw on domain expertise and data related to the risks experienced. This information would be useful in spurring insurance markets to address obstacles in strategic value chains that contribute to priority sectors in an economy.

Imperative 4: Small and simple risks substantially hampered by limited distribution options

Difficult distribution business case. The country diagnostics showed that insurers face considerable business model challenges in addressing small risks on a large scale. There are limited alternative distribution channels and few aggregation opportunities that support cost-effective sales, maintenance and servicing of SME policies to the multitude of small businesses in these markets, most of which are not networked. This contributes to the poor value proposition delivered to small enterprises. The poor value not only affects the sustainability and growth of these enterprises, but also reduces their likelihood to use insurance as a coping mechanism in future.

⁵³ Elsewhere, a value-chain perspective has helped financial service providers demonstrate the business case for addressing risks and financing constraints in the transport sector. For example, in South Africa, SA Taxi provides financing and other services to minibus taxi operators that are often excluded from formal credit and insurance due to their high-risk nature and the scarcity of market data (SA Taxi Development Finance, 2018). The organisation involves taxi industry experts in the development of credit and insurance offerings and in the implementation of risk mitigation measures. In Uganda, 40% of e-hailing service SafeBoda's permanent employees were previously boda boda (or motorcycle) drivers themselves, enabling experience-based design and delivery of services on their digital platform.

Broaden distribution channels serving SMEs. To enable cost-effective distribution of insurance to SMEs, alternatives to the traditional broker-driven model need to be explored, for example, partnership models with mobile-network operators (MNOs), microfinance institutions (MFIs) and associations. Meso-level insurance is an alternative way by which aggregators, such as MFIs, can support their clients' insurance needs⁵⁴. In addition, innovative digital platform distribution presents viable alternatives for insurers to serve SMEs⁵⁵. Apart from business model considerations, the availability of channels will be determined by the legal framework in which the insurer operates. For example, in Ghana, insurers are precluded from distributing business insurance using bancassurance. Improved coordination among policymakers, financial regulators and non-financial regulators is important to enable alternative distribution channels.

3.6. Investing insurance assets for development

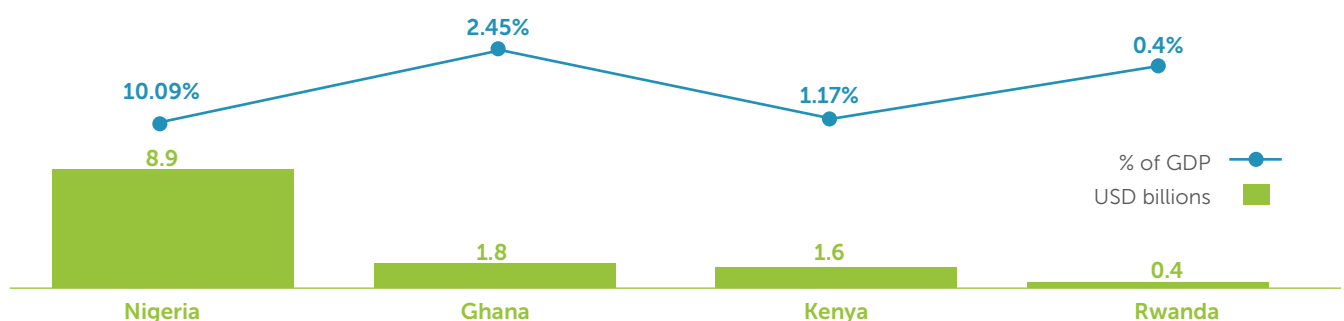
In principle, insurance markets play an important role in mobilising and pooling capital for investment. However, across our four study countries, insurers as institutional investors play a limited role in addressing capital shortages. It is important for policymakers to consider how they can strengthen the role of the insurance sector in capital market development.

Summary imperative: investing insurance assets for development

- Set the right direction for investing insurance assets for development
- Build more assets by incentivising long-term savings
- Leverage insurance-pension linkages
- Promote appropriate long-term instrument development
- Ensure sufficiently risk-sensitive capital rules to enable efficient allocation of capital

Capital shortages undermine economic development. Across the four countries, there is a significant need for capital to finance long-term investment for sustainable economic growth and development. Financing gaps in infrastructure development, and the lack of SME and housing finance, continue to undermine the growth potential of many countries. Figure 13 illustrates the extent of the infrastructure financing gaps across the four countries. According to estimates from Global Infrastructure Hub (2019), the infrastructure funding gap for the four study countries is estimated to range from USD0.4 billion to USD8.9 billion per annum, between 2016 and 2040, accounting for approximately 1.09% to 2.45% of GDP.

Figure 13: Average annual infrastructure investment gap, 2016–2040



Source: Global Infrastructure Hub (2019)

⁵⁴ The policyholder in a meso-level insurance contract is the risk aggregator or intermediary – in this case the MFI – which provides services to individuals (Loster & Reinhard, 2012).

⁵⁵ Multi-sided digital platforms can be defined as “virtual marketplaces that connect providers of goods and services with Consumers” (Smit et al., 2019). More information is available from: https://www.i2ifacility.org/system/documents/files/000/000/086/original/DIGITAL_ADP_Focus_Note.pdf?1553833148

Limited role for insurance. In principle, as highlighted in Section 1, insurance markets play an important role in mobilising and pooling savings for investment. In addition, the insurance market can positively contribute to deepened governance and professionalism in capital markets, including skills and ethical standards, which contribute to the long-term stability and sustainability of investment in long-term economic development. However, as the discussion in Section 2 showed, insurers in their capacity as institutional investors currently play a limited role in addressing capital shortages in the study countries.

Small, short-term balance sheets. The limited role relates to the stage of development of the respective insurance markets – if balance sheets are still small and short-term⁵⁶, as is the case in all the study countries⁵⁷, the capital market contribution is limited to a supportive but not a driving role. Unless a tipping point in long-term savings is reached, driven by growth in the middle class, insurers will be constrained from playing a larger role in capital market development.

Pension market development a clear driver of long-term savings. In all the study countries, pension-fund assets under management are much larger than insurance assets. Pension-insurance linkages can drive efficiency in mobilising and allocating investments for longer-term development. For example, in Kenya, substantial pension and annuity business is being done by life insurance companies; while in Nigeria, programmed withdrawal and annuity markets are developing rapidly. Insurance companies also play varying roles in pension asset management. In Rwanda, life insurance companies serve as administrators and investment managers for private pensions.

Lack of appropriate investment instruments fuel sub-optimal investment allocations. The asset allocations of insurers appear largely aligned to their liability profiles and small asset bases. Insurance companies in the study countries have conservative, short-term investment profiles that are concentrated in government securities, money market instruments, direct property investments and bank deposits. The investment allocations are driven in part by the attractive risk-return profiles presented by these investment instruments, but also by the limited availability of alternative investment opportunities that are appropriate and suitable for the liabilities held. The development of long-term instruments with an attractive risk-return profile is necessary for insurers to not only diversify their risk, but also allocate capital to a larger set of economic activities. Instruments such as infrastructure bonds and REITs could produce securitised opportunities.

Capital rules may inadvertently constrain allocation. While capital adequacy requirements have increased the stability of the insurance industry by reducing the risk profile of insurers' investments, they have also constrained the allocation of capital by insurers, which has resulted in reduced finance for developing countries. Rules-based capital requirements lock up capital that could otherwise be allocated in the real economy. For example, rules-based capital requirements in Ghana require at least 60% of an insurer's minimum capital requirements to be in cash or in a cash equivalent. This limits their ability invest capital in long-term instruments, such as infrastructure funds or RIETs, which could grow the real economy.

These market drivers suggest the following imperatives for strengthening the role of the insurance sector in capital market development:

Build more insurance liabilities by incentivising long-term savings. It is critical for policymakers to recognise the role of insurance markets in mobilising and pooling long-term investable funds by incentivising long-term savings, thereby building liabilities for the insurance industry to invest.

⁵⁶ An institutional investment strategy that targets long-term investments requires available and suitable long-term liabilities. Hence, insurance contract liabilities with longer-term maturity profiles should be matched with long-term investments. However, the insurance market liabilities across the four countries are typically short term.

⁵⁷ The Kenyan insurance sector is the most advanced, channelling USD5.3 billion worth of assets into its economy. An increasing proportion of premiums – and consequently insurance assets – is represented by life insurance companies. This is followed by Ghana, where long-term assets of life insurers largely match liabilities. Nigeria and Rwanda's balance sheets are characterised as predominately short term.

Leverage insurance-pension linkages. The linkages between the insurance and pension sectors mean that improved coordination between pension and insurance regulators could unlock access to investable funds for insurance groups. Furthermore, enabling regulations for the distribution and cross-selling of insurance through pension schemes could enable financial groups to holistically serve customers' long-term savings needs. While cross-selling is currently not permitted in Ghana, reports suggest that it does take place across group entities in Nigeria.

Promote instrument development. The development of appropriate long-term instruments, such as Real estate investment trusts (REITs) or infrastructure bonds, with an attractive risk-profile is critical to incentivise institutional investors to diversify their investments away from short-term, low-risk instruments. Alternative instruments can create additional investment opportunities that can, in turn, lead to improved allocation of funds towards the capital gap in the real economy. This would require engaging with capital market actors and may potentially require policy incentives.

Strengthen investment skills and build institutions for governance and investor confidence. Institutional investors, including insurance companies, play a pivotal role in encouraging reforms in governance, auditing and accounting requirements and practices. In turn, the professionalisation of the industry improves investor decisions and business confidence in the skills, capabilities, and integrity of the sector. Hence, industry bodies and associations should be empowered and supported to drive industry engagement.

Ensure sufficiently risk-sensitive capital rules to enable efficient allocation of capital. To prevent the potential unintended effects of capital adequacy requirements as outlined above, it is important to ensure that asset and liability matching (ALM) elements of capital rules are sufficiently risk-sensitive to enable insurers' assets to be better targeted at domestic priority investments. More granular data and information, describing maturity profiles and contract durations, is required to effectively monitor and evaluate the impact of capital rules on investment allocations. This will further enable improved capital market access and efficiency, which will encourage local insurers, in larger markets, and global insurers to investment in local economic development.

4 | Conclusion

This report explored the role of insurance in sustainable growth and development by considering the experience of four countries in SSA: Ghana, Kenya, Nigeria and Rwanda. From the analysis, it is clear that there is much scope to increase the contribution of the insurance sector towards improving individual and household welfare, building business resilience and developing the demand and supply of capital in the economy, thereby promoting the role of the insurance sector in broader economic development.

Structural market challenges hamper insurance market development. The synthesis of the findings across the four countries reveals several cross-cutting structural challenges. Pervasive skills and capacity constraints, high expenses, the absence of good quality data to inform market players and regulators, cannibalistic competition on the back of compulsory insurance and specific enabling environment constraints together mean that innovation is likely to remain incremental, rather than transformative, for the near future. This has resulted in a large protection gap for households and businesses alike, and a limited contribution of the insurance market towards capital market development.

Imperatives to transform challenges to opportunities. Many of the challenges identified are structural in nature, and change will not happen overnight. Nevertheless, there are several concrete steps that can be taken to generate immediate gains. These include ensuring clear policy leadership and a clear market development mandate for regulators, more deliberately monitoring market development progress, removing explicit regulatory and supervisory bottlenecks to innovation, revisiting the impact of compulsory insurance in light of the underlying public-policy objectives and leveraging the signalling and convening power of the regulatory authorities to encourage market innovation.

A call to action requiring a concerted effort. These imperatives present a call to action for policymakers, regulators, development organisations and the insurance industry alike. The policymaker plays a particularly relevant role to drive and coordinate the efforts across different stakeholders, while regulatory authorities need to act on their development mandates by proactively removing regulatory and supervisory bottlenecks, promoting regulatory certainty and encouraging innovation while managing risks. Development partners have an important role to play in generating consumer data, convening diverse stakeholders and building capacity and skills. Ultimately, it is the insurance industry that must act to leverage data, build systems and skills and track the right metrics to convince their investors to take the innovation challenge heads on. Table 3 in the Appendix highlights key actions for policymakers, regulators, development partners and industry to implement the six imperatives.

Extend diagnostic footprint for global impact. The insights and imperatives presented in this report hold true across four diverse SSA countries and are borne out by the diagnostic teams' broader experience in SSA and beyond. The core findings regarding the interplay between market fragmentation/competition, compulsion and innovation have also been confirmed by secondary data analysis spanning a broader set of countries⁵⁸. Nevertheless, it will be important to test the findings and recommendations across a broader range of countries, ideally spanning other continents, to inform the global agenda for strengthening the role of insurance in sustainable development and inclusive growth.

⁵⁸ Craig Thorburn's forthcoming paper *Does fragmentation and reliance on compulsion hinder innovation, growth and development?* explores this topic.

5 | References

- A2ii (2018). *Innovation Hubs and Accelerators: Report on the 27th A2ii – IAIS Consultation Calls*. [Online] Available at: https://a2ii.org/sites/default/files/reports/cc27_innovation_hubs_web_engl.pdf [Accessed 16 March 2019].
- A2ii (2015). *Risk-based supervision in Inclusive Insurance*. [online] Available at: https://a2ii.org/sites/default/files/reports/11_consultation_call_engl.pdf [Accessed 15 February 2019].
- African Development Bank 2015: *Creating local content for human development in Africa's new natural resource-rich countries*. Flagship Report Paper Series Paper 6. [Online] Available at: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Creating_local_content_for_human_development_in_Africa%E2%80%99s_new_natural_resource-rich_countries.pdf [Accessed 24 January 2019]
- Africa Practice. (2015). *Nigeria Insurance Sector*. [online] Available at: <http://africapractice.com/wp-content/uploads/2015/11/Nigeria-Insurance-sector2.pdf> [Accessed 28 Jun. 2018].
- AXCO. (2016). [Online] Available at: <https://www.axcoinfo.com/> [Accessed 16 June 2018].
- Beyers, et al. (2018). *Regulating for innovation*. [online] Available at: http://cenfri123.wordpress.com/wp-content/uploads/2018/01/Regulating-for-innovation_Cenfri-FSDA_January-2018_updated-15-March-2018.pdf [Accessed 12 March 2019].
- BNR. (2016). [Online] Available at: <https://www.bnr.rw/index.php?id=176> [Accessed 22 March 2019]
- Chamberlain, D., Camargo, A. and Coetzee, W., 2017. *Funding the Frontier: The Link Between Inclusive Insurance Market, Growth and Poverty Reduction in Africa Key points*. [online] Cape Town, South Africa. Available at: <https://cenfri.org/publications/role-inclusive-insurance-markets-economic-growth-poverty-reduction/>
- Cenfri (2019). *The role of insurance in inclusive growth: Ghana Diagnostic*. [Online] Available at: <https://cenfri.org/publications/the-role-of-insurance-for-growth/> [Accessed 9 February 2019].
- Cenfri (2019). *The role of insurance in inclusive growth: Nigeria Diagnostic*. [Online] Available at: <https://cenfri.org/publications/the-role-of-insurance-for-growth/> [Accessed 3 February 2019].
- Chiew, H. and Tatin-Jaleran, C. (2019). *Using Key Performance Indicators (KPIs) in Inclusive Insurance Supervision | Access to Insurance*. [online] A2ii.org. Available at: <https://a2ii.org/en/report/thematic-reports-inclusive-insurance-regulation-market-development/using-key-performance> [Accessed 23 Apr. 2019].
- EFInA, 2017. *EFInA Access to Financial Services in Nigeria 2016 Survey* (version: 18 June 2016), Lagos: Nigeria.
- EY. (2016). *Waves of change: revisited. Insurance opportunities in Sub-Saharan African*. [Online] Available at: <https://www.bog.gov.gh/privatecontent/Research/Articles/rpaper9.htm> [Accessed 16 June 2018].
- FinAccess. (2016). *FinAccess Household Survey*. FSDK. [Online] Available at: <https://fsdkenya.org/finaccess/> [Accessed 2 March 2018].
- FinAccess. (2009). *FinAccess Household Survey*. FSDK. [Online] Available at: <https://fsdkenya.org/finaccess/> [Accessed 2 March 2018].
- Financial Inclusion Insights. (2015). *National Survey. CGAP: Washington DC*. [Online] Available at: <http://finclusion.org/uploads/file/reports/2014%20InterMedia%20FII%20GHANA%20National%20Survey%20Report.pdf> [Accessed 12 May 2018].
- FinScope. (2010). *FinScope Consumer Survey Ghana 2010*. FinMark Trust. [Online] Available at: http://www.finmark.org.za/wp-content/uploads/2016/02/Rep_FS_Ghana_2010.pdf [Accessed 14 April 2018].
- FinScope. (2016). *FinScope Consumer Survey Rwanda 2016*. [Online] Available at: <http://www.statistics.gov.rw/publication/finscope-rwanda-2016> [Accessed 26 March 2019]
- Global Infrastructure Hub (2019), *Infrastructure Outlook for Kenya, Nigeria, Rwanda, Ghana* [Online] Available at: <https://outlook.gihub.org/countries/Kenya+Nigeria+Rwanda+Ghana>

Ghana Statistical Service. (2017). *GDP Quarterly Bulletin December 2017*. Ghana Statistical Service: Greater Accra, Accra. [Online] Available at: http://www.statsghana.gov.gh/gdp_bulletin.html [Accessed 12 May 2018]

GIZ (2015), *Briefing Note Value Chains in Agriculture*. [online] Available at: https://www.giz.de/expertise/downloads/Fachexpertise/giz2016-en-04-Briefing_Note_Value_Chains_in_Agriculture_March_2015.pdf [Accessed 15 March 2019]

Ikuomola, V., 2018. *NHIS delist 23 HMOs, grant 34 provisional nod*. [Online] Available at: <http://thenationonlineng.net/nhis-delist-23-hmos-grant-34-provisional-nod/> [Accessed 20 June 2018].

IRA (2017), *Insurance Industry Annual Report 2016*, and earlier editions, available on the IRA website at <http://www.ira.go.ke/index.php/publications/2-uncategorised/106-annual-reports>.

Lester, R., 2014. *Insurance and Inclusive Growth*, World Bank [Online] Available at: <https://openknowledge.worldbank.org/handle/10986/18830>

Loster and Reinhard 2012, *Microinsurance and Climate Change*, in Churchill, C. and Matul, M (ed.) *Protecting the poor: A microinsurance compendium*. Volume 2. Geneva: International Labour Organisation, pp83-110

NAICOM, 2018. *Insurance Companies*. [Online] Available at: <https://naicom.gov.ng/index.php/insurance-industry/insurance-companies/> [Accessed 28 June 2018].

National Insurance Commission (NIC) & GIZ. (2015a). *Mobile Insurance and Risk Framework in Ghana*. [Online] Available at: https://a2ii.org/sites/default/files/reports/2015_mobile_insurance_risk_assessment_ghana.pdf.

National Insurance Commission (NIC) & GIZ. (2015b). *The Landscape of Microinsurance in Ghana 2015: Supply and Demand Side Report*. NIC: Greater Accra, Accra. Available online: <http://www.microinsurancecentre.org/resources/documents/market-development/demand-studies/the-landscape-of-microinsurance-in-ghana-2015-supply-and-demand-side-report.html> [Accessed 22 May 2018].

National Insurance Commission (NIC). (2016) *Annual Report*. [online] Available at: http://nicgh.org/wp-content/uploads/2018/02/NIC_Annual-Report_2016.pdf [Accessed 12 April 2018].

Nigerian Insurance Association, 2017. *Nigeria Insurance Digest 2017*. Lagos: Nigerian Insurance Association.

Tordo, Silvana, Michael Warner, Osmel E. Manzano, and Yahya Anouti. 2013. *Local Content Policies in the Oil and Gas Sector*. World Bank Study. Washington, DC: World Bank. doi:10.1596/978-0-8213-9931-6. [Online] Available at: <http://documents.worldbank.org/curated/en/549241468326687019/Local-content-in-the-oil-and-gas-sector> [Accessed 24 January 2019]

Toronto Centre, 2018. *Risk-based Supervision*. [online] Available at: <https://res.torontocentre.org/guidedocs/Risk-Based%20Supervision.pdf> [Accessed 18 March 2019]

SA Taxi Development Finance. (2018). *SA Taxi: Driving our nation forward*. [Online]. Available at: <https://sataxi.co.za/about-sa-taxi/> [Accessed 07 December 2018]

Smit et Al 2019. Africa's digital platforms and financial services: An eight-country overview. [Online] Available at: https://www.i2ifacility.org/system/documents/files/000/000/086/original/DIGITAL_ADP_Focus_Note.pdf?1553833148

Saghir, J. & Santoro, J. 2018. *Urbanisation in Sub-Saharan Africa*. [Online] Available at: https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180411_Saghir_UrbanizationAfrica_Web.pdf?o02HMOFqh99KtXG6ObTaciKKmRvk0Owd

Swiss Re, 2018. *World insurance in 2017: solid, but mature life markets weigh on growth*. Sigma No. 3/2018 [Online] Available at: https://www.swissre.com/dam/jcr:a160725c-d746-4140-961b-ea0d206e9574/sigma3_2018_en.pdf [Accessed 19 April 2019].

Springer-Heinze (2017), *Manual on Sustainable Value Chain Development (Draft)*. [online] Available at: <http://valuelinks.org/wp-content/uploads/2015/09/ValueLinks-Manual-2.0-Vol-1-final-draft-July-2017.pdf>

Stakeholder interviews, 2017.

Stakeholder interviews, 2018.

UNIDO 2016. *The role of local content policies in manufacturing and mining countries in low- and middle-income countries*. Inclusive and Sustainable Industrial Development Working Paper Series No. 19. [Online] Available at: <https://www.unido.org/api/opentext/documents/download/9929070/unido-file-9929070> [Accessed 24 January 2019]

USAID, 2006. *Assessment on How Strengthening the Insurance Industry in Developing Countries Contributes to Economic Growth*, publication produced by Chemonics International Inc. for review by the United States Agency for International Development.

Webb, I, 2012. *Insurance Market Development: Observations*, presentation delivered at the London School of Economics Symposium, November 2012

World Bank, 2009. *Risk Based Supervision*. [online] Available at: http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/Primer14_Risk_Based_Supervision.pdf [Accessed 12 March 2019].

World Bank. (forthcoming). *Insurance that works: What drives insurance sector development in the Republic of Kenya, and what are the opportunities ahead?*

World Bank. (forthcoming) *What drives insurance sector development in the Republic of Rwanda, and what are the opportunities ahead?*

6 | Appendix

6.1. Cross-country examples from section 3.1

6.1.1. Policy direction

- **Nigeria:** The Minister of Finance, in collaboration with the Central Bank of Nigeria, is the financial sector policymaker. The country consultations suggest that the Ministry of Finance does not in practice fulfil a proactive role in providing insurance policy leadership for insurance market development.
- **Rwanda:** Rwanda's policymaker is the Minister of Finance and Economic Planning, while the non-banking financial institutions department of the National Bank of Rwanda regulates the insurance sector. The sector has been looking more to the NBE for development policy leadership and it does engage in developmental debate despite the ministerial role and absence of a clearer NBE mandate. Visibility of a developmental policy for insurance remains low.
- **Ghana:** As policymaker, the Ministry of Finance is responsible for developing and implementing financial sector policy. The National Insurance Commission (NIC) does not explicitly fall under the Ministry of Finance yet is dependent upon the Ministry for policy direction. According to stakeholder consultations, the Ministry has recently taken on a more proactive role in this regard.
- **Kenya:** Kenya's policymaker is the Ministry of Finance as part of National Treasury. The Insurance Regulatory Authority (IRA) falls explicitly under the Ministry and advises government on national policy. The Ministry of Finance's present and proactive policymaker role has directly contributed to the role the IRA has been playing in insurance market development in Kenya.

6.1.2. Mandate

- **Kenya:** The IRA is bestowed with an explicit market development mandate. Furthermore, in making certain decisions, the IRA must consider the consequences thereof on the interests of the economy – thus explicitly acknowledging the role of insurance in economic development.
- **Rwanda:** The Rwandan regulator, BNR, is not required by insurance legislation to develop the market or provide policy inputs. However, it has as an explicit objective to pursue financial inclusion. Beyond that, it has not taken on a market development role and does not proactively and publicly play a leading role in developing policy inputs.
- **Ghana:** The NIC does not have an explicit market development mandate but has adopted one implicitly. The policymaker receives recommendations from the regulator for policies that promote a sound and efficient insurance market and the NIC has interpreted this more broadly to encompass market development.
- **Nigeria:** The National Insurance Commission (NAICOM) falls explicitly under the Ministry of Finance but is not required by insurance legislation to provide policy inputs or recommendations. NAICOM's official mandate, as entrenched in the insurance act, is to "ensure the effective administration, supervision, regulation and control of insurance business in Nigeria". This means that NAICOM does not have an explicit market development or financial inclusion mandate. Yet NAICOM has issued microinsurance regulations and index insurance pilots to promote inclusive insurance and collaborates with CBN under the national financial inclusion strategy. It has therefore assumed an indirect inclusive insurance mandate.

6.1.3. Coordination

- **Nigeria:** In Nigeria, the Financial Services Regulation Coordinating Committee (FSRCC), comprising of representatives from the various financial-service regulators, was set up to address issues of common concern. Yet indications are that it has not been able to address

pertinent market development questions such as the use of airtime as legal tender (which industry argues is needed to facilitate mobile insurance).

- **Ghana:** No formal coordination structure exists among regulators in Ghana. Some of the financial sector regulators are part of a Financial Sector Regulators Forum, which is an informal committee intended to encourage coordination between the financial sector regulators. However, the Forum has no legal status and, at the time of writing the Ghana diagnostic, had not convened in over a year. Consequently, the regulators tend to coordinate bilaterally with one another, and typically only once a provider is already operating across jurisdictions.
- **Kenya:** In Kenya, the IRA's market development mandate is coupled with a requirement to coordinate and share information with other regulatory authorities. The Financial Sector Regulators Forum, of which the IRA is a member, aims to foster cooperation, share information and enhance coordination among the financial sector regulators. The Forum also prepares an annual Financial Sector Stability Report, which provides stakeholders with an analysis of financial sector and economic developments in Kenya, as well as high-level risks with policy actions to mitigate those risks. Besides coordinating to produce the report, it is unclear to what extent and how effectively the Forum convenes regulators to coordinate across sectors and industries.
- **Rwanda:** The BNR was the sole financial sector regulator until 2017 when the CMA was formed to regulate the capital markets industry. There is no formal coordination structure in place, and it is unclear how effectively the BNR and CMA coordinate, if at all.

6.2. Key actions to implement the six imperatives

Table 3 summarises the key actions to implement the six imperatives, highlighting the role of policymakers, regulators and development partners, respectively.

Table 3: Key actions to implement the imperatives

Imperative	What will success look like?	Potential actions and roles
Visible and proactive policy leadership to unlock change	<p>Policymakers deliberately leverage insurance as a tool for broader economic development.</p> <p>Regulators have a nuanced understanding of market development imperatives and the mandate to implement regulatory frameworks to achieve these objectives.</p>	<p>Policymakers (primary responsibility):</p> <ul style="list-style-type: none"> • Provide policy direction via clearly articulated development objectives • Capacitate the regulator and other official decision-makers by means of a clear and explicit mandate • Engrain coordination mechanisms in legislation to ensure effective coordination across regulatory authorities <p>Regulators:</p> <ul style="list-style-type: none"> • Act on mandate and coordination structures as provided by policymaker • Implement the required monitoring and progress measurement framework <p>Development partners:</p> <ul style="list-style-type: none"> • Support the development and ongoing operation of an effective coordination mechanism • Work with policymakers and regulators to set targets for market development and identify key indicators for monitoring and measuring progress. • Set regional or global best-practices or frameworks around these targets and indicators
Supervise risk rather than rules to raise standards	<p>Regulatory frameworks and supervisory systems are risk-based. They protect consumers without unnecessary barriers, incentivise innovation, improving inclusion and technical capacity, value and overall standards in the market.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> • Ensure legislation grants the regulator the mandate required to implement RBS

Imperative	What will success look like?	Potential actions and roles
	<p>An entrenched risk appreciation among insurers raises the level of professionalism and market performance.</p>	<p>Regulators:</p> <ul style="list-style-type: none"> • Start by outlining an RBS approach in consultation with industry • Build an internal risk-rating approach and gradual interventions based on risk • Develop risk-based subsidiary rules through iterative consultations to enhance capital and solvency requirements to be more sensitive to risk • Develop a broad set of tools to sanction and rehabilitate risk institutions • Support industry to build data and capacity for risk-based approaches <p>Development partners:</p> <ul style="list-style-type: none"> • Support policymakers and regulators to develop risk-based regulation and supervision • Support regulators to develop capacity, systems and data to effectively implement RBS
<p>Drive innovation for better resilience outcomes</p>	<p>Regulators have the guidance and tools to facilitate innovation and manage the associated risks.</p> <p>Insurers innovate and offer value to consumers.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> • Design regulatory architecture to grant the regulator the mandate and discretion to enable innovation • Help facilitate innovation, by creating enabling infrastructure, such as an enabling payments ecosystem and by otherwise proactively encouraging innovation • Develop a legal basis for coordination structures between different regulators and ministries • Making datasets available to industry to enable cost effective and better value products (e.g. motor vehicle, birth and death registries) <p>Regulators:</p> <p>Extend the role of the policymaker to proactively encourage innovation, e.g. through:</p> <ul style="list-style-type: none"> • Convening industry or holding trainings • Implementing context-relevant, appropriate test and learn or sandbox approaches to innovation • Ensuring regulatory certainty through ongoing communication with the market • Coordinating with fellow regulators on cross-cutting topics such as payment system innovation <p>Development partners:</p> <ul style="list-style-type: none"> • Work with regulators to implement appropriate regulation for innovation tools • Collect consumer and SME level data in collaboration with regulators and market players and disseminate and embed the associated insights into insurers' strategies • Support the development of new, innovative models or technologies to solve core insurance challenges, e.g. through innovation competitions or direct assistance to market players (where relevant in partnership with policymakers and/or regulators) • Support skills trainings programmes to develop regulatory and industry skills <p>Industry:</p> <ul style="list-style-type: none"> • Deepen digitisation to save costs and better engage the consumer • Adopt customer-centric approaches to better serve customers and encourage usage • Broaden distribution approaches and consider new innovative distribution partners, such as digital platforms, to reach more customers • Leverage alternative payments and identify options to include more • Build trust with the market

Imperative	What will success look like?	Potential actions and roles
Reengineer compulsion to drive better societal outcomes	<p>Compulsory products deliver on their policy and societal objectives, thereby providing value to consumers and improving the perception of insurance.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> Assess underlying policy objectives for compulsory products, determine whether they are meeting such objectives and, in collaboration with regulators, reengineer compulsory products that are not <p>Regulators:</p> <ul style="list-style-type: none"> Monitor and hold the market accountable to policy objectives for compulsory products <p>Development partners:</p> <ul style="list-style-type: none"> Support policymakers and regulators to develop indicators to monitor the impact of compulsion against the policy and societal objectives of compulsory products Work with regulators and policymakers to develop and implement technology and national databases, such the motor vehicle registration database, to help with compliance and reduction of fraud
Unlock risk transfer and management for enterprises development	<p>Enterprises, both large corporates and SMEs, have access to appropriate risk transfer, management and mitigation solutions, which will improve their resilience and productivity.</p> <p>Localisation policies serve policy and economic growth objectives.</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> Identify key sectors that require better risk management and create engagement structures to bring together key stakeholders to manage the risk, including insurers Develop an SME strategy including risk management and insurance Evaluate localisation policies to determine whether they are meeting policy and economic growth objectives <p>Regulators:</p> <ul style="list-style-type: none"> Monitor SME level data to better understand risks and needs in innovation engagements with industry (where relevant in coordination with policymaker) Identify and remove regulatory barriers to SME insurance, including e.g. bancassurance restrictions <p>Development partners:</p> <ul style="list-style-type: none"> Support insurers to build technical underwriting skills and business models that enable them to become risk managers for business Support provider innovation targeted at serving SMEs, including brokering relevant partnerships between SME aggregators and insurers Determine strategic value chains within priority sectors and map the risks faced throughout the value chain to unpack specialised needs and build the business case to serve such group <p>Industry:</p> <ul style="list-style-type: none"> Expand product options for SMEs by understanding their needs and by partnering with key aggregators, such as digital platforms, value chains, MFIs, cooperatives and professional bodies
Invest insurance assets for development	<p>Suitable long-term investment instruments are available and used by insurers.</p> <p>Insurers have longer-term liabilities, facilitating greater investment in long-term instruments.</p> <p>The insurance sector allocates this capital to productive opportunities, and indirectly helps to grow capital market institutions, governance and professionalism</p>	<p>Policymakers:</p> <ul style="list-style-type: none"> Build longer-term insurance liabilities by incentivising long-term savings Develop capital market strategies that allow new long-term investment instruments to be developed <p>Policymakers and regulators:</p> <ul style="list-style-type: none"> Ensure sufficiently risk-sensitive capital rules to incentivise efficient allocation of capital Harmonise insurance-pension linkages through improved coordination between pensions and insurance regulators <p>Development partners:</p> <ul style="list-style-type: none"> Support the development of more domestic long-term investment vehicles such as REITs or infrastructure funds Support capital market development strategies to increase the investment options and deepen capacity <p>Industry:</p> <ul style="list-style-type: none"> Innovate to grow long-term insurance assets Collaborate with capital market providers to develop long-term investment instruments to allow the diversification and more productive investment of assets Develop pooled products for pension funds Outsource asset management to specialists or invest in pooled products to better leverage limited scale and investment skills

Source: Author's own



FSD Africa, Nairobi, Kenya
info@fsdafrica.org
@FSDAfrica

www.fsdafrica.org



Cenfri, Cape Town, South Africa
info@cenfri.org
@cenfri_org

www.cenfri.org



DFID, London, UK
enquiry@dfid.gov.uk
@DFID_UK

www.gov.uk