



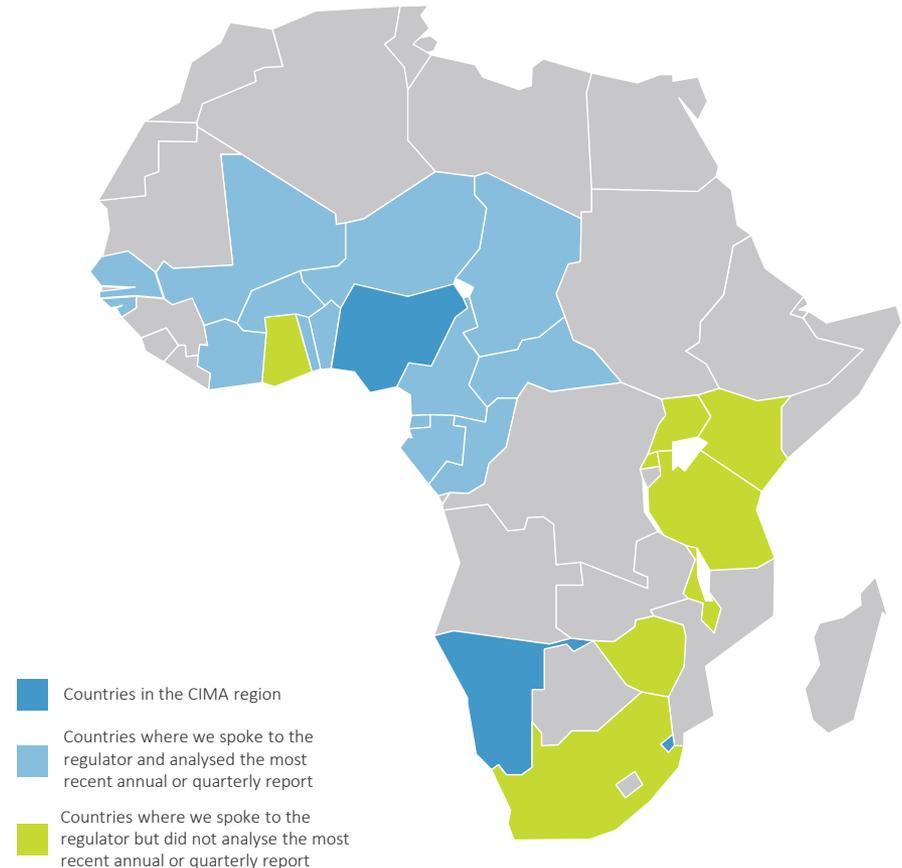
# How are insurance regulators in SSA affected by, and responding to, COVID-19?

## Emerging insights

June 2020

# Our engagements with regulators so far

BNR	Rwanda
CIMA	CIMA Region
FSCA; PA	South Africa
FSRA	eSwatini
IPEC	Zimbabwe
IRA	Uganda
IRA	Kenya
NAICOM	Nigeria
NAMFISA	Namibia
NIC	Ghana
RBM	Malawi
TIRA	Tanzania
<b>Markets covered:</b>	<b>12</b>



# Short-term implications of COVID-19



# COVID-19 has highlighted existing capabilities and challenges

- Regulators' internal processes
- Regulators' communication with stakeholders
- Regulatory requirements
- Innovation

# Regulators' internal processes

Impact	Response
Containment measures imposed by governments to curb the spread have affected regulators' day-to-day operations	<b>Working from home to various degrees – depending on the severity of restrictions</b> <ul style="list-style-type: none"><li>• Aiming to minimise disruption of activities but taking health precautions (e.g. IPEC Zimbabwe, FSCA SA)</li><li>• Limiting in-person internal meetings (e.g. CIMA)</li><li>• Given easing containment measures, regulatory staff have been returning to their offices (e.g. NAICOM Nigeria; FSCA South Africa – which was 89% remote capable within one week of Lockdown Level 5)</li></ul>
	<b>But facing challenges to rapidly digitise/switch to remote working</b> <ul style="list-style-type: none"><li>• Access to necessary infrastructure/technology as well as data security and physical security concerns (e.g. FSCA South Africa, FRSA eSwatini)</li></ul>
	<b>Some have had to suspend on-site inspections and face-to face engagements with external stakeholders – disrupting normal activities</b> <ul style="list-style-type: none"><li>• e.g. IPEC Zimbabwe, IRA Uganda and FRSA eSwatini (FSCA SA conducted a virtual on-site inspection for a new licensee.)</li></ul>
	<b>Some have been encouraging/requiring electronic submission of documentation</b> <ul style="list-style-type: none"><li>• e.g. IRA Kenya, FSRA Eswatini</li></ul>

# Regulators' communication with stakeholders

Impact	Response
Heightened uncertainty; lack of clarity regarding the health, economic and social impact of COVID-19	<p>Some regulators are addressing uncertainty through proactive, ongoing multilateral communication, sometimes through multiple channels (and encouraging insurers to do the same)</p> <ul style="list-style-type: none"><li>• Via their websites – publishing statements and directives (e.g. PIA Zambia and FSCA South Africa)</li><li>• Via social media (e.g. IRA Kenya's Facebook and Twitter accounts)</li><li>• Via newsletters (e.g. IRA Uganda)</li></ul>
	<p>Others are relying on (virtual) bilateral engagements or infrequent multilateral engagements</p> <ul style="list-style-type: none"><li>• Via email (e.g. IPEC Zimbabwe and NIC Ghana)</li><li>• Via webinar (e.g. NAICOM Nigeria – &gt;1,308 participants)</li><li>• One-on-one meetings with industry (e.g. BNR Rwanda)</li><li>• Meetings with industry associations (e.g. IPEC Zimbabwe)</li></ul>
	<p>Regulatory uncertainty exacerbated where communication has been limited or disrupted</p> <ul style="list-style-type: none"><li>• No easily discernible communication/information on COVID-19 on the websites of e.g. NAICOM Nigeria, CIMA, and TIRA Tanzania</li></ul>

# Regulatory requirements

Impact	Response
<p><b>Insurance market players under pressure</b></p> <ul style="list-style-type: none"><li>• Shifting to remote work</li><li>• “Forced digitisation”</li><li>• Falling premium income (disrupted sales; reduced premium payments)</li><li>• Balance sheet impacts</li></ul>	<p><b>Many regulators have provided regulatory relief to their market players</b></p> <ul style="list-style-type: none"><li>• By extending deadlines for reporting requirements (such as annual financial statements, audits and/or renewals of licences) – e.g. IPEC Zimbabwe, PA South Africa, NBFIRA Botswana, IRA Uganda, NIC Ghana, FRSA Eswatini, BNR Rwanda</li><li>• By extending deadlines regulatory levy payments – e.g. IPEC Zimbabwe</li></ul> <hr/> <p><b>But additional requirements have also been implemented to safeguard the sector and its reputation/consumer trust</b></p> <ul style="list-style-type: none"><li>• On activating (e.g. BNR Rwanda, NAICOM Nigeria) and submitting business continuity plans to the regulator for review (e.g. IRA Uganda, RBM Malawi)</li><li>• On more frequently reporting insurers’ operational ability and general financial position (e.g. PA South Africa, PIA Zambia)</li><li>• On treating customers fairly (e.g. PIA, Zambia – requiring prior approval to suspend/withdraw product offerings; IRA Uganda; IRA Kenya)</li><li>• On illustrating the value of insurance by covering COVID-19 (e.g. IRA Kenya and IRA Uganda)</li><li>• On flexibility with regard to premium payments and policy lapses (e.g. IRA Uganda)</li></ul>

# Innovation

Impact	Response
<p data-bbox="162 382 446 511"><b>Business-as-usual considerably disrupted</b></p> <ul data-bbox="162 539 446 762" style="list-style-type: none"><li data-bbox="162 539 446 762">• Containment measures have disrupted agent/broker-driven sales.</li></ul>	<p data-bbox="510 382 1591 419"><b>Some regulators have been encouraging innovation among industry:</b></p> <ul data-bbox="510 448 1754 733" style="list-style-type: none"><li data-bbox="510 448 1754 576">• Urging market players to embrace technology, ensure adequate IT systems going forward, and establish better partnerships with fintechs and mobile services (e.g. NAICOM Nigeria, TIRA Tanzania, IRA Uganda)</li><li data-bbox="510 605 1754 733">• For example: The PA and FSCA South Africa, together with other financial regulators, launched the Intergovernmental Fintech Working Group (IFWG) Innovation Hub in April 2020.</li></ul> <hr data-bbox="490 748 1785 751"/> <p data-bbox="510 765 1354 802"><b>Most haven't seen any innovative responses, though.</b></p> <ul data-bbox="510 831 1754 1116" style="list-style-type: none"><li data-bbox="510 831 1754 1002">• Despite the lack of innovation seen so far, regulators remain hopeful for future product and business model innovation in response to COVID-19, e.g. BNR Rwanda pushing industry to offer more services online and to use this opportunity to further advance their IT systems.</li><li data-bbox="510 1031 1754 1116">• Lack of clarity regarding digital contracting and remote KYC requirements mentioned as hindrance by providers</li></ul>

# Medium-term implications of COVID-19



# Existing industry challenges exacerbated in the medium term

## 1. Decrease in premiums

- Certain distribution channels and lines of business especially affected (e.g. agent sales; credit-life insurance)
- Increased disruption on premium collection where digitisation capabilities of insurers are limited
- Policy lapses may become more common as consumers' income becomes affected.

## 2. Reduced claims initially; however, other expenses still remain.

- Reduction in premiums offset, to some extent, by reduced claims
- But operational and management expenses unlikely to decrease
- COVID-19-related claims could increase substantially in the medium term, compromising profitability.

## 3. Lower investment income

- Different assets classes dominate in different countries – but term deposits, government securities and property are key.
- Each key asset class is bound to see some impact.

Impacts insurers on three fronts.  
Combined, this can significantly affect insurers' bottom-line.

# Impact on sustainability, innovation and market development

Insurance market players and regulators not yet very concerned about these vulnerabilities – still **preoccupied with immediate effects**.

But, even a 10% reduction in overall net profit is likely to lead to **widespread failures/liquidations** and considerable **market consolidation**.

The long-term implication may be a **major remapping** of the insurance landscape in many SSA markets.

A key imperative for **regulators** is to monitor and manage the risks proactively, including ensuring responsible exits of unsustainable insurers.

Looking forward: There is **scope for innovation** and **cleaning up unsustainable practices** as fragmented markets consolidate.

(Potential) long-term  
implications of COVID-19



# Key risks and opportunities

## COVID-19 Impact



1. “Forced digitisation” of providers
2. “Forced digitisation” of regulators
3. Prudential concerns

## Risks



1. Erosion of trust
2. Ineffective remote supervision
3. Widespread insolvency; market failure

## Long-term opportunity



1. Innovation and enhanced efficiency
2. Enhanced efficiency
3. Consolidation of fragmented markets – boosting market development

## Regulators’ (optimal) response



1. Enable market innovation:
  - Electronic contracting; remote KYC
  - Techs
  - Pathway to market
2. Embrace new ways of working and engaging with industry
  - Regtech and supotech
3. Enable an orderly exit process for insolvent insurers

# Contact us

Jeremy Gray  
[jeremy@cenfri.org](mailto:jeremy@cenfri.org)

Nichola Beyers  
[nichola@cenfri.org](mailto:nichola@cenfri.org)

## About Cenfri

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

## About FSD Africa

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

