

Key trends on:

# How the insurance sector in Eastern and Southern Africa is being impacted by and responding to COVID-19



# Overview of respondents

68

responses were received from insurance sector players

across

19

markets

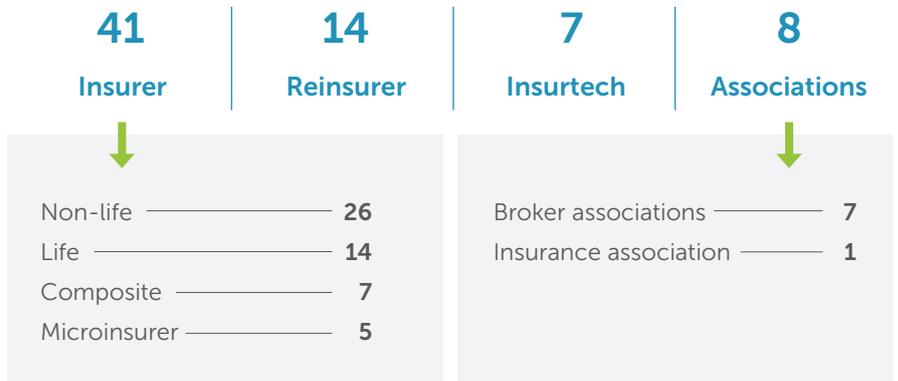
The below findings are from a survey conducted by FSD Africa, the Organisation of Eastern and Southern Insurers (OESA) and Cenfri in June 2020 to understand the impact of COVID-19 on the insurance sector in Eastern and Southern Africa.

## Respondents

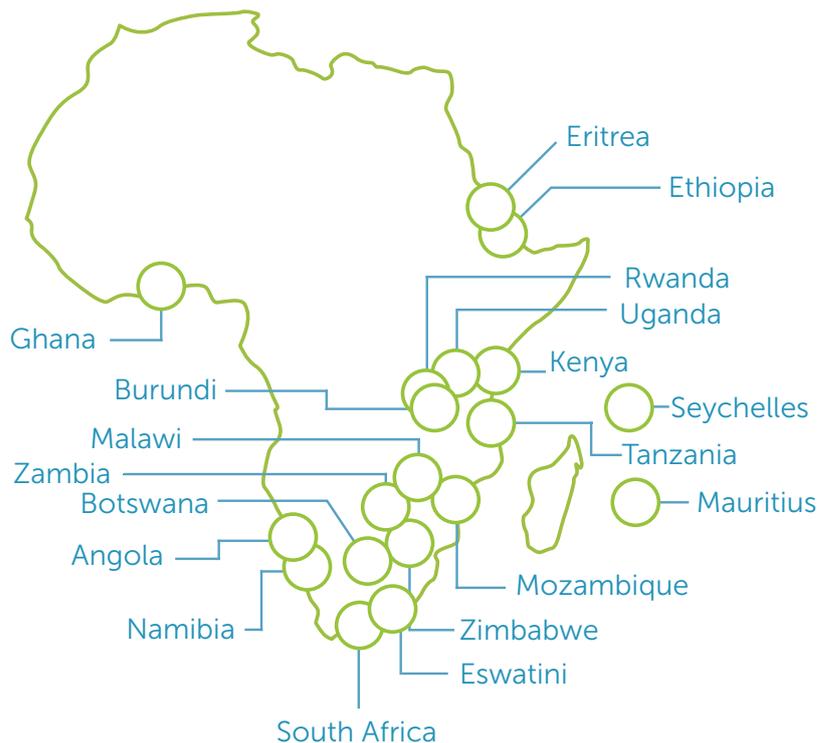
(multi-tagging – some respondents have multiple licenses)



unique institutions responded to the survey



## Jurisdictions covered



# Digitalisation

Most respondents had to enable remote work.

**95%**

of respondents had to shift their business, or aspects of their business, to working remotely.

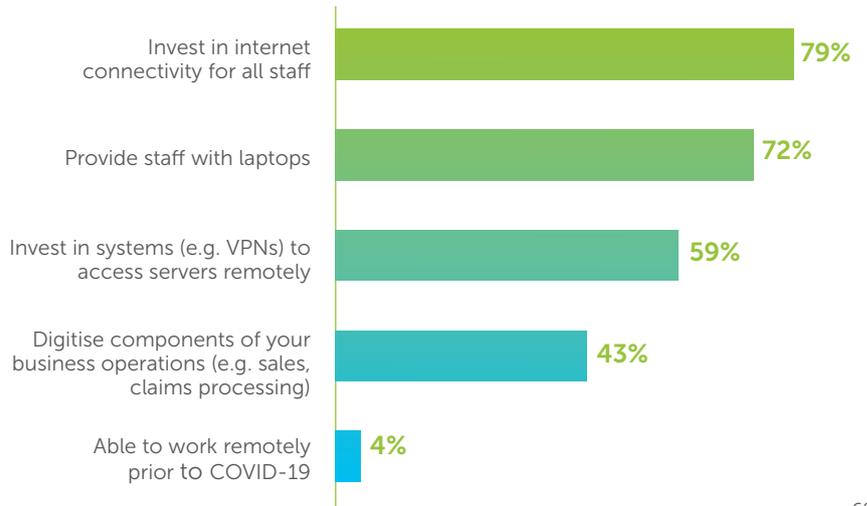
COVID-19 resulted in significant digitisation.

**~66%**

of respondents have digitised, or are in the process of digitising, their operations as a result of COVID-19.

This presents a significant opportunity for increased efficiency in the future.

## How respondents enabled remote work



n=68

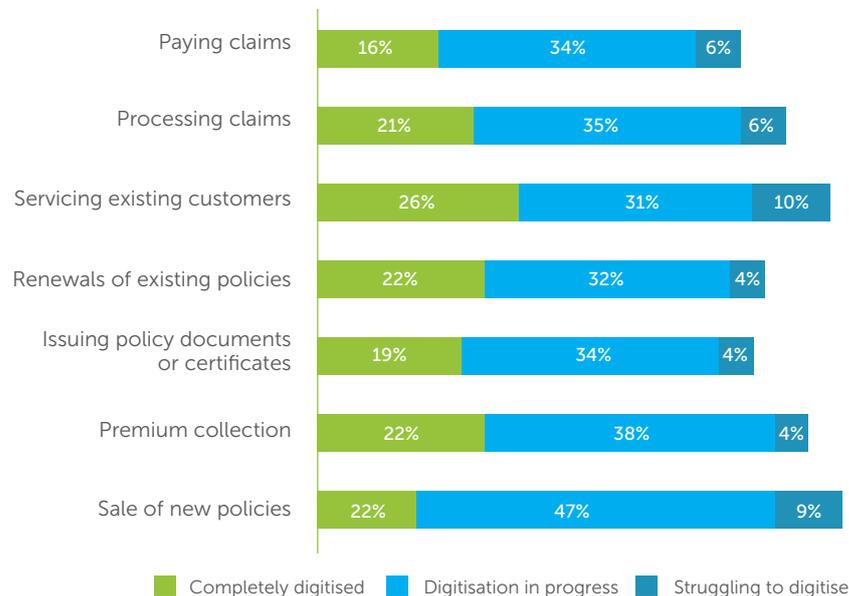
## Extent of digitalisation

### Digitised prior to COVID-19



n=68

### Digitised during COVID-19



n=68

\*N/A responses not included in visual

Challenges with digital sales and remote onboarding.

39%

insurers

50%

microinsurers

currently use electronic signatures to conclude sales

48%

insurers

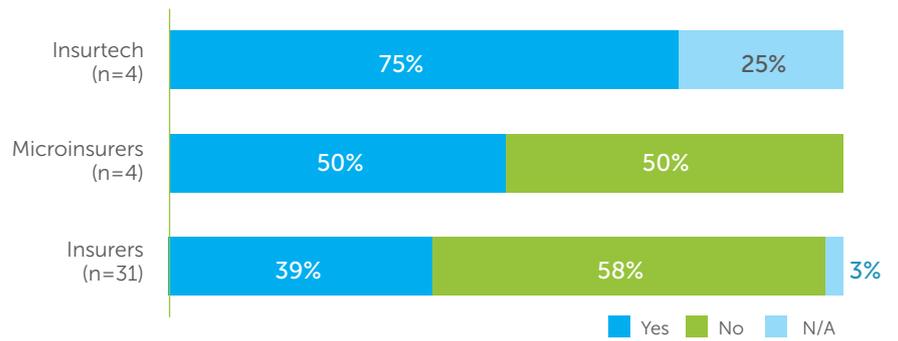
50%

microinsurers

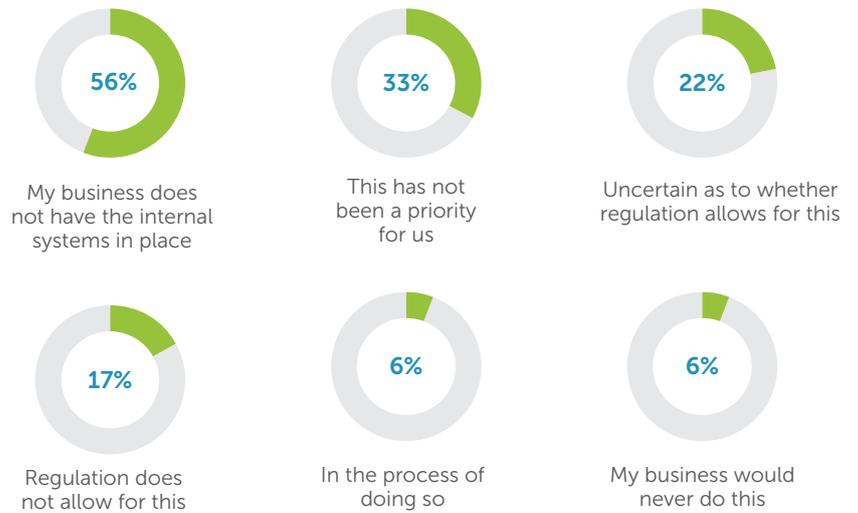
do remote KYC onboarding

The main barrier mentioned by insurers was that they lack the internal systems in place to enable digital sales and are uncertain about whether regulation allows for it.

Do you currently use e-signatures to conclude sale of insurance?

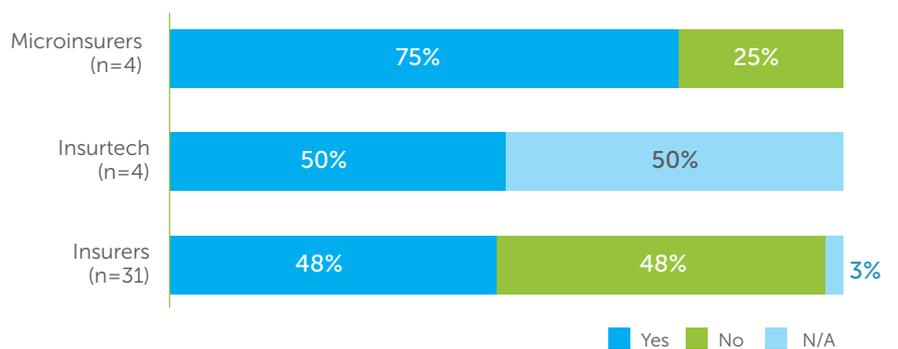


If no, why not?

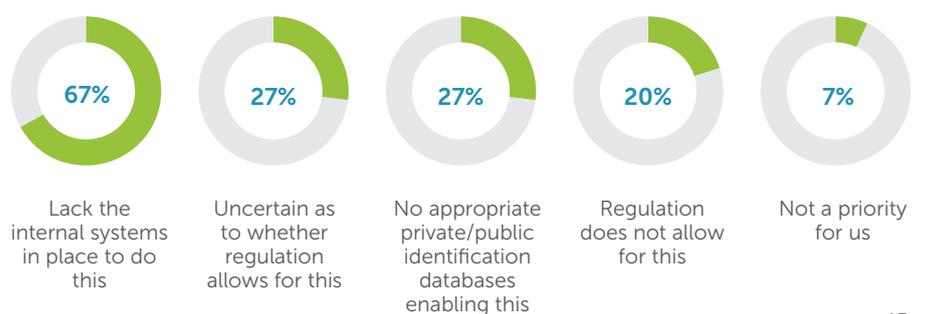


n=18

Do you currently do remote Customer Due Diligence (CDD) / Know-Your-Customer (KYC) onboarding of customers?



If no, why not?



n=15

# Impact of COVID-19

COVID-19 has had a negative effect on operations.

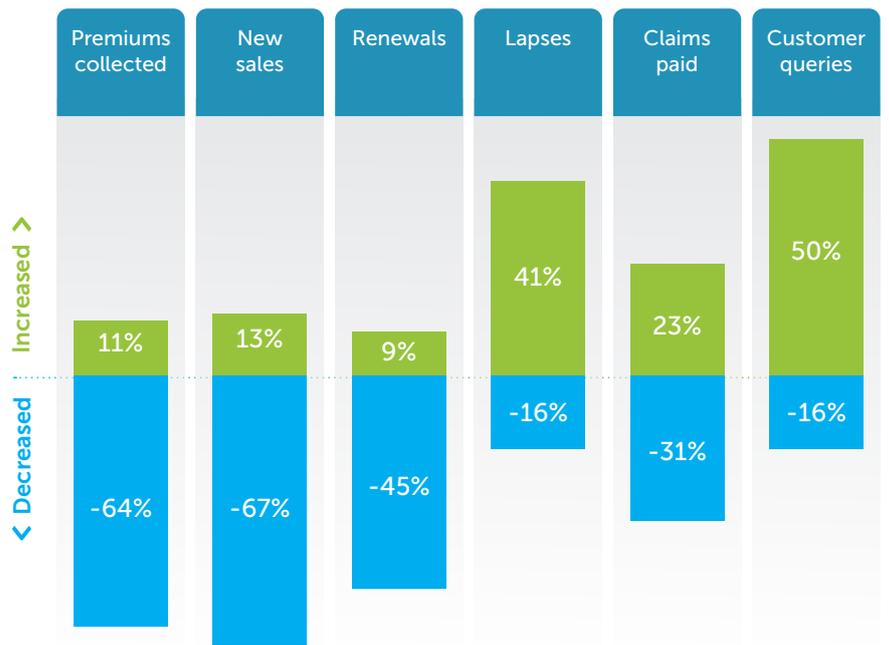
## >50%

of respondents experienced reductions in new sales and premium collection and renewals.

### Prudential concerns high.

The negative impact on operations, particularly sales and premium collection, has raised major concerns amongst insurers around prudential stability.

## Changes in business operations due to COVID-19



n=64  
\*N/A responses not included in visual

▲  
**40%**

experienced a rise in operational expenses

▲  
**8%**

experienced a rise in commission costs

▲  
**28%**

experienced a rise in their liability values

▼  
**36%**

experienced a reduction in asset values

## Level of concern around sustainability



Very concerned Slightly concerned Not concerned

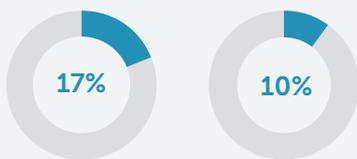
n=50  
\*Don't know' responses not included in visual

Despite this, respondents are optimistic about premium income recovery. 50% of respondents expect premium incomes to recover in less than a year.

Some have put in place temporary relief measures for consumers. Respondents have mostly initiated communication campaigns with consumers to clarify risk coverage and have provided flexibility around premium payments.

But very few are supporting agents ...

% of respondent providing minimum payment for agents to make up for lost commissions:



n=63

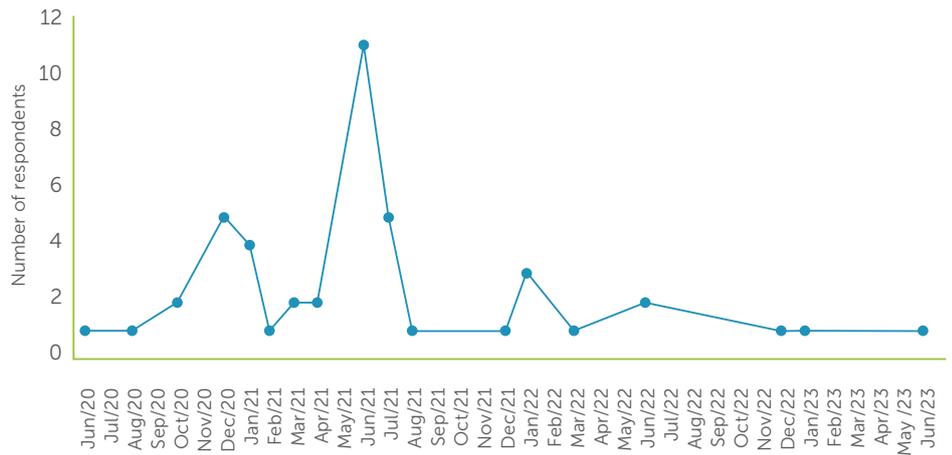
... and some have had to lay off employees

8%

of respondents have either laid off or are in the process of laying off workers due to COVID-19.

n=63

### Premium recovery

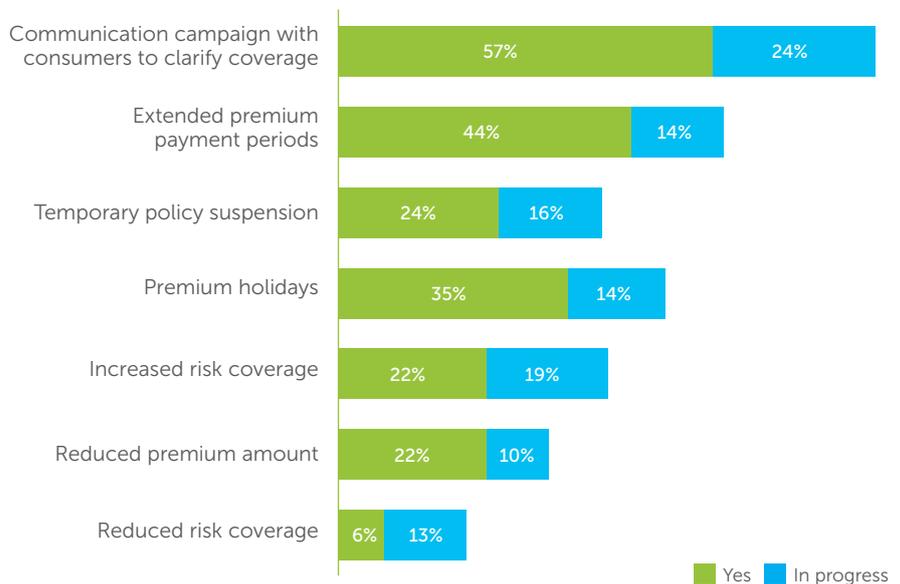


### Other (13%)



n=64  
\*N/A responses not included in visual

### Changes made to products and services following COVID-19



n=63  
\*No and N/A responses not included in visual

# Risk coverage

Households generally more protected. Greater COVID-19 related risk coverage for life, health and hospitalisation insurance and reinsurance products.

But insurance has largely not played a role in business resilience. Business interruption and event cancellation insurance and reinsurance predominately does not cover COVID-19 related risks.

## Why it's challenging for the insurance sector to cover COVID-19 related risks:



COVID-19 risks not priced for in existing policies



Exclusions of COVID-19 related risks in reinsurance contracts



Reduced liquidity due to sales, renewals and lapses being negatively impacted

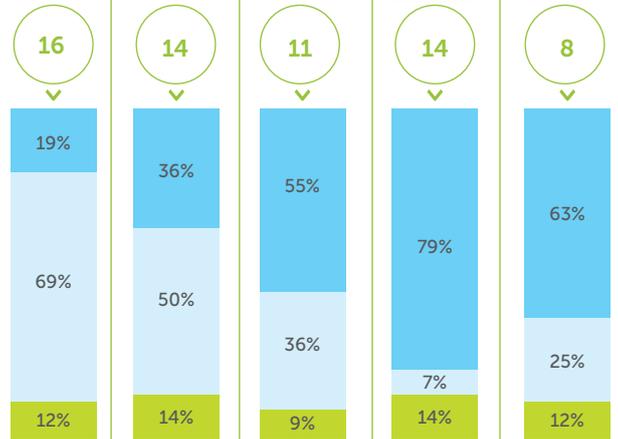
### Whether COVID-19 risks are covered in insurance contracts

% of respondents



### If unclear, what did they do

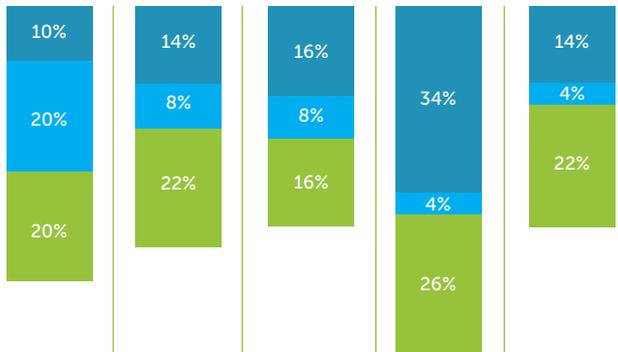
(% of those who neither included nor excluded)



Life Health Hospitalisation Business interruption Event cancellation

### Whether COVID-19 risks are covered in reinsurance contracts

% of respondents



### If unclear, what did they do

(% of those who neither included nor excluded)



Life Health Hospitalisation Business interruption Event cancellation

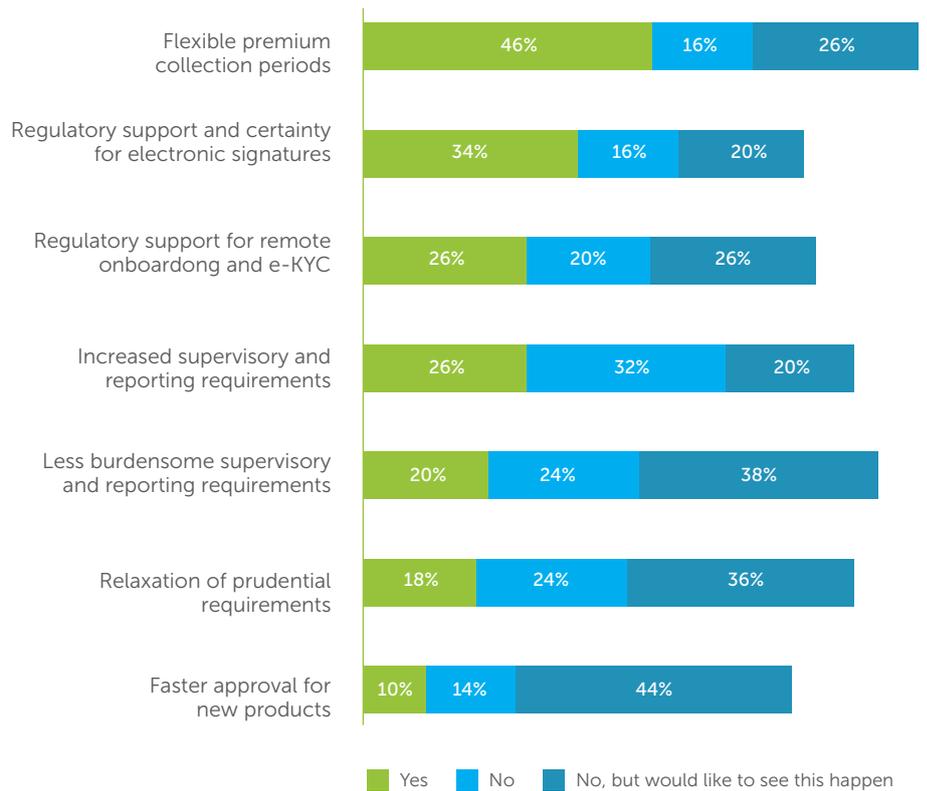
■ Explicitly excluded 
 ■ Explicitly included 
 ■ Neither included nor excluded  
■ Exclude 
 ■ Include 
 ■ N/A

n=50  
\*N/A responses not included in visual

## Regulatory responses

**Regulatory responses varied, with scope for more support.** Most regulators have provided flexibility in terms of premium collection and taken measures to enable digital sales.

### Regulatory responses to COVID-19

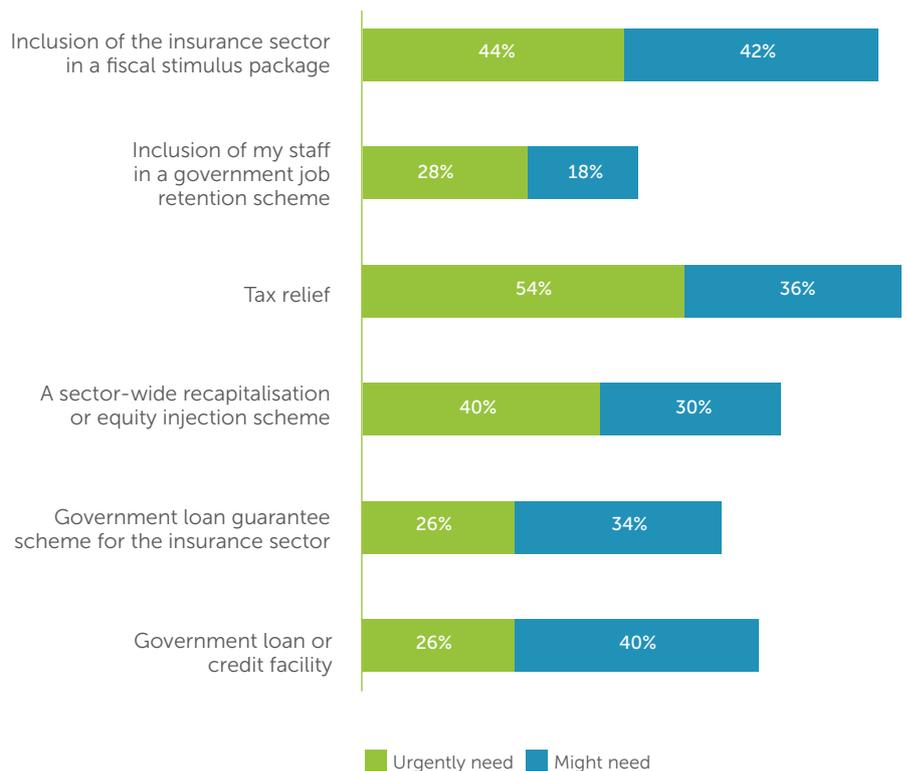


n=50  
\*Don't know' responses not included in visual

## Fiscal interventions requested

**Respondents indicates that government fiscal support is needed for the insurance sector.**

### Government support measures in response to COVID-19



n=50  
\*Not showing responses of institutions that indicated that these interventions were not needed

# Key challenges highlighted by COVID-19

## Key challenges identified by respondents

1

### Reduced premium income and liquidity challenges:

Reductions in premium income from new policies and from scaling down risk coverage of heavily effected sectors will have negative impact on insurers' liquidity, ability to meet short-term expenses and claims obligations.

2

### Decreased consumer and business income:

The COVID-19 health crisis turned into an economic crisis, thus constraining consumers' and businesses' incomes and negatively impacting their ability to afford insurance premiums.

3

### Reputational risk of not being able to serve clients when they need insurance most:

Most business continuity plans exclude pandemics or unknown bacteria or viruses or require an outbreak to happen within a certain radius of the business. While such exclusions are justified, insurance not playing a role in business resilience is a reputational risk for the industry.

4

### Reduced investment income:

COVID-19 has had a negative impact on global markets, and in return, on investment returns. This is a key concern as many insurers are heavily reliant on investment returns to maintain profitability.

5

### Being forced to pay COVID-19 claims when not appropriately priced:

Many insurance policies did not price for COVID-19 risks, so being forced to pay out claims may have negative impacts on insurers' sustainability.

6

### Inability to sustain high operational costs in current environment:

Insurers in SSA have very high operational costs. With decreases in premium income and investment income, insurers may not be able to sustain themselves.

# Key opportunities highlighted by COVID-19

## Key opportunities identified by respondents



### Enhanced efficiency through accelerated digitisation:

COVID-19 is forcing the digitalisation of insurance value chains which, in the long run, can reduce insurers' costs and improve their efficiency.



### Digital sales and remote onboarding of customers:

Moving to a system where identities are established and verified digitally and remotely can reduce costs for insurers and decrease customer drop off.



### Reduced operational expenses due to remote work:

COVID-19 has caused a shift to increased digitisation and remote work, which lowers operational costs, especially where insurers were highly reliant on face-to-face customer engagement.



### New product opportunities and innovation around large risks like pandemics and climate risks:

COVID-19 has highlighted the negative impact of large systemic risks on governments, businesses and individuals and the current gap in insurance products.



### Increased appreciation of and demand for insurance:

Certain risks have become front of mind for consumers. This is an opportunity for insurers to leverage the greater risk appreciation of individuals and develop products that speak to current needs.

## About



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.



**Thomas Wiechers**  
[thomas@fsdafrica.org](mailto:thomas@fsdafrica.org)

---



**Organisation of Eastern &  
Southern Africa Insurers**

The Organisation of Eastern and Southern Africa Insurers (OESAI) is a member-based Insurance organisation that aims to promote the business and practice of insurance across Eastern and Southern Africa. The principal activity of OESAI is to encourage and enhance co-operation in the field of insurance and reinsurance and their related activities among companies operating in the Eastern and South Africa Region.



**Linet Macharia**  
[secgeneral@oesai.org](mailto:secgeneral@oesai.org)

---



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.



**Kate Rinehart-Smit**  
[kate@cenfri.org](mailto:kate@cenfri.org)

