




ANNUAL CONFERENCE 2022

RESILIENCE! OPPORTUNITY! GROWTH –
DRIVING INSURANCE FORWARD”





Searching for Growth and Going Beyond Insurance Norm

By

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Key Messages of my Presentation

- Insurance is the infrastructural pillar which adds value in various dimensions to the economy.
- Traditional models of insurance cannot deliver on the scale of growth that the industry requires to function effectively in the economy.
- The growth of the insurance companies cannot be achieved without strategic partnerships.
- Strategic alliances and integration in necessary ecosystems are required to enable the insurance industry deliver value beyond insurance services.
- In Zimbabwe, there are huge opportunities especially in agricultural sector to facilitate growth of the Zimbabwean insurance market.



Agenda

1. Overview of insurance and its growth functions
2. Performance analysis of African and Zimbabwean insurance markets
3. Challenges of the growth strategies
4. Some growth factors in Zimbabwean Insurance Market.
5. Growth beyond insurance norm
6. Conclusion

Insurance

‘a financial product that seeks to eliminate the cost of loss or effect of loss caused by different types of risks (drought inclusive) which is instrumental to risk transferring, indemnification and intermediation’ (Outreville, 2015).



A hand-drawn mind map on a chalkboard background. The central word is 'INSURANCE', circled in white. Arrows point from 'INSURANCE' to eight surrounding words: 'LIFE' (top-left), 'HEALTH' (top-right), 'PROPERTY' (right), 'INJURY' (bottom-right), 'TRAVEL' (bottom-left), 'HOME' (left), 'ACCIDENT' (top-left, above LIFE), and 'VEHICLE' (bottom-right, below INJURY).

What is Insurance?

It is a risk management tool

It is a service

It helps in building resilience for individual, businesses and economy

It adds value- not only by paying claims, it supports economic growth

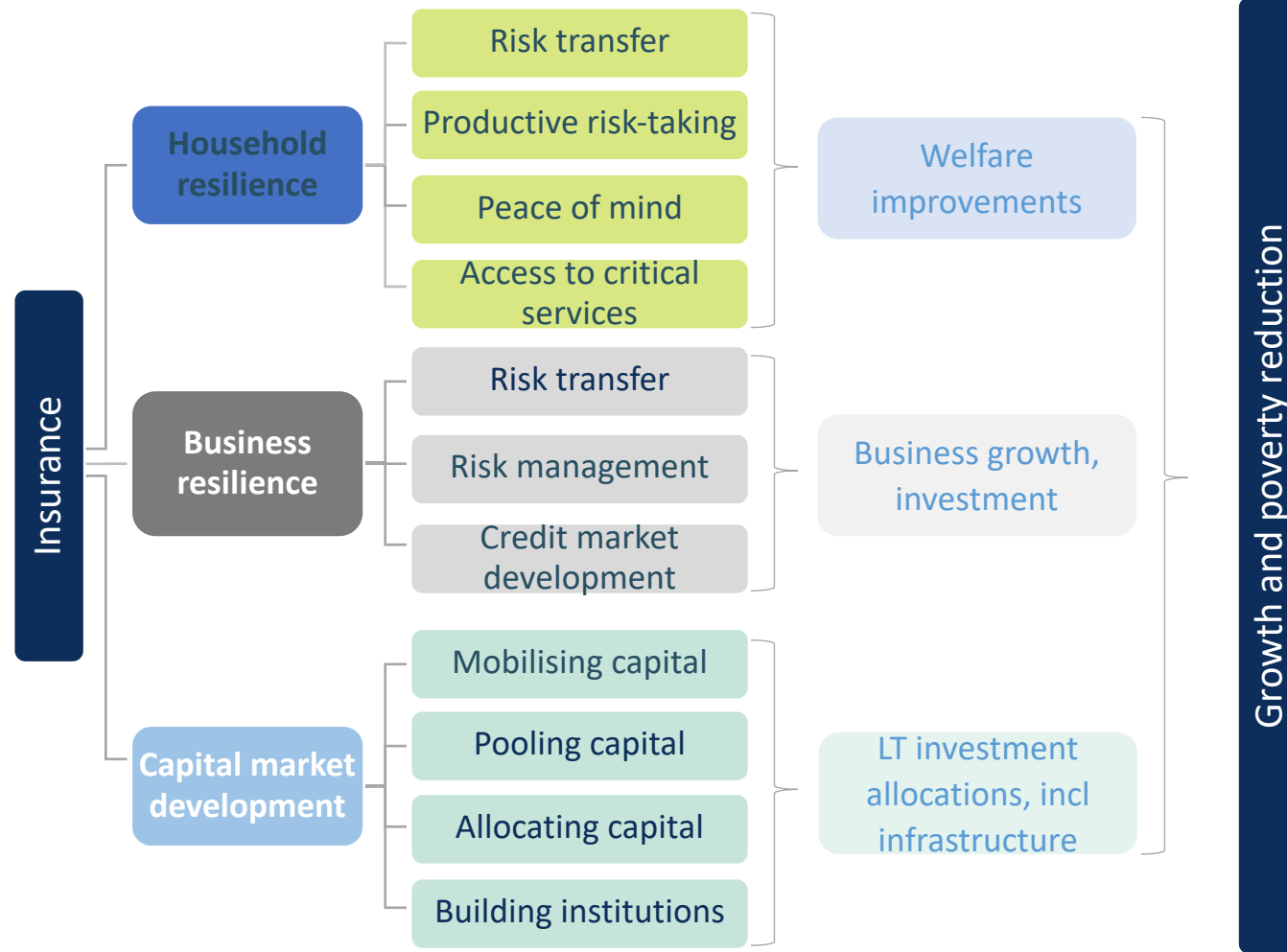
Macroeconomic Functions of the Insurance Sector

- a) an **infrastructural pillar** of the economy
- b) Stimulates new **investments, innovation, and competition.**
- c) crucial in ensuring **efficient allocation of financial resources.**
- d) critical to **financial and economic development, and elimination of poverty**



Three lenses

How does insurance affect growth and development?



Ineffective Insurance Industry



Why Insurance Penetration figures matters?

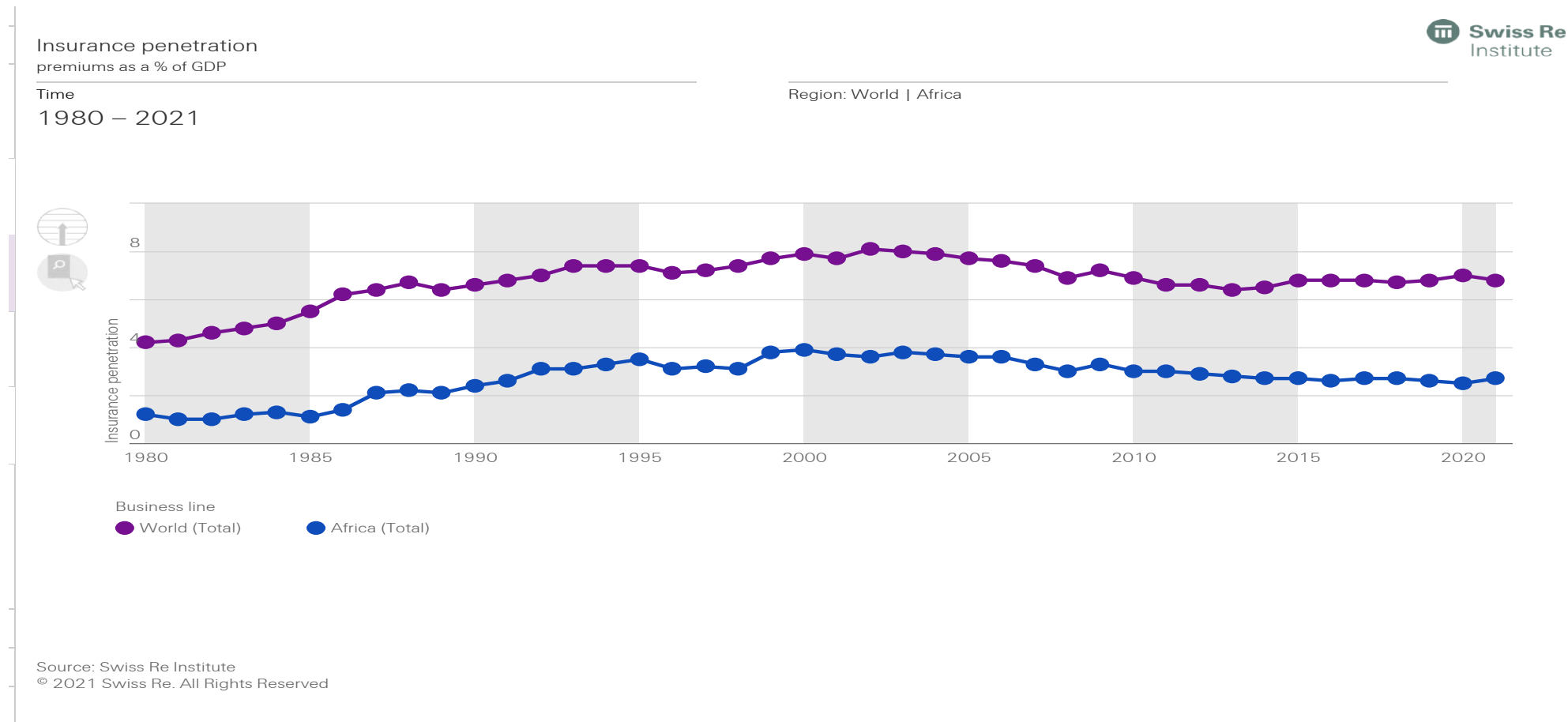
Insurance Penetration the amount of insurance premium in a country expressed as a percentage of the gross domestic product(GDP)which is market value of all goods and services produced in a country at a particular time.

An indicator of the level of development of the insurance sector in each country i.e. the higher the penetration rate, the more developed the insurance market.

Measures the growth of insurance premiums vis-a-vis the growth in the GDP.

It provides insight into the contribution of the insurance sector to GDP

Analysis of African Insurance Penetration



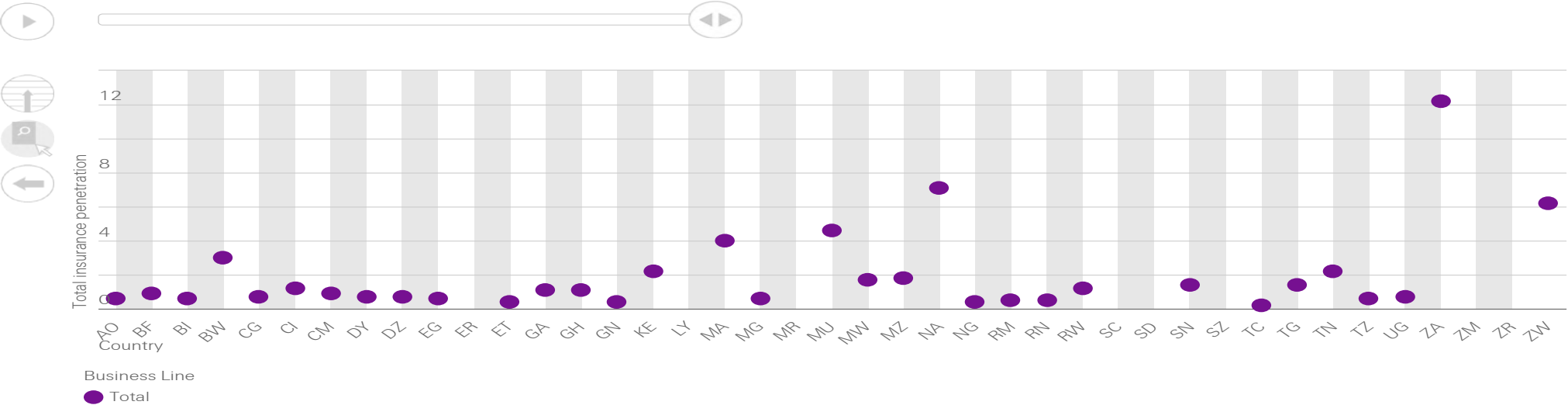
Africa Penetration By Country 2021



Total insurance penetration
premiums as a % of GDP

Time
2021

Region: Africa



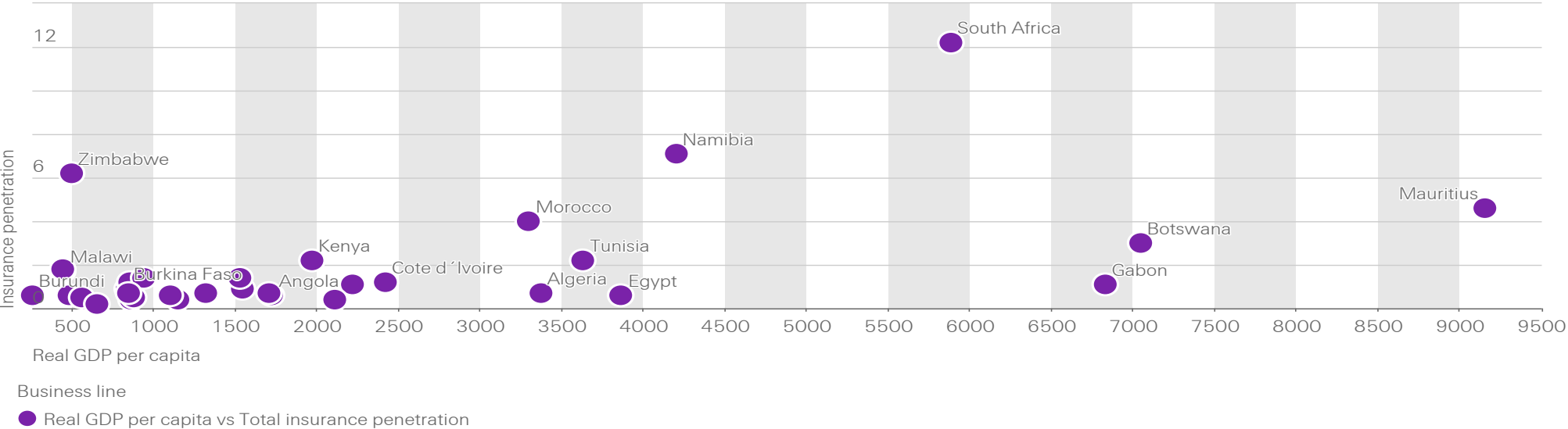
Africa country GDP and Penetration compared



Real GDP per capita vs insurance penetration
at market exchange rates (USD) vs premiums as a % of GDP

Time
2021

Region: Africa



Overview of Africa's Insurance Performance Over the years

African insurance markets in the last ten years have seen minimal growth. The economic downturn of a lot of African countries exacerbated by the pandemic and other natural disasters have disrupted traditional insurance models.

The inadequacy of old models of growth is forcing the sector to adapt new systems of business.

Hence the emergence and development of new models, new ideas and new partnerships that can foster growth in the industry.

Zimbabwe - Country Outlook

- **Population** The country's population was estimated at 15.1 million in 2021 (SwissRe Sigma Explorer) with about **67 percent** residing in the rural areas and **33 percent** in urban areas.
- The Zimbabwean business environment has been turbulent due to policy shifts and macroeconomic instability, characterised by exchange rate volatility and high inflation rates.
- The economy experienced its worst hyperinflation episode in 2008, which led to loss of policyholder value and dampened confidence in the insurance sector. This led to the adoption of US dollar denominated multicurrency regime that brought about macroeconomic stability for almost a decade before it was reversed and then readopted again.



Zimbabwe - Macroeconomic Developments

- Zimbabwe's economic growth accelerated to an estimated **6.3%** in **2021** from a 5.3% contraction in 2020, facilitated by a bumper harvest, expanding agriculture 2021.
- Per capita GDP grew by 4.9% in 2021 from a contraction of 6.7% in 2020.
- The Government's efforts to stabilize prices through prudent fiscal policy and rules-based monetary and exchange rate policies have been very effective.





Overview of Zimbabwe Insurance Market

Zimbabwe is one of a few insurance markets in Africa, with insurance penetration as high as 6.2%.

This is evidence of the level of development of the market and the fact that the sector is one of the crucial pillars of the financial system in Zimbabwe



The Zimbabwe insurance industry has a great potential for expansion.

The African Economic Report of 2021, predicted a recovery in 2021 from Zimbabwe's worst economic recession in half a century and this came to pass.

It has further driven the continued growth and development of the insurance sector in Zimbabwe.

Factors Affecting the Growth of Insurance in Zimbabwe

Negative Factors

- a. **The pandemic-** The erosion of disposable income coupled with uncertainty over the ability of the sector to cover claims against the impact of the pandemic have resulted in a low appetite for insurance products
- b. **Unfavourable economic situation-** e.g., change of functional currency back and forth affected consumer confidence largely because of the loss in value that policyholders
- c. **Poor perception and low demand for insurance products** due to past experiences of consumers. Citizens are uncertain about the ability of insurance companies to deliver on their promises.
- d. **Instability** in the sector especially with non-compliance with capital requirements
- e. **Dearth of skilled manpower in the industry**
- f. **Poor regulatory enforcement-** especially in the investment in prescribed assets causing liquidity problems and ability to settle claims on time.

Positive Factors

- a. **Increasing consumer awareness** leading to changing customer expectations
- b. **Digital technology** -the increased use of electronic platforms presents opportunities for growth.
- c. **Climate change** impacting certain risk profiles- Severe weather patterns have been increasing in the past few years with Zimbabwe experiencing regular droughts and a cyclone since 2019. Creates opportunities for insurance solutions
- d. **Increasing economic activities** and growth of GDP.
- e. **New regulations-** ZICARP RBC Regime

Insurance Market in Zimbabwe- Regulatory Developments

ZICARP

- The Insurance and Pension Commission (IPEC) launched a new RBC regime commonly referred to as the Integrated Capital and Risk Programme (ZICARP). ZICARP has three pillars:
- Pillar 1 - quantitative requirements,
- Pillar 2 - qualitative requirements and
- Pillar 3 - disclosure requirements. It is very similar to SAM of South Africa.
- This has been followed up by qualitative risk and capital management surveys and quantitative impact studies together with dry runs scheduled to end in December 2022.

Advantages:

1. Strengthens the market and prevents insolvencies.
2. Leads to the emergence of strong insurance companies with right capital needs.
3. Boosts investors confidence in the market.
4. Allows for efficient management of capital.

Insurance Market in Zimbabwe- Regulatory Developments

- **Review of the Insurance Act** and the **IPEC Act** are currently being reviewed for further amendments so as to strengthen the regulation of the sector which should improve the credibility of the industry
- Adoption of the **International Financial Reporting Standard (IFRS) 17** which will standardise insurance accounting and improve comparability. It also increases transparency in terms of the insurer's exposures and performance.
- Development of **Zimbabwean Mortality Tables** to replace the South African ones which do not correctly depict the mortality experience for Zimbabwe. This will aid product pricing and reduce the insurance liabilities for the industry as products will now be correctly priced.

Zimbabwean Insurance Market Ten-Year Analysis

There had been a steady growth in the industry until the year 2019 where negative growth was recorded as a result of the deceleration in economic activities in the country due to drought and some structural challenges.

The situation was further exacerbated by Covid 2019 which led to negative growth figures from 2019 till 2021 though the country is gradually getting out of its worse recession having been blessed with a bumper harvest in 2020.

ZIMBABWE TEN YEAR STATISTICS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Life Premium (USD million)	220	290	340	370	390	410	470	110	80	180
Non-Life Premium (USD million)	190	210	220	220	220	270	280	150	180	220
Total Premium (USD million)	410	500	560	590	610	680	750	260	260	400
Premium Growth (in %) inflation adjusted	32.9	32	9.7	8.6	4.7	5.9	5.2	-11.3	-15.5	-0.3
Population (Million)	13.1	13.4	13.6	13.8	14.0	14.2	14.4	14.6	14.9	15.1
GDP (USD bn)	17	19	20	20	21	22	24	22	7	6
Penetration Non-Life	1.1	1.1	1.1	1.1	1.1	1.1	1.1	0.7	2.5	3.4
Penetration Life	1.3	1.5	1.7	1.8	1.9	1.8	1.9	0.5	1.1	2.8
Total Penetration	2.4	2.6	2.8	2.9	3.0	2.9	3.0	1.2	3.7	6.2

Source: SwissRe Sigma Explorer and Author

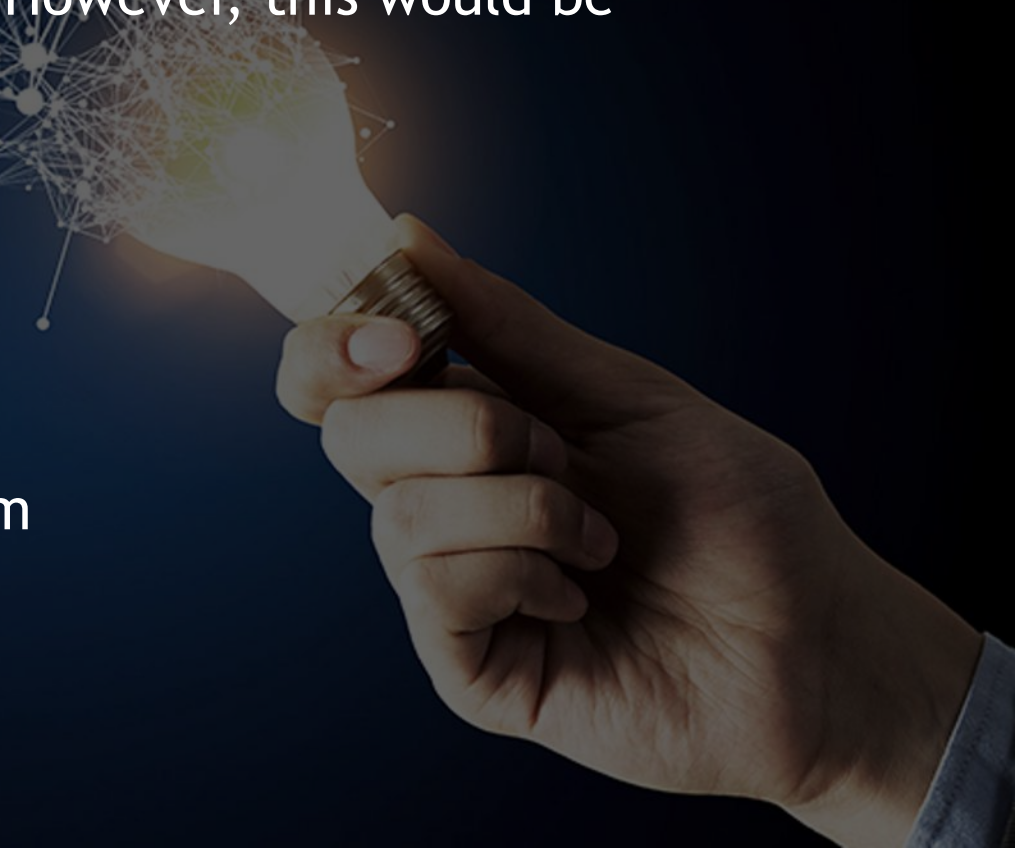
Seeking Growth Outside Insurance Norms



Non-insurance Norms for growth

Experts have posited that exogenous drivers for the growth of insurance in Africa would include mainly improvements in the regulatory climate, linkages with other financial subsectors, and technological innovation. However, this would be addressed from five perspectives namely:

- a. Innovations
- b. Digitization
- c. Data analytics
- d. Strategic partnerships and integrated ecosystem
- e. The African Continental Free Trade Agreement



INNOVATION

‘Lloyds defines innovation in several ‘buckets’ - doing things better, doing things differently and doing new things entirely...’

Gavin Steele, Executive Sponsor for Innovation at Lloyd’s

- *“Innovation is not just about inventing new products and services but also about regular challenge and incremental improvement....”*
Matthew Bates, Head of Risk Advisory, Major Risks Practice, Arthur J . Gallagher
- **‘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.**

FSD Africa , 2019



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Innovation in the insurance industry

A KPMG research revealed that insurers focus more on operational innovation than on **development of entirely new products and services, which can be critical to growth** .

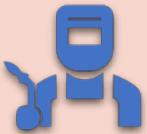
- The COVID-19 pandemic has reconfigured the traditional systems of doing business;
- insurance may now be more front-of-mind than before the pandemic and those able to be innovative, offering products that meet consumers' changing needs and create value are better positioned to benefit from the opportunity.



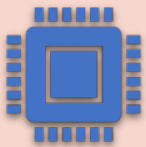
Types of Insurance Innovations



Empowering” innovations move products from costly items of the few to mass-market items available to the many.




“Sustaining” innovations- product replacements, moving from one model to another that may be better, but has a basic similarity



“Efficiency” innovations reduce production or distribution costs e.g. Through the use of the Internet



The Innovative Insurance Industry

- ❖ Thinks outside the box-
 - ❖ Always seeking and discovering new opportunities
 - ❖ Focused on the customer- 'and aim to to create and deliver value to customers
 - ❖ Does not concentrate on the mainstream market- but the **bottom of a market** or in a **new market, unmet needs of low-end market segments**
- 

Innovation in the Insurance Value Chain



- The insurance value chain creates, communicates and delivers value but there is need for innovations in all the processes


Innovation in Product Design

How do you create products that

- **address priority risk management needs** of unserved or bottom of the market
- **offer valuable yet affordable benefits** to new market segments
- Provide benefits at a **time that it offers value?**
- With easily understandable terms and conditions



Innovation in Insurance Marketing and Education

- How do you build consumers' financial capability as part of the value and trust creation for long-term relationships in the unserved or bottom segment of the market.
 - What consumer education initiative can you design that would change the negative perception of consumers about insurance.
 - How can you use digital innovations or the various media platforms to educate consumers
- 

Innovation in Enrollment and Renewal

Insurers can add value in enrollment and renewal by providing:



MOTIVATION



Accountability

Innovation in Policy Administration and Servicing

1. Provision of clients' support to use insurance products effectively e.g., ease in filing claims, accessing value added services, and complaints resolution mechanism
2. Seeking client feedback and channel it effectively to improve product design and service delivery.

Examples Of innovation in Insurance Administration- Columbia-Sales Protocol for Crop Insurance Sales

Designed a 3 min video to serve both consumer protection and marketing

- inform clients of how the insurance product works (explaining the price, coverage, government subsidy, and benefit amount) and
- convince them of the product's value by showing how it helped a claimant recover from damage to his crop.
- The video's content placed more emphasis on informing than on marketing.



Innovation In Claims Administration

The innovations required here aims at:

A. Timeliness: timely claims processing

B. Ease: How to make it easier for staff and clients to process claims?

C. Balance: How to process claims faster without increasing total costs or risk to the consumer

D. Fairness: How to demonstrate fairness in claims settlement

Examples Of innovation in claims settlement - ITGI India Cow Trackers

- IFFCO-TOKIO General Insurance co. Ltd. (ITGI) use of microchips as trackers that are inserted behind an animal's ear. The technology allowed ITGI to accurately identify insured cattle and therefore reduce fraud





Digitalisation

- The COVID-19 pandemic has created near-term urgency for digitization
- digitization and technological progress will produce gains in cost, time, and information.
- Cost efficiency as a result of rapid underwriting, purchase and payments, and claims processing to online and mobile platforms and as a result, accelerated digitization
- main challenge is in technical infrastructure due to the capital intensive nature.

Digitalisation

- Technologies are becoming more affordable with the use of Internet and mobile phone.
- Progressive insurance companies need to capitalize on these opportunities to roll out new products and technologies and expand their presence in the insurance sector

Data analytics

- Data analytics is a process involving the **examination of sets of data** in order to **draw conclusions** about the information contained therein, with the aid of specialised systems and software.
- It requires a **system of credible data collection** and application software programmes to analyze the data to extract meaningful information which could be used all in the insurance value chain
- Availability of appropriate data can completely reengineer the insurance industry in terms of its projections, product design and internal processes.
- Data on consumer needs would facilitate delivery of products at a price and location which appeals to the consumers and improve rate of penetration
- The appropriate use of data analytics is a crucial driver for the market because it would allow insurers better understand the general population especially their clients.

The Insurance Value Chain

(Data Analytics)



A photograph of a group of people, primarily women, gathered under a large white tent. In the foreground, a woman wearing a yellow shawl and a black headwrap is singing or shouting with her mouth open. To her right, a man in a leopard-print shirt and patterned trousers stands with his back to the camera. Other people are visible in the background, some sitting and some standing, all appearing to be part of a communal activity. The scene is brightly lit, suggesting an outdoor daytime setting.

Strategic Partnership and Integrated Ecosystem

Strategic Partnerships and Integrated Ecosystems

- a) *“...it’s about shamelessly borrowing best practices and new ideas from outside the insurance sector and its traditional allies’*

Gary Reader, KPMG’s Head of Global Insurance

- b) “Creates an integrated ecosystemthat offers customers more than just insurance,”

Strategic Partnerships and Integrated Ecosystems-

Strategic partnership refers to a contractual collaborative arrangement two organisations to help them work together and achieve individual corporate goals.

Most strategic partnerships in insurance facilitate market entry, risk and reward sharing, technology sharing and joint product development.

Insurers have to come to the realisation that in-house efforts alone would not lead to their desired growth projections. Some of the partnerships required include:

- a. Distribution
- b. Services
- c. Technology





Strategic Partnerships and Integrated Ecosystems-

- it is **not a one-size-fits-all** arrangement. Creating successful alliances or partnerships is not easy and there is no clear-cut approach to ensuring it is sustainable and valuable. E.g bancassurance - commitment, JVs, clear rules of engagement
- Partnership **must strategically be focussed on growth drivers, revenue optimisation** strategies that are mutually beneficial to partners.
- It involves **learning from one's experiences, peers and competitors** to harness the potentials of possible alliances.
- It **may also require mergers and acquisitions** but the risks of these should be carefully considered.
- Strategic alliances **usually create new channels and drive innovation** in products and processes- with academics, innovation hubs and insurtechs.

Strategic Partnerships and Integrated Ecosystems- examples

- ❖ **Telecommunications** help in providing inexpensive and simply-packaged products e.g. **the micro-insurance partnership between Kenya's Safaricom, Britam, and Changamka**, a program called Linda Jamii provides yearly health coverage through the M-Pesa mobilepayment system⁷⁰.
- ❖ **In agriculture**, the largest and most productive sector in most African economies and the primary source of income for majority of households, there is enormous potential for insurance products that help to protect farmers against loss caused by environmental or other shocks. Example of mobile product innovation, UAP Old Mutual Group launched a program called **Kilimo Salama (Safe Agriculture)** in partnership with Safaricom, which uses weather data to anticipate and mitigate against shocks
- ❖ **IT -IFFCO-TOKIO General Insurance co. Ltd. (ITGI)** use of microchips as trackers that are inserted behind an animal's ear. The technology allowed ITGI to accurately identify insured cattle and therefore reduce fraud

What is an insurance ecosystem

- interconnected sets of services in a single integrated experience that enable insurers to embed their insurance products into seamless customer journeys. (Mckinsey)

a network of players, from either within or outside the industry, who work together to define, build, and execute market-creating customer and consumer solutions.”

Factors to consider in ecosystem

- Consider **scope, skill, and scale**:
- partners who can **enhance customer experiences**: assets, domain expertise, and technical capabilities required to create a frictionless customer experience.
- Evaluate **character**, collaboration, customer focus, and incentive.
- **self evaluation**: Insurers need to look at their businesses truthfully and without rose-coloured glasses. What are the capabilities, culture, and technologies? Are there any gaps or challenges?
- It's important to look for partners whose **goals and visions** align with yours.
- **Determining Pathway**: Orchestration or Participation?



Ecosystem Pathways: Orchestration or Participation

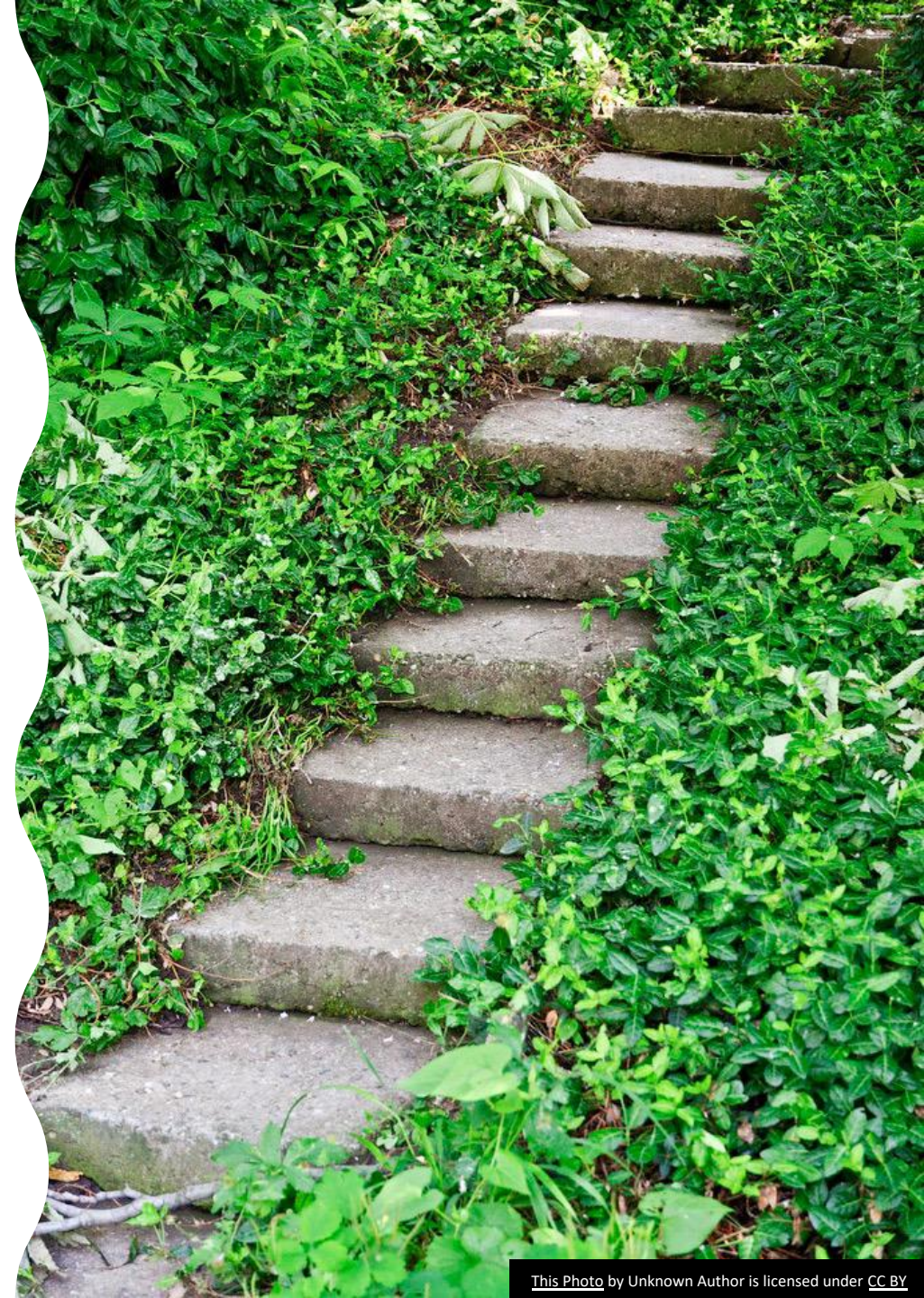
	ORCHESTRATION	PARTICIPATION
Set up	Assembling various services into seamless customer journeys - Ping An	participate in existing ecosystems orchestrated by other players, often to gain access to new sources of lead generation.
Capital requirement	generally requires a significant outlay of capital and resources	Not capital intensive since other services would be provided by existing firms
Attractiveness	not a strategic option for all insurers, particularly smaller ones	Usually the starting point for most insurers desirous of being part of a ecosystem
Creation	It is not so easy to assemble various firms so most companies used subsidiaries as partners in the ecosystem.	It is easier to achieve for a single use case and can still bring benefits
Value adding	It provides great value in terms of efficiency, customer experience and income.	participation tends to generate less value and forfeit the customer interface

Insurance Ecosystem- steps

Strategy - why pursue an ecosystem model? What is the vision and objective. This determines the appropriateness of the mode of entry.

Enablement - organisational foundations and technological platform this may require getting digital talents or upskilling existing staff to perform digital functions.

Value creating - this is achieved through analysis of customer data and feedbacks which facilitates innovative product design and responsive internal processes while enhancing the insurance value chain. As the partnership grows, there would be deep integration between partners, strong economies of scale, growth through customer retention and attraction.

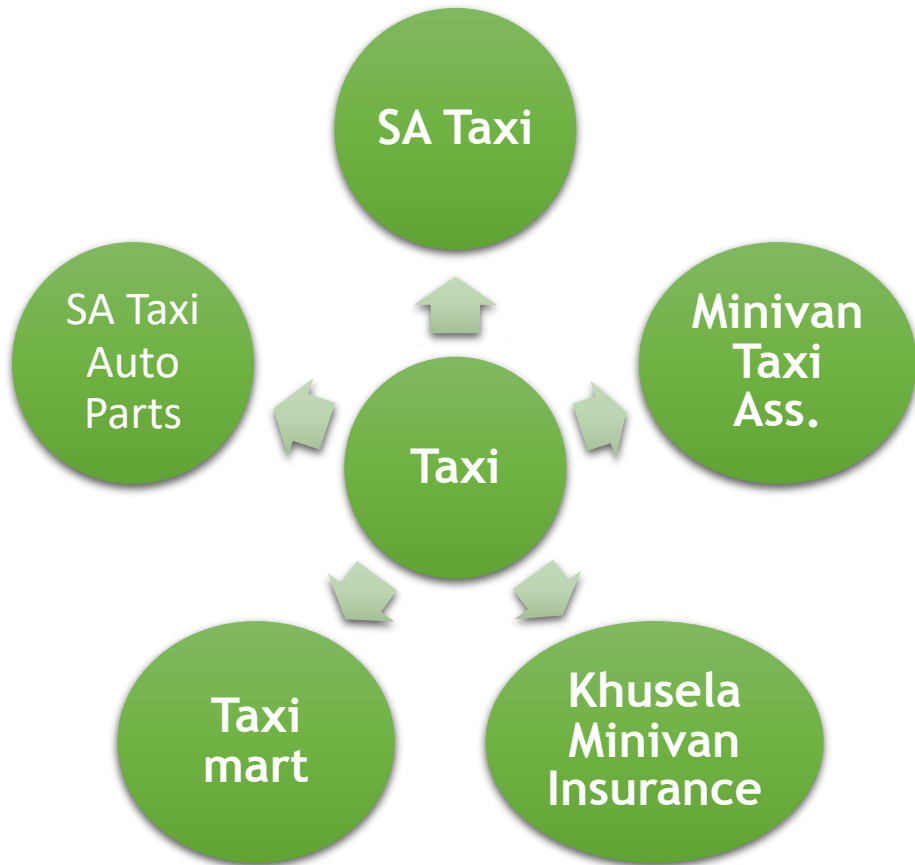


S A TAXI-South Africa Taxi Business Insurance



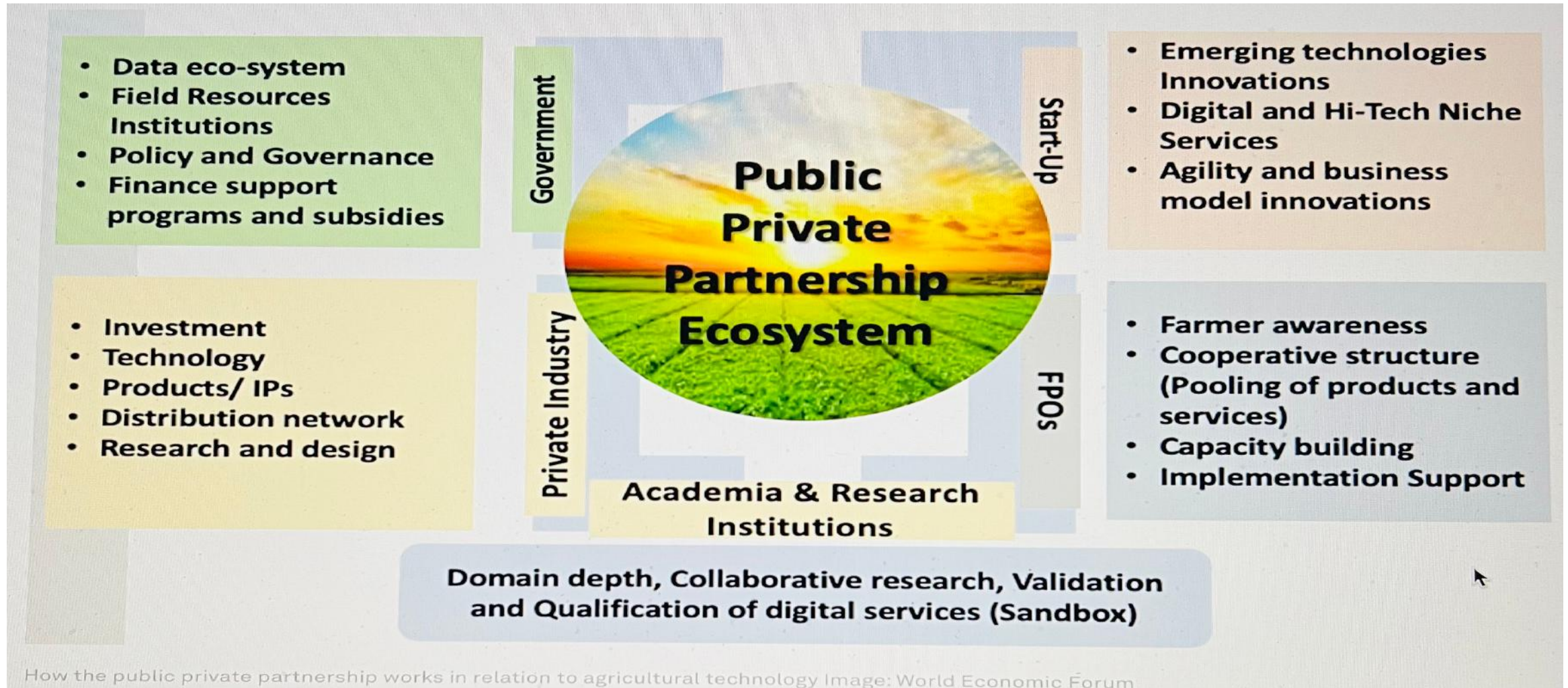
- Taxi Recapitalisation project by South African Government
- S A Taxi took the opportunity to build an ecosystem that provides funding, insurance, maintenance and repair of taxis.
- provides a comprehensive motor vehicle cover for accident damage, windscreen damage, theft, hijacking, write-offs, and fire, as well third party, passenger and riot and strike cover.
- In addition, it also offers an **instalment protection**: pays 100% of the operator's next credit instalment payment.
- Where **taxi is stolen**, hijacked or damaged within six months of purchase it will be **fully replaced** and a new **fleet-tracking unit** installed free of charge.
- A **taxi business legal assist option** also provides owners with access to legal advice for their business.

Taxi Sure Ecosystem



- a. **SA Taxi** - Finance provider for the minibus taxi industry
- b. **Minivan Taxi Association** - Aggregator, collaborated with SA Taxi to develop a innovative insurance product using the GPS tracking devices to assess and monitor risks of individual taxi owners making premiums affordable
- c. **Taxi Sure -Khusela Taxi Business Insurance** - provide
 - i. comprehensive motor vehicle cover for accidental damage, theft, hijacking and third party liabilities with riot and strike extension.
 - ii. Credit gurantee for vehicles out for repairs for over seven days by paying the loan installment.
 - iii. Legal Assistance (optional) for taxi owners businesses.
 - iv. Extra income through access to media companies that want to place adverts in taxis
- d. **Taxi Mart**- insurance claims repairs for panel, mechanical and maintenance services.
- e. **S A Taxi Auto Part** -supplies auto parts

Agricultural Ecosystem- Indian Model



African Continental Free Trade Area Agreement (Afcta)

Zimbabwe among the pioneer countries that ratified the AfCTA agreement having signed the in March 2018 and ratified it on the 25th of April 2019 while it came to law in January 2022.

This offers

- a. Scale- market of 1.2 billion africans to Zimbabwe a country of 15million.
- b. Skills tranfer within the continent
- c. Consumer benefits -from increased competition
- d. Zimbabwean market development and increased penetration.

NB: this would require a lot of service efficiency from insurers in zimbabwe to be able to compete with the big players in the African insurance market



Conclusion

- Insurance is the infrastructural pillar which adds value in various dimensions to the economy.
- Traditional models of insurance cannot deliver on the scale of growth that the industry requires to function effectively in the economy.
- The growth of the insurance companies cannot be achieved without strategic partnerships.
- Strategic alliances and integration into necessary ecosystems are required to enable the insurance industry deliver value beyond insurance services.
- In Zimbabwe, there are huge opportunities especially in agricultural sector to facilitate growth of the Zimbabwean insurance market.

***DO NOT MISS THIS OPPORTUNITY TO BE MORE
RELEVANT IN THE ZIMBABWEAN ECONOMIC
GROWTH !!!***