

# The African insurance market: a driving force

**A**lthough the insurance industry has been highly innovative over the last few years, taking advantage of the favorable socio-economic environment, insurance penetration rates remain low. Africa is home to 15% of the world's population but currently only generates 1.5% of global insurance premiums.

Apart from South Africa, Namibia and Mauritius, with penetration ratios above 10%, and Kenya and Morocco at around 3%, all the other countries have very low ratios. This may be explained by the often direct relationship between GDP per capita and insurance penetration.

However, there are several other reasons for low insurance penetration in Africa:

- Low level of trust in financial service providers
- Small number of foreign players in the African markets, although increasing
- Immature legal and judicial systems, despite new reforms
- Lack of knowledge about insurance products and their benefits
- Communities often using less reliable forms of insurance rather than buying cover from recognised insurers
- Inconsistent access to technology.

Nevertheless, GDP per capita is rising across the continent, which means more people will be able to afford insurance. Consequently, a gradual

increase in insurance penetration is expected, making markets more attractive which inevitably will intensify competition, leading to more mature markets. Operators, insurers and brokers will need to be innovative and find the right messages to convince customers of the benefits of insurance.

Alongside GDP growth, Africa is one of the fastest rising consumer markets in the world, where in recent years household consumption has overtaken GDP. The huge growth in the use of smart phones and Internet access gives Africa's emerging economies many opportunities to expand their retail, distribution and affinity business.

If a Continental Free Trade Area (CFTA) is properly implemented, in 2030 there will be a single continental market for goods and services, accessible to 1.7 billion people. By then, the largest consumer markets are predicted to include: Nigeria, Egypt, South Africa, Algeria, Angola, Ethiopia, Ghana, Kenya, Morocco, Sudan, Tunisia and Tanzania.

Consistent legal guidelines within the CIMA (Conférence Interafricaine des Marchés d'Assurances) region will certainly help financial markets better integrate, standardising their practices and terms and guaranteeing certainty in the insurance market when dealing with cross border trade.

In order to increase public confidence and insurance penetration, regulators across Africa are keen to ensure markets adopt ethical practices, settle claims quickly and treat customers fairly.

Technology will be another key driver of insurance penetration; mobile networks and cloud technology are just some to support change. And with the African population being the youngest in the world, the continent can rely on a large workforce with great technical knowledge. Technology will increase efficiency and allow market providers to get closer to customers.

It is already clear the African insurance business is growing in new markets and across several lines, and these developments in GDP, legal frameworks and technology will further accelerate this process. ●

### African Continental Free Trade Area<sup>1</sup>

Expected to come into force in July 2020, the aims are to create a single continental market for goods and services with free movement for investment, uniting 1.3 billion people and creating a generic \$US3.4 trillion economy.

The agreement will expand intra-Africa trade across regional economic communities and enhance African economies' competitiveness.

## Africa Insurance Market Overview<sup>2</sup>

**EGYPT, NAMIBIA  
AND MOROCCO  
EXPERIENCED  
GREATEST GROWTH**

**FASTEST GROWING  
LINES OF BUSINESS  
MOTOR / LIFE / HEALTH**

**MOST PROFITABLE  
LINES OF BUSINESS  
MARINE / LIFE /  
ENGINEERING**



<sup>1</sup> Source: <https://city-press.news24.com/Business/this-will-be-a-game-changer-for-african-free-trade-20200212>

<sup>2</sup> Source: AIO Barometer 2019