

01ST RIBA ANNUAL INSURANCE CONFERENCE 2022

**THE ROLE OF INSURANCE BROKERS IN INSURANCE
PENETRATION**

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ROLE OF AN INSURANCE BROKER

The generally accepted role of the insurance broker is to;

- Establish client's risk profile
- Mobilise/ Solicit terms of cover
- Formulate a comparative summary and Negotiate for client
- Advise best available alternative
- Bind insurance arrangement.
- Assist in Claims processing and management

CONTRIBUTIONS BY INSURANCE BROKERS MAKE TO THE
INSURANCE MARKETPLACE

INNOVATIVE MARKETING

- Intermediaries bring innovative marketing practices to the insurance marketplace
- Deepens and broadens these markets by increasing consumers' awareness of the protections offered by insurance
- Have awareness of a multitude of insurance options
- Have an understanding as to how to purchase the insurance they need

DISSEMINATION OF INFORMATION TO CONSUMERS

- Provide customers with the necessary information required to make educated purchases and informed decisions.
- Explain what a consumer needs, and what the options are in terms of insurers, policies and prices.
- Serve knowledgeable client base that has multiple choices, requiring policies that fit their needs at competitive prices.

DISSEMINATION OF INFORMATION TO THE MARKETPLACE

- An insurance broker is able to gather and evaluate market information regarding placements, premiums and claims experience.
- This knowledge is combined with an understanding of the needs of its clients
- Broker is well-positioned to encourage / assist in the development of new and innovative insurance products
- To create markets where none have existed.

SOUND COMPETITION

- - Increased consumer knowledge helps increase the demand for insurance and improve insurance uptake.
 - Increased utilization of insurance allows producers of goods and services to make the most of their risk management budgets and take advantage of a more competitive financial climate, boosting economic growth.

SPREAD INSURERS' RISKS

- Quality of business is important to all insurers for a number of reasons including profitability, regulatory compliance, and ultimately, financial survival.
- Insurance companies need to make sure the risks they cover are insurable, and spread these risks appropriately, so that they are not susceptible to catastrophic losses.
- Insurance brokers help insurers in the difficult task of spreading the risks in their portfolios by working with multiple insurers and by showing them diverse risks which are spread according to industry, Geography, volume, line of insurance and size.
- This helps insurers from becoming over-exposed in a particular region or a particular type of risk, thus freeing precious resources for use elsewhere.

OVERVIEW OF THE RWANDA INSURANCE MARKET

- Rwanda's insurance sector has been steadily expanding in the past decade.
- However, the growth has not been satisfactory enough, and the country's share in the global insurance market still remains extremely low.
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- Economic Survey of 2020-21 show that, insurance penetration in emerging markets only marginally improved from 2.71 per cent in 2001 to 3.76 per cent in 2019.
- Rwanda thus, remains far behind its regional counterparts, such as Kenya, South Africa and Egypt when it comes to the widespread expansion of insurance.

- The Rwandan insurance industry is regulated by the BNR.
- Compulsory insurances includes: Motor third-party liability and professional indemnity.
- 100% Foreign Direct Investment (FDI) is permitted in the Rwandan insurance industry.
- Composite insurance is not permitted in the Rwandan insurance industry

KEY HIGHLIGHTS

- Micro insurance is playing an important role in increasing the uptake of insurance products among the low-income population of the country.
- Effective from January 2018, mandatory motor third party liability (MTPL) insurance premiums for both public and private vehicles increased up to 73%, to enable insurers to maintain financial stability.
- Some of insurance Companies, in 2013, introduced Micro insurance products in association with Tigo, a Mobile Network Operator (MNO), which targeted the low and middle income population.
- The number of insurers operating in Rwanda increased from eight in 2013 to 14 in 2017 respectively.

INSURANCE PENETRATION

Over last three years 2019-2021)

- Overall Rwandan insurance penetration at 1.6% of GDP lags Kenya on 2.6%. Yet there is high awareness of insurance in Rwanda, including in rural areas, in contrast to other comparable countries, the World Bank says.
- Rwanda's insurance sector retained earnings worth Rwf46.6 billion in (2019) from premiums and other interest generating activities, there was an increased assets of insurance firms.
- The budget framework paper (BFP) presented last year by the Finance Minister, Uzziel Ndahijimana, shows that total assets of the insurance sector increased by 13 per cent.

AFRICAN MARKET HIGHLIGHTS

- African average insurance penetration dropped from 2.78 per cent in 2019 to two per cent in 2020.
- While the global average penetration rate was 7.20 per cent in 2019, it rose to 7.40 per cent in 2020.
- This is greatly attributed the low insurance penetration on the continent to low income and awareness, failure to embrace digital technology, high level of financial exclusion, lack of infrastructural and distribution channels, as well as domestic skills and a shortage of data.

- While the global average penetration rate in 2019 was 7.20 per cent that of Africa was 2.78 per cent.
- “In 2020, while the global average went up to 7.40 per cent that of Africa came down significantly to about two per cent.
- This should be of great concern to us as a region.”
- Stating that regulators were not keeping pace with innovation, as timing and implementation of regulatory changes need to be looked into, Smart stressed that the lack of consumer trust as presence of weak firms erode trust, pricing and other market and cultural issues, fragmentation and over competition were hindering insurance penetration.

PENETRATION RATES SUB-SAHARAN AFRICA

COUNTRY	RATE %
SOUTH AFRICA	16.99
NAMIBIA	6.69
LESOTHO	4.76
MAURITIUS	4.18
ZIMBABWE	4.09
KENYA	2.83
ESWATINI	2.44
TOGO	1.98
SYCHELLES	1.82
RWANDA	1.74
MOZAMBIQUE	1.58
MALAWI	1.52
SENEGAL	1.51
GABON	1.38
CAPE VERDE	1.29
UGANDA	0.77
TANZANIA	0.68
BURUNDI	0.35

PENETRATION RATES EAST AFRICA

COUNTRY	RATE %
KENYA	2.83
RWANDA	1.74
UGANDA	0.77
TANZANIA	0.68
BURUNDI	0.35

FACTORS IMPEDING GROWTH

HIGH PREMIUM COST

- One of the main reasons why the insurance sector is not expanding fast enough in emerging markets is because of the high premium costs.
- High premium costs have been a traditional deterrent for people trying to avail themselves of insurance arrangements
- This eventually leads to a vast majority of the population to be under-insured or uninsured.

AVAILABILITY OF APPROPRIATE COVERS

- Lack of insurance cover is also a problem for ordinary families at large.
- This is because insurance plans are extremely useful and beneficial to anyone looking to protect their family, assets/property, and themselves from financial risks and losses.
- Having insurance plans can help immensely when it comes to paying for medical emergencies, hospitalisation, treatment of serious illnesses, and so on.
- We are here looking at the relevance of the existing traditional/Conventional insurance products viz a viz the majority of the potential insureds

LACK OF EDUCATION

- In emerging markets, out-of-pocket expenditure during medical and other unexpected emergencies is high
- insurance could help cover these heavy expenses and ensure that families do not have to break into their life savings just to pay medical bills or repair the damage to their home from a fire.
- Insurance could, thus, mean the difference between financial security and debt, and therefore, must be considered as an essential, as opposed to being optional

STRATEGIS FOR IMPROVED PENETRATION

THE BIG QUESTIONS

- The questions that remains are;
- What can be done to increase the penetration
- How and by who should be involved

EXPLORE UNTAPPED MARKET/ SEGMENTS

- Rwanda's rural population stands at around 82.43% of total population of 13.28) million.
- Insurance coverage in this vast pocket of population remains abysmally low. If the insurance market is to expand its footprint in emerging markets, it has to explore the vast rural market of the country.
- This can be done by leveraging technology and creating more accessible models of insurance for rural populations.
- To make digital services more accessible to rural populations, can be used by insurance companies.
- Insurers can bundle livestock, crop, and health insurance policies, and make them available through digital channels (Partnership with Banks and MNOs).

AFFORDABILITY

- Due to existence of a price-conscious market, affordability remains a top priority for most people when buying insurance products.
- Currently, insurance premiums are subjected to 18% VAT
- This is extremely unfeasible, considering the insurance market penetration is in single digits.
- In order to make sure that the maximum number of people avail themselves of insurance policies, the Tax rate should be slashed to 5 per cent or be brought down to 0%.
- Insurance Brokers should partner with Insurers to come up with Micro Insurance products answering the needs of low segment of the society

ACCESSIBLE INSURANCE THROUGH COLLABORATION

- For businesses looking to offer insurance to their customers along with their products, there are scores of collaborative opportunities in the form of InsurTech companies.
- These companies provide easy to use plug-and-play solutions that make it quick and easy for any business to provide insurance policies along with their primary offerings.

BEING VIGILANT TO CHANGING DEMANDS

- Like most other industries, the insurance industry is also in the business of change.
- Gone are the days when the one-size-fits-all approach could work.
- Today, with vast and diverse population that is increasingly armed with mobile phones and Internet connectivity
- Being digitally versatile is crucial for looking to expand a footprint in the market.
- Insurance brokers need to make the best possible use of social media and digital tools that allow for speeding up of processes, such as KYC verification, customer on boarding and so on

CONSUMER AWARENESS

- Aggressively promoting consumer education about insurance products is an undervalued, yet important strategy.
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- Emerging markets remains the most under-insured countries in the world because a vast majority of the populace is not aware of the various risks associated with their life, health, business, car, home, etc.
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- Hence, insurance companies need to take it upon themselves to change this and drive the narrative in their favour through initiatives, such as marketing campaigns, customer awareness seminars, press releases, write-ups, direct mailing, and much more.

INCREASING THE SCOPE OF COMPULSORY INSURANCES

- Currently the scope is on Motor Third Party and professional indemnity
- More areas may be considered in: Commercial buildings, Medical Malpractice, Marine cargo on al imports

CONCLUSION

There are five key questions brokers will need to address if they are to make the most of the opportunities in this evolving marketplace:

- Do we have clear enough insights into the rapidly shifting risk and pressures facing our clients?
- Do we have the expertise to turn advanced analytics into actionable solutions?
- Are we doing enough to bring together and make the most of the information, expertise and talent available within our organizations and among partners and stakeholders?
- Do we have the operational efficiency and flexibility to respond to clients' changing channel and engagement choices in a sufficiently fast and economic way?
- Do we have the confidence of clients, risk transfer partners and other key stakeholders needed to lead effective risk facilitation?

CLOSING NOTE

- The brokers at the forefront of addressing these challenges and capitalising on the unfolding opportunities will have the incisive yet highly practical analytics, ability to anticipate emerging risks, capacity for innovation, and inspirational leadership needed to create effective and economic risk management solutions.
- The results will provide a powerful boost for a sector facing disruptive competitive pressures and shifts in customer expectations.

THANK YOU
FOR
YOUR ATTENTION