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BUILDING A ROBUST INSURANCE SECTOR - LESSONS TO BE LEARNED FROM BANKING SECTOR

RIBA CONFERENCE 2023

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Stack differences in similarities



Banking

Governance, Compliance & Audit

Business Model

Operating Model

Capacity Model (Human Capital)

Technology Model

Financial Model

Fintech (Digital Model)

- Good governance, Audit & compliance are crucial in the financial sector because it helps maintain stability, protect the interests of stakeholders, and promote public trust
- However its equally crucial that both are Regulated separately due to inherent differences: Such as **Ethical Standards, Transparency and Disclosure, Risk Committees....**

- Understanding the differences in similarities provides opportunity for lessons eg in **Core Function, Revenue Sources, Risk Profile, Business Cycles, Products and Services, distribution, channels**
- They are distinct with significant differences yet those provide opportunity for strategic partnerships

- In summary, while both insurance and banking involve financial services and the management of funds, their operating models are distinct due to their different core functions in These differences result in unique operational processes and priorities for each industry:

- The workforce in insurance and banking have some similarities but also notable differences due to the distinct nature of their businesses, roles, and functions: **technical knowledge, personalities, soft skills to Customer centricity & Sales**

- The technology models in insurance and banking have evolved significantly in recent years, but they differ due to the distinct nature of their businesses, customer interactions, and regulatory environments
- Notably down to Capital, investment, data/transactions driven business as supposed

- Financial models in insurance & banking differ due to their core functions, revenue sources: These differences result in unique financial structures, strategies, and considerations for financial management in each industry

- Fintech and insurtech are two subsets of the broader financial technology industry, and they both leverage technology to innovate and improve different aspects, however one has been 2 fold while the other 1 fold
- Banking has increased its income streams, base at same time its customer experience & profitability

Insurance

Leadership Model, Compliance, Audit

Business Model

Operating Model

Human Capital Development

Technology Model

Financial Model

Insuretech (Digital Model)



BUILDING A PARTNERSHIP STRATEGY VIA PLATFORM BANKING MODEL “THE SUPERMARKET CONCEPT”

SC 2019 annual report highlights its track record of strong growth, **balance sheet**, sustained returns & performance. However, competition has never been more stiffer especially in this Digital Age. With a Group **6.4% ROE** (perceived as industry standard) & **CIR over 60%**, **over 35% Income** contribution from **\$72bn RW Assets** from Retail, a **54% Digital adoption**, the SC’s strategy to improve productivity, transform & disrupt with digital has never been more pivotal, proactive & timely.

The recent unprecedented times provide a glimpse of the future challenges that will require unprecedented innovation to sustain competitive edge beyond banking as an epicenter of economic activity. Its imperative that SC plays to its natural strength in People, Capital & Banking especially its Retail and SME network by augmenting an ecosystem encompassing all and create new markets in parallel. Hence the urgent need for high performing partnerships and digital ecosystems

Partnerships & Digital Pivots

- Become an industry supermarket
- Platform business model (FANGS)
- Fast, innovative, agile, close to customer & superhigh engagements
- Monetize Data - extend value across customer journey
- Grow beyond core into key & relevant ecosystems
- Become a product or infrastructure sourcing factory - Digital driver

Enablers

- Strategy & Structure
- Organization & Team
- Plan
- Focus on large/enriching opportunities
- Playbook
- Speed
- Flexibility
- Channel/Platform

Benefits highlights

- New Revenue Streams
- Network & Distribution
- Enhanced operational efficiency
- Customer experience & engagement
- Improve Customer Data
- Risk Management
- Markets entry & Competitive edge
- Ease of new regulation adhering
- Access to highly skilled Personnel

RIBA Conference; Banking CASE STUDY



Embedded in SC Strategic Priorities;

- Purpose and People
- Deliver our Network
- Transform and Disrupt with Digital
- Improve Productivity (CIR)
- Optimize Low Returning Markets
- Grow our affluent business

Types Partnerships;

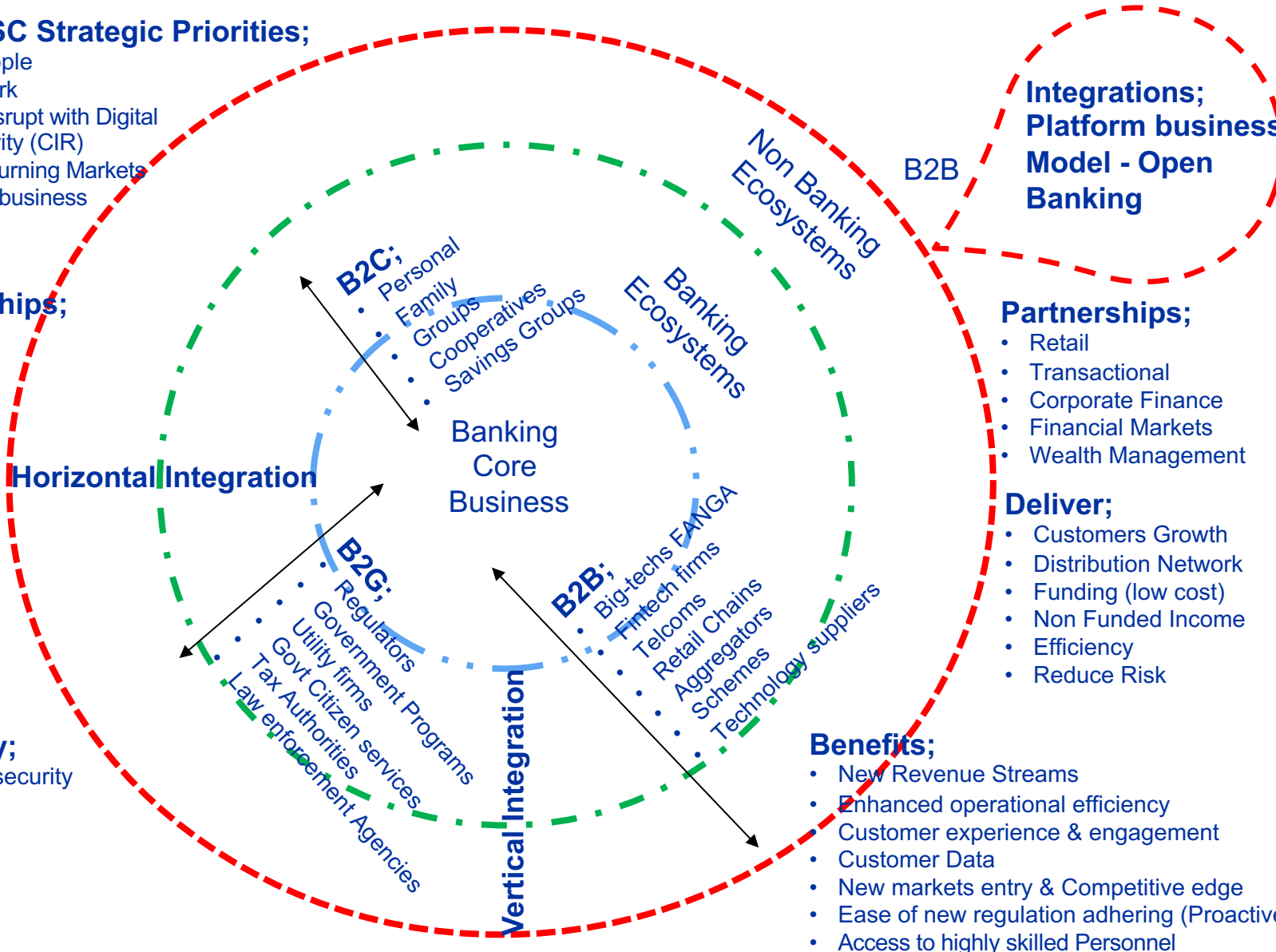
- Joint venture
- Equity
- Non Equity
- Mezzanine

New Product/ Services;

- Curated
- Mixed
- 3rd party offerings
- Aggregators

Risks/Security;

- Access current security
- Technology
- Compliance
- Agility



Integrations; Platform business Model - Open Banking

Partnerships;

- Retail
- Transactional
- Corporate Finance
- Financial Markets
- Wealth Management

Deliver;

- Customers Growth
- Distribution Network
- Funding (low cost)
- Non Funded Income
- Efficiency
- Reduce Risk

Benefits;

- New Revenue Streams
- Enhanced operational efficiency
- Customer experience & engagement
- Customer Data
- New markets entry & Competitive edge
- Ease of new regulation adhering (Proactive)
- Access to highly skilled Personnel

Lessons consideration

	Banking	Insurance	Key takeaway
Strategy	<ul style="list-style-type: none"> Banking strategies in Africa are influenced by the unique economic, social, and regulatory conditions in the continent. While strategies can vary significantly among different African countries and regions, some common themes and approaches have emerged in recent years Financial Inclusion, Partnerships and Collaboration, etc 	<ul style="list-style-type: none"> Insurance strategies in Africa are influenced by various factors: the continent's unique economic, social, & regulatory conditions – they differ among African countries & regions, there are several common themes and approaches in the African insurance industry; Generalists, Microinsurance, Lacking Tailor-made 	<ul style="list-style-type: none"> insurance industry is continually evolving due to technological advancements, changing customer expectations however still lags behind others a forward-looking insurance strategy requires agility, adaptability, and a commitment to embracing change Sustainability and ESG
Capital	<ul style="list-style-type: none"> High capital intensive and capital adequacy Banking capital models are primarily designed to address credit and liquidity risks Long term investment and large scale 	<ul style="list-style-type: none"> While insurance capital models emphasize solvency and the ability to meet policyholder claims Moderate Capital Intensive and Capital Adequacy Perception and history shows investments were low leading to lack of human capital, technology, innovations etc 	<ul style="list-style-type: none"> The capital models in banking and insurance differ due to the unique characteristics and risks associated with each industry however, for the insurance sector to thrive: need to consider increasing capital to invest for the long-term and sustainably
Structural	<ul style="list-style-type: none"> Banking structures approaches enabled to understand & analyze the various components & relationships within a bank's organizational structure. These models help in assessing the bank's operations, governance, and decision-making processes etc 	<ul style="list-style-type: none"> structural differences highlight the distinct roles and operations of insurance and banking within the broader financial services industry but insurance sector approach bent towards internal operations, facilitations, accounting etc than customer experience & business growth 	<ul style="list-style-type: none"> In summary, while both insurance and banking have embraced technology to improve their operations and customer experiences, the technology models differ due to the unique characteristics and requirements of each industry.
Customer Experience	<ul style="list-style-type: none"> Customer experience (CX) in banking is the overall impression & satisfaction that customers have when interacting with a bank across various touchpoints, including branches, digital channels, customer service, and financial products which led to growth in business & profitability 	<ul style="list-style-type: none"> Banking has been more aggressive in adopting digital technologies, given its high-frequency customer interactions, while the insurance industry is also evolving its technology model to meet changing customer expectations and streamline processes/product innovation at slow pace 	<ul style="list-style-type: none"> In today's competitive landscape, delivering an exceptional customer experience is a key differentiator. Banks that prioritize CX are more likely to retain existing customers, attract new ones, and foster long-term loyalty, ultimately contributing to their success and growth.
Sustainable & Relevant	<ul style="list-style-type: none"> Sustainable banking models are gaining prominence as the financial sector acknowledges its role in addressing sustainability challenges. These models are not only seen as ethical and responsible but also as an avenue for long-term profitability and resilience in a changing global landscape 	<ul style="list-style-type: none"> Sustainable models in insurance are gaining importance as insurers recognize their role in addressing ESG risks and contributing to a more sustainable and resilient future but they have slow just like many other transformational models 	<ul style="list-style-type: none"> Insurance Sector has not disrupted itself by learning from the banking sector which was disrupted by startups & technology Heightened need to PIVOT & Bring about Disruption otherwise we will be DISRUPTED

TO RIBA, THANK YOU

**WE ARE MUA, A
SUSTAINABLE INSURER**