




Digital transformation: the challenges for the African insurance sector



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EXECUTIVE SUMMARY

The insurance sector must respond to new client expectations, not only in terms of service quality excellence, but also in terms of personalization, while minimizing costs.

On the other and, the sector knows currently a strong rise in competition due to multiplications of insurance comparators and the advent of new players with very disruptive approaches, such as digital giant who will eventually be able to offer highly personalized insurance contracts, based on the analysis of users data.

Regarding Africa, our study is mainly focused on the CIMA countries (Inter African Conference of Insurance Markets) area. Africa which represents around 1,5% of the world insurance market has even more challenges to meet. The strong growing sales figures often hide decreasing net results due to in increasing number of claims. Insurance fraud remains also one of the major issue that leads to profit decrease in the continent.

The digitization of the sector in Africa also remains marginal and digital projects are rarely ambitious. However, the digital transformation can be the solution to meet the challenges related to:

- Improving the image of insurers through multi-channel communication with customers and increased transparency.
- The fight against targeted fraud (access fraud, extra-billing, multiple and cumulative insurance, etc.)
- Improving penetration rate
- Reducing management costs
- The increase in premiums with the acquisition of new ultra-connected customers

Finally, we also have made a focus on the specific case of health insurance, which represents almost



a third of insurance premiums.

The Insurance sector will be able to count on digital transformation to ensure improved profitability in a constantly improving macroeconomic context.

MNS Consulting with the SIGA-health solution supports insurance companies in the implementation of a clear strategy allowing the improvement of revenues, the achievement of objectives and performance management with accessible, simple and evolving tools as well as accelerating their digital transformation.

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* CIMA Zone : Benin, Burkina Faso, Cameroun, Centrafrique, Congo, Comores, Ivory Coast, Gabon, Guinea, Guinea équat, Mali, Niger, Senegal, Tchad et Togo.

THE INSURANCE MARKET IN AFRICA

Macroeconomic data in Africa (low GDP, environment not always stable, etc.) mainly explains the low penetration rate (3% on average) of insurance in Africa.

At the same time, this makes it a high potential market with still high growth rates, thus attracting several international players.

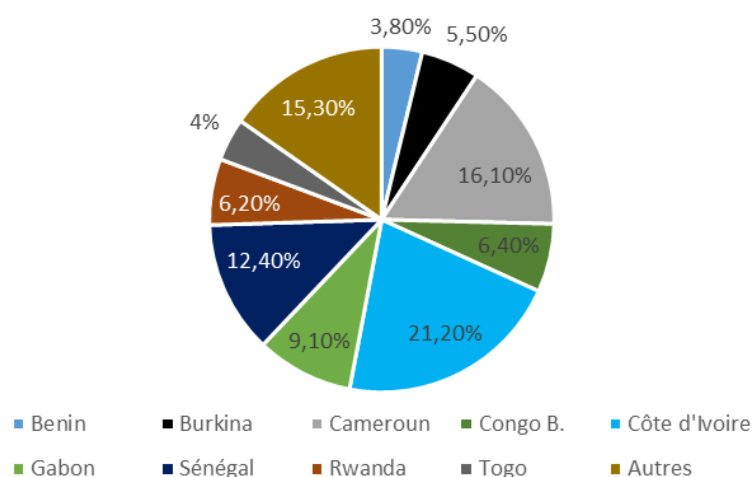
The continent currently represents only a fraction of the world insurance market. In fact, of the \$ 5 193 billions in premiums issued in 2018 (up 4.8% year on year), premiums issued in Africa represents only 1.3% with a distribution of the premium volume of 80% for enterprises against only 20% for individuals.

In terms of supply, many players are present on the continent and demand is relatively strong. Digital is entering in Africa, driven mainly by the

democratization of the mobile phone. Today there are more than one billion mobile subscribers on the continent for an estimated population of 1.3 billion inhabitants. Mobile is therefore a ubiquitous digital interface in Africa. It is also through this channel that most of the digital insurance offers are distributed, generally under micro-insurance (m-insurance) schemes. Thus, the use of the internet and mobile phones, as well as mobile money solutions, support and accelerate the development of the sector in Africa.

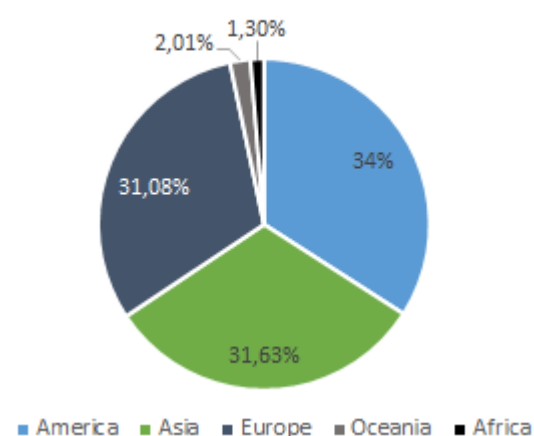
The African market is very heterogeneous. If we take the fifteen countries of the CIMA we see that 55% of the market is concentrated only in three countries*

Premium distribution per country 2017



Source: Special FANAF 2019 figures (Atlas Magazine)

Insurance Market Shared (2017)



source: Atlas Mag Data (published in 2019)

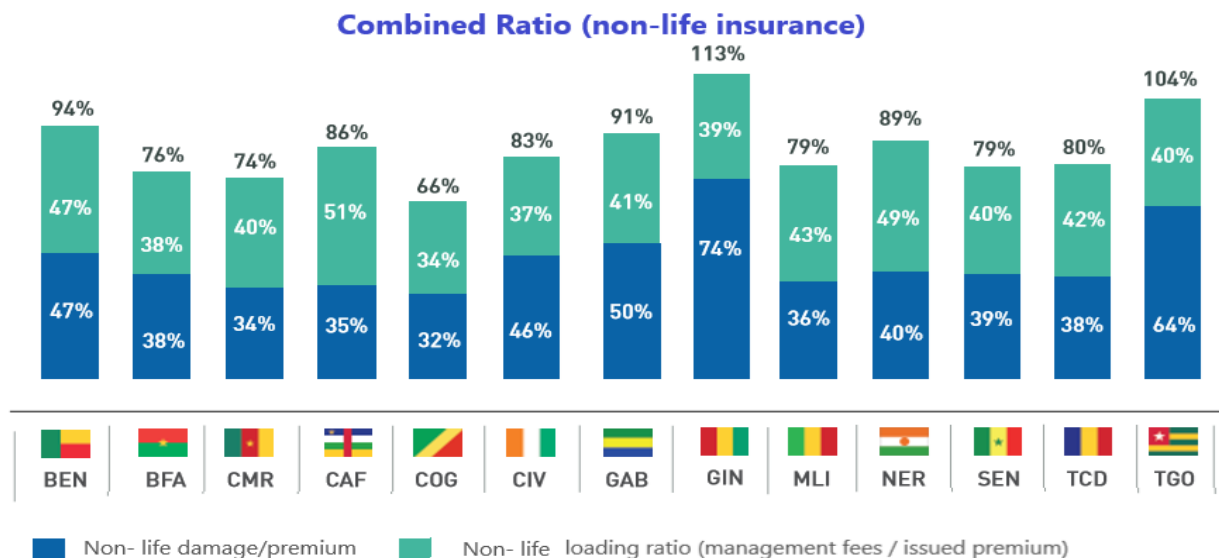
In Maroc : sur 19 compagnies d'assurance (out of 19 insurance companies (turnover of \$ 2.575 billion in June 2019), the top 5 only hold nearly 70% of the market. Insurance in this country grew by almost 6% between 2017 and 2018.

In Ivory Cost : out of 19 insurance companies (turnover of 359 million USD), the top 5 hold nearly 64% of the market. Insurance in this country grew by almost 16% between 2017 and 2018.

In Senegal : out of 19 insurance companies (turnover of 198 million USD), the top 5 hold nearly 52% of the market. Insurance in this country grew by almost 9% between 2017 and 2018.

INSURANCE PROFITABILITY IN CIMA AREA

The high growth rate of the turnovers usually hide decreasing net profits due an important volume of claims. Insurance fraud remains a major issue that also leads to a decrease in profits.



Source: Special FANAF 2019 figures (Atlas Magazine)

“The operational situation of insurance companies in Africa is still difficult because of political instability in some countries. However the results generally remain positive and there is an important growth potential of the sector in a continent where everything is to be done”.

THE CHALLENGES OF INSURANCE DIGITIZATION

Insurance professionals around the world are now faced with the challenge and the need for digital transformation. This, in fact, comes with several promises in terms of cost reduction and efficiency improvement. Digital transformation is essential for the sector to respond to new use cases and customers' expectations and to make it easier the adaptation to the constant threat of new entrants. This transformation, therefore, goes far beyond the simple adaptation of commercial and relational systems: the work to be carried out is of unprecedented complexity and scope.

In Africa, there is a marked delay in all forms of digitalization in the sector. Even the commercial and relational systems are often not in place, not to mention the basic information systems which sometimes do not exist.

“Out of the 33 companies active on the Ivorian insurance market, five offer mobile applications to customers, seven have their own websites and twelve are on social networks. Only two insurance companies offer online subscription.”

In November 2019, on the sidelines of a panel on the digitization of insurance, the president of the Association of Insurance Companies of Côte d'Ivoire (ASACI) reported

THE STAKES OF THE DIGITIZATION

The profession must face five major challenges detailed below:

1. THE EXPECTATIONS OF INSURED CUSTOMERS

The needs of the insured customer base are changing. The need to understand who the user is and what are their specific expectations is now paramount for insurers, particularly about the processing of their claims in real time. This is an important challenge for a sector used to work at a very different pace

The digitalization of internal processes with partners/suppliers, real-time accessibility to data by customers (contract, claims, follow-up etc..) are just



some of the projects .

2. THE DISTRIBUTION CHAIN AND THE CRM

To better manage interaction with the customer, the products distribution and CRM (Customer Relationship Management) must now be delivered via a “multi-channel” strategy.

The latter refers to the simultaneous or alternating use of the different contact channels for products marketing and/or customer relations. It includes particularly: the store, websites, social networks, emailing, mobility. So many channels to master in order to respond effectively to the demand. The insured, and in general all consumers, are almost all owners of a smartphone and connected to the internet and have new expectations. Digital is now integrated in all of the daily consumption habits *Reinventing the insurer-insured relationship*

Many AssurTech (or digital insurance) startups, for example, have launched themselves in the field of

Peer-to-Peer Insurance (P2P), a concept based on reciprocity between insureds. It is a question of “networking” consumers who will use the same service. They use crowdsourcing and social networks to create a new customer experience. These new P2P insurance models with digital activation are not only practical for consumers, but they also promise to reduce the cost of insurance by reducing management costs while improving transparency and efficiency (like Airbnb in the hotel industry or BlablaCar in carpooling).

Traditional insurers can capitalize on the success of these platforms by adopting them and / or replicating their method of communication with their policyholders. Digitization is therefore a great opportunity for insurers because it allows them to strengthen customer relations and simplify the customer journey. Thanks to the development of applications and portals on the Internet, the insureds can have access to their contracts, follow their reimbursements and be in direct contact with their insurer.

The multi-channel approach therefore always intervenes in the life cycle of the contract thanks to several tools offered by the digital (website, social net-



works, applications or extranets).

3. THE NEW TECHNOLOGIES OF DATA

Data is always the central subject: how to acquire, analyze, store and use it. Thus, in terms of technological innovations, we can name some such as:

The Big Data: which refers to the growth of a data set that becomes so large that it is then difficult- if

not impossible- to exploit it with conventional tools. *Digital not only* allows to insurer to provide personalized service to

customer but also smarter service. Using data, insurance companies can gain in depth-knowledge of their customers' behavior in order to anticipate their needs and to offer them the right product, at the right price and at the right time.

The Internet of Things, which refers to all objects in the real world, allowing information and data to be exchanged via the internet.

- ◇ Artificial Intelligence (AI): It could become in a few years the first means of interaction with customers. The blockchain that designates a transparent, secure, distributed database that operates without a central control body. Chatbots are also increasingly present on the websites of insurance companies. For the moment, their mission is to answer to the most frequently asked questions by the users. Innovations in Machine Learning and Artificial Intelligence should enable virtual assistants to be as efficient and useful as real advisers, by gaining autonomy and humanizing themselves to better meet customer expectations.
- ◇ RPA (Robotic Process Automation), which consists in automating recurring IT tasks, especially in the back office, front office and support levels, should also allow great progress. Robotic process automation can now reproduce human actions as



closely as possible and frees up to 30% of the user's time. The latter can therefore focus on actions with higher added value. According to Capgemini, 40% of insurance companies

worldwide have already implemented RPA.

- ◇ These large families of technological innovations are going to or have already started to have a major impact on the insurance sector. They will make it possible to optimize a great number of tasks (processing of complaints emails, identification of fraud, optimization of prices, optimization of commercial targeting and associated speeches, conversational robots etc.) These innovations thus offer many advantages for policyholders. According to a recent Accenture study, 74% of consumers say they would be happy to get advice from digitally generated insurance. Artificial

In-



telligence offers indeed a simplification of services, 24/7 access but also better monitoring of complex cases.

However, faced with these opportunities, insurers identify a certain number of risks linked to the use of Big Data and connected objects. These are essentially linked to the large volume of data processed and the degree of sensitivity of this data

4. DATA PROTECTION

The protection of personal data is therefore a real challenge for insurance players who could make it a competitive advantage. But securing and protecting the personal data of policyholders is not only an opportunity, it is also a duty.

Insurance is a highly regulated sector and regulation must be respected by both the installed players and the new digital insurance entrants.

Indeed, laws in most countries around the world

now govern the collection and security of data. This is the case, for example, with the RGPD (general data protection regulation) implemented in Europe. This requires insurers to comply with certain standards and regulations by strengthening their information systems in the face of cyber-attacks.

To avoid legal sanctions, for example in the European Union, insurers are required to put in place infrastructure and procedures that meet the new regulations.

Regulation and compliance are therefore still a major problem in this sector, so much so that insurance companies will have to devote significant financial and human resources to meet them.

When it comes to selecting its IT solutions provider, it will be necessary to ensure that it meets these new requirements and is able to provide a high-quality service in terms of data security.

In Africa, there is no real regulation, data as sensitive as health data are often hosted in datacenters abroad to prevent a breach is only \$8 per file).

Insurers will be able to benefit from the use of big data by offering their policyholders personalized contracts and services, but this can only be done if their customers are certain that the information transmitted is secure. The customers will only grant access to their data if they understand the implications, the interest, and the data protection regulations that will ensure that the data will not be disseminated.

By developing a secure and protected information system for storing their customers' data, insurers will create a trusted environment for their policyholders, who will then share more personal information.

« The ability of a company to secure its data today represents a real competitive advantage »

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THE FIGHT AGAINST FRAUD IN THE DIGITAL SECTOR

FRAUD IMPACT

In Africa, very little is communicated about insurance fraud. Behind strong sales figures, there are often declining net results mainly due to higher claims rates. Related to these claims, in an article by Atlas Mag on Morocco, we talk about fraud of up to 50% of claims

Digital process transformation presents new challenges in terms of transaction security, authentication and fraud prevention. Indeed, the demateri-

alization of the pieces, and the trivialization of image retouching tools, create an increased risk: documentary and identity fraud are thus in full explosion

Country	Branch	Amount
Germany	All	10% of claims cost
Australia	All	10% of claims cost
Canada	All	10% to 15% of claims cost
Spain	Auto	22% of claims cost
England	Individual	7% of claims cost
Scandinavia	All	5% to 10% of claims cost
USA	Auto	10% to 15% of claims cost
USA	All	10% of claims cost

« Insurance fraud : the cost and the fight against the curse » - Source: Atlas Magazine, May 2017

« Therefore, it is necessary to include in any project of dematerialization and automation of processes, an efficient system for automatic detection of fraud. »

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The industry must deal with daily falsification of transactions or identity theft. Documentary fraud concerns not only identity documents but also all other necessary documents for a transaction to take place (pay sheet, proof of residence, contracts, invoices, etc.). There are two main types of document fraud:

- ♦ The fraudster's falsification of authentic documents by adding, modifying or masking information.
- ♦ The creation of false documents that are used as evidence for undue right or service.

Companies must therefore arm themselves to fight fraud effectively. Several approaches are possible:

- ♦ « **Data Centric** »: rely on Big Data to identify models revealing patterns of fraudulent actions through a high volume of transactions.
- ♦ « **People Centric** »: call on experts to detect fraudulent transactions. This approach has its limits in terms of cost and responsiveness.

- ♦ « **Document Centric** »: rely on all the documents that support the transaction to manage fraud at its source in real time. The latter is complementary to the previous ones.

None of these approaches taken alone can address all an organization's challenges in combating fraud. On the other hand, these three approaches combined allow for optimal efficiency. To combat fraud, human, process and technology must be managed intelligently.

Finally, it is always a matter of alerting and facilitating the task of an individual by systematizing and automating the controls.

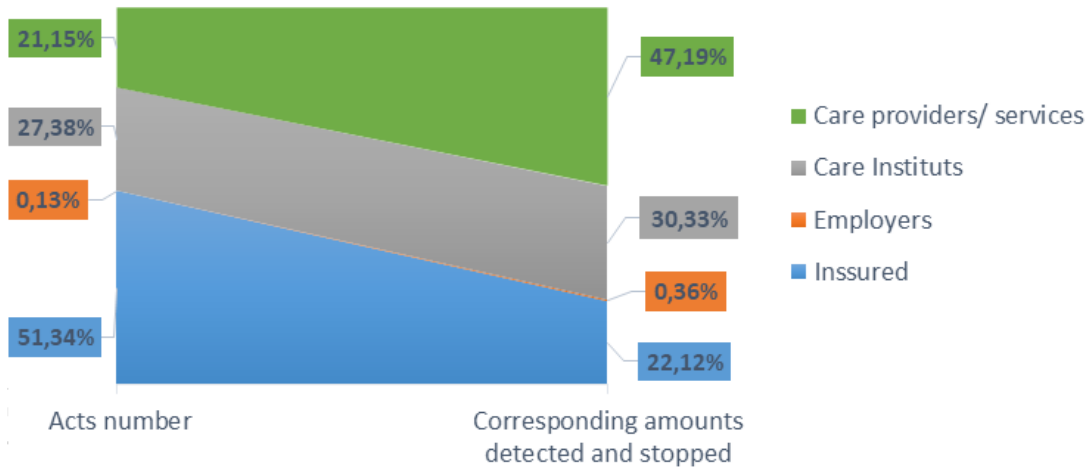


THE EXAMPLE OF HEALTH INSURANCE IN FRANCE

About health insurance, a recent study (October 2019) of CNAM (French National Health Insurance Fund) in France shows that health insurance

fraud has reached 261.2 million euros in 2018. Half of this amount is attributable to health professionals.

Frauds and Faults distribution by actors (2018)



Source: CNAM (National Health Insurance Fund), October 2019

France has been able to detect these cases of fraud thanks to a good centralized organization and the implementation of efficient digital solutions



When we have a closer look at these figures we see that 51.34% of fraud cases (number) come from the insured compared to 21.15% from health care providers. In terms of amounts, we have 22% from the insured and 47% from the care providers. We can also see that almost 77% of the amounts of fraud come globally from health professionals.

According to the CNAM, the results are due to a combination of factors that have allowed the actions against fraud to change constantly:

- ◇ Important network work, throughout the country with a cross-strategy to combat fraud, both nationally and locally
- ◇ The professionalization of teams, through continuous training of agents on the overall anti-fraud process (detection, investigations, litigation actions, reporting, etc.)
- ◇ Improved detection methods through new and increasingly powerful datamining techniques and big data. This was possible because there was already a central database of insured data that enabled the use of Big Data and Artificial Intelligence (AI).

MNS' VISION



Unlike developed countries where insurance companies already have high-performance information systems and strong government/sub-regional organizations, in many

African countries the observation remains stark about the already lag in Information System Infrastructures and secure connectivity of databases that represent the prerequisites for any digitization.

Regulators exist and have made a great progress in the evolution of the policies; however, their application often takes a long time (e.g., regular communication of S/P to companies by insurers) which hinders the progress in the digital field.

There are also disparities in government organizations at the country level. Implementing anti-fraud will be easier in countries where there are already centralized databases with real-time updates and of a frame of reference on the nomenclature and on the numbers of unique insureds.

This backwardness in the continent can also be an opportunity for insurers to redefine business models first in a highly competitive environment that attracts assuretech, multinational insurers and local insurers mastering the local context. The outsourcing of certain activities and pooling certain platforms (for example, to combat fraud) are ways to optimize costs and avoid investing in complex and expensive technology choices requiring a permanent update in skills.

In Africa, the equivalent of RGPD in Europe to counter the American Act on personal does not exist. Sensitive data is very often housed in foreign data-centers due to a lack of African legislation and a lack of local, secure, affordable and good quality infrastructure.

The continued effort for improved penetration rates (e.g. health insurance) by countries and international organizations will also push insurers to develop digital technology to improve profitability by reducing management costs and implementing effective anti-fraud strategies.

Fraud is a real challenge in Africa! Its solution will take place on several levels:

- ◇ On-access, with more secured insured cards,
- ◇ In processes, with the ability to prevent/stop fraud cases in real time
- ◇ In managing the customer relationship by using sophisticated authentication systems
- ◇ Centrally with data analysis and thanks to big data and artificial intelligence.
- ◇ Finally, solutions exist, and they must be evaluated and insurers need to seek support to make the right strategic choices.



HOW DOES MNS SUPPORT INSURANCE COMPANIES IN THEIR DIGITAL TRANSFORMATION?

MNS Consulting, because of our dual technical and strategic expertise, we support our clients on the definition, evaluation and implementation of strategic choices adapted to their context and challenges. We also provide the technical expertise for your digital transformation and the implementation of the right solutions and tools for your organization.



OUR DIGITAL SOLUTIONS

To accelerate your digital transformation, we offer both on the shelf and customized solutions to:

- ◇ Digitalize your various processes while putting the customer at the center
- ◇ Integrating your production Information System with digital solutions
- ◇ Develop or support you in your CRM choice
- ◇ Provide you with decision-support tools (ALM, real-time reporting S/P, geolocation...)
- ◇ Fight fraud

« The digital transformation is no longer an option, it's an obligation insurers must comply with. » [Atlas Magazine N°158, February 2019](#)

THE SIGA CONCEPT – HEALTH

The Health Insurance Information and Management System (SIGA) is a turnkey solution to meet the needs of the Health Insurance ecosystem. SIGA safely allows all processes to be digitalized between insurers, health care providers and policyholders. SIGA also helps to fight fraud and equip non-computerized and unconnected providers for better control of the value chain.

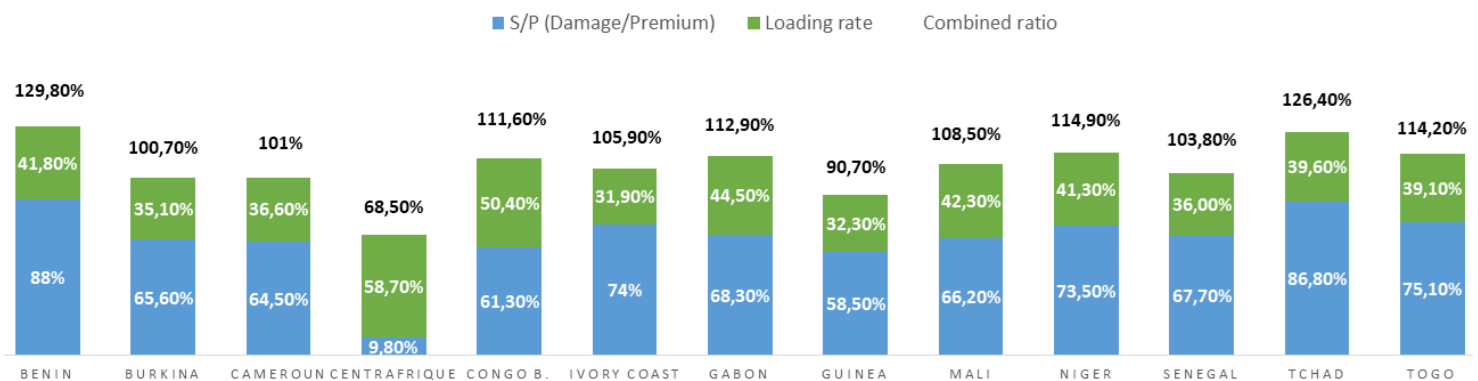
SIGA, by combating fraud and optimizing claims and contract management costs, allows insurance to lower their loading rate and thus significantly im-

prove the profitability of health insurance.

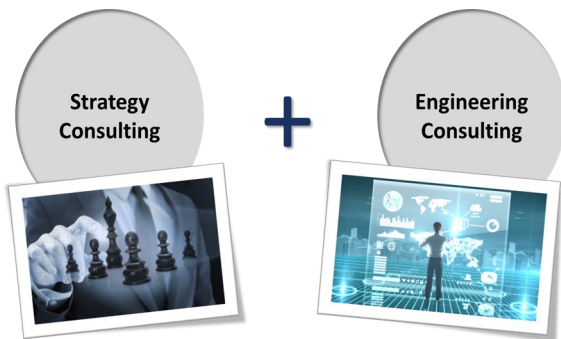
Here below some cases of external fraud tackled by SIGA

- ◇ Falsification of policyholder card
- ◇ Policyholder identity theft
- ◇ Over-pricing of the deed by some providers
- ◇ Policyholder fraud on certain types of benefits
- ◇ Multiple and cumulative insurance
- ◇ Fraude d'ayant-droit sur certains types de prestation
- ◇ Assurances multiples et cumulatives

HEALTH: SINISTERS AND MANAGEMENT FEES (2017)



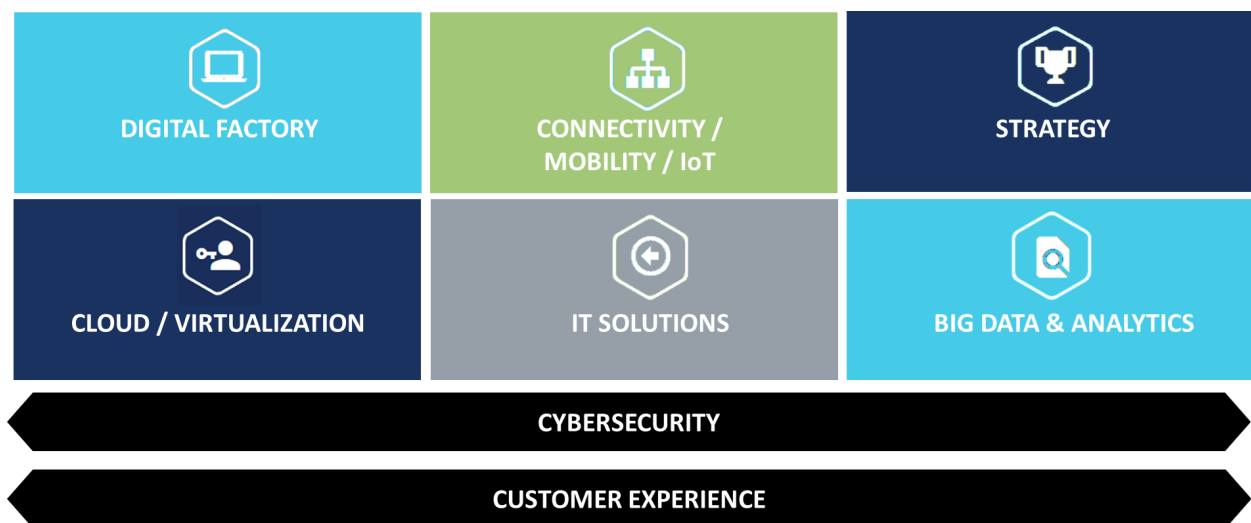
Source: MNS Consulting analysis based on figures, published by FANAF in 2019



MNS Group is an international strategy and engineering consulting firm specialized in the digital industry. We distinguish ourselves with a strong combination of deep technological expertise and strategic vision that allow us to address the challenges of the telcos, government, regulatory, banking, insurance, utilities, industry and services sectors.

Our consultants are high-level professionals with a great passion for the telecommunications and digital industry and who always provide our clients with excellent knowledge of the sector, a deep and structured analysis of the problems they are called upon to deal with. and real technical and operational solutions

OUR EXPERTISE AND ACTIVITIES FIELDS



«SHARED AMBITION AND EXCELLENCE»

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