

Bancassurance in Sub-Saharan Africa: Current State and Future Perspectives to 2020

Contributed by Finaccord
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Banks in ten African countries in sub-Saharan Africa – namely Angola, CÔte d'Ivoire, Ghana, Kenya, Mozambique, Nigeria, South Africa, Tanzania, Uganda and Zambia – are generally well-positioned to grow as an insurance distribution channel from the rapid increase in the value of the insurance markets in these countries. Banks have not only significantly increased the size of their branch networks and number of deposit accounts in recent years, but also increasingly appreciate the value of bancassurance as a future revenue generator. These are key findings from a report published by Finaccord titled Bancassurance in Sub-Saharan Africa: Current State and Future Perspectives to 2020. Based on a comprehensive and detailed analysis of the prospects for bancassurance in the ten countries, Finaccord's research established that across the top ten banks by number of retail banking customers in each of the ten countries investigated (i.e. a survey of 100 banks in total), 89 already sell insurance in one form or another and 41 promote policies that can be bought on a stand-alone basis (as opposed to cover bundled with mortgages or loans). While the South African bancassurance market is by far the most sophisticated and mature in the region, other countries such as CÔte d'Ivoire, Kenya and Mozambique are beginning to follow suit.

"Macro-economic growth and the development of banking and insurance sectors across much of sub-Saharan Africa has been very impressive in recent years", comments Tobias Schneider, a Consultant at Finaccord. "For example, across the ten countries researched, the number of deposit accounts at banks rose more than four-fold from around 29.7 million in 2005 to 133.2 million in 2013. Moreover, regulatory authorities in the region have begun to acknowledge the potential value of bancassurance for the further development and diversification of the financial services industry. As a result, banks already a growing distribution channel for selling insurance and are set to become even more prominent in future."

Credit life (creditor) insurance policies bundled with mortgages and personal loans are the most commonly distributed products with 89.5% and 85.6% of eligible banks (i.e. those offering mortgages and / or personal loans) also promoting related credit life insurance. Other insurance products that are commonly bundled with lending products are household insurance (usually configured as basic property insurance) and personal motor insurance (cross-sold with car loans). Insurance products that are offered most commonly on a stand-alone basis are funeral expenses and risk life insurance available from a respective 22.0% and 20.0% of banking entities researched.

A key factor driving the development of bancassurance in the region is the presence of international and regional banking and insurance groups (often originating from South Africa) that have begun to leverage their experience in this field in sub-Saharan Africa. Although not an exhaustive list, these include groups such as BancABC, Bank of Africa Group, Barclays, Ecobank, Standard Bank Group, Standard Chartered and Zenith Bank among banks, and AIG, Hollard, Jubilee Insurance, Kenyan Alliance, MMI Holdings, Old Mutual and Sanlam, among insurers.

"Given that bancassurance is successful in a number of countries around the world including South Africa it is not surprising that many banks in sub-Saharan Africa are seeking to grow the revenues that they generate from insurance", concludes Tobias Schneider. "It is therefore crucial for interested banks and insurers to understand the structure and regulatory environment of the sub-Saharan markets in order not to miss out on the great potential of bancassurance in the region."