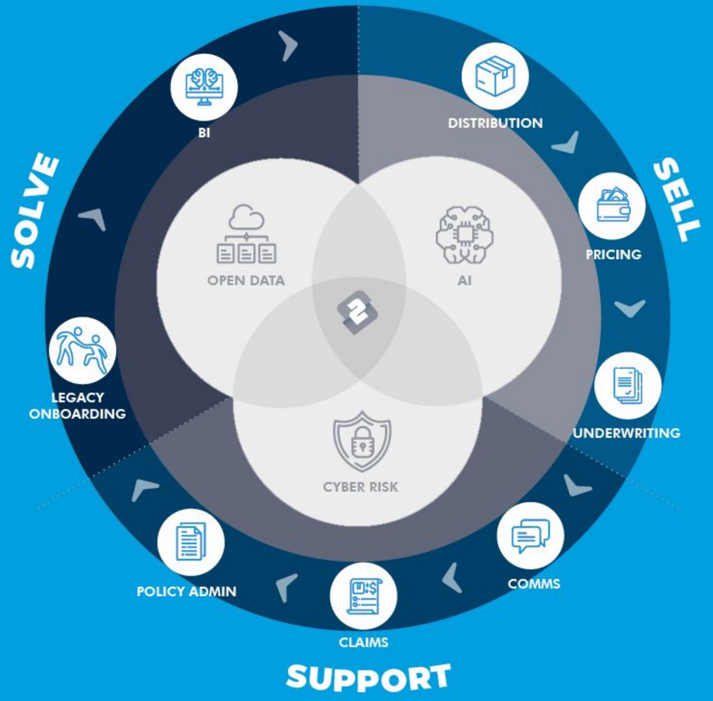
technology & the distribution opportunity with affinity partners

Insurtech2020 Conference



What do we mean with “affinity partners”?

RETAIL

BANKS

TELCOS

RETAIL

- South Africans spent **R31 900 per second** in retail stores in 2017
- **R1trn in sales** generated in 2017
- **3.6% average growth** year on year
- **Main contributors:** general dealers (including supermarkets) and retailers in clothing & footwear account for 44% of sales or R440bn

BANKS

- Shift towards **transactional, lending and saving solutions**
- **Opportunity exists to** capture additional customer-specific data through expansion of existing client base
- Data can be used to **improve loyalty programme, drive customer behaviour, improve risk management and pricing accuracy**
- **Opportunity exists to** cross-sell adjacent products such as savings and investments

TELCOS

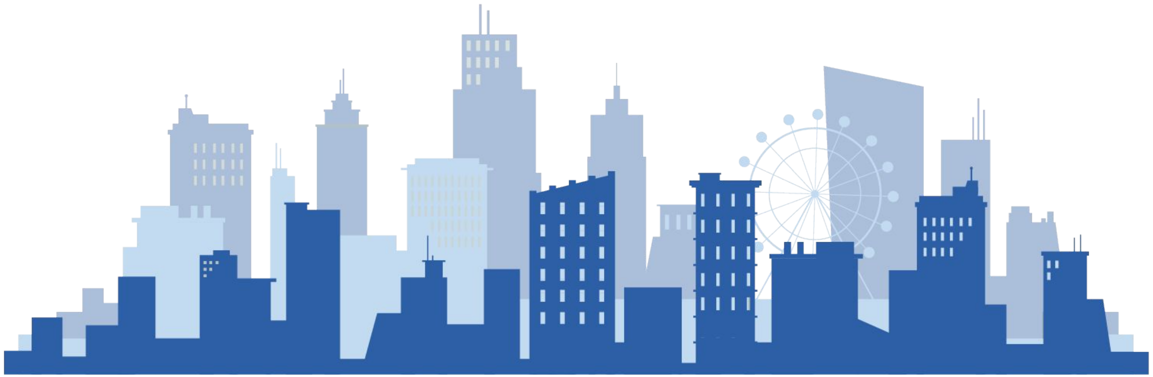
- Telcos begun to realise **immense potential in directly owning customer and data**
- Insurers want to own customer and data to **better price but telcos want the same**
- Aim is to **own the customer and cross-sell products**
- **Mobile phones offer significant to the insurance market**

SUMMARY

- R115.2bn opportunity for SA's short-term insurance industry by 2020
- 10% of retail volume capture in insurance is worth R100bn alone
- Bancassurance is a major distribution channel in SA
- Direct distribution growing at faster rate (15%) than intermediary channel
- Cost-effective distribution channels such as: bancassurance, internet or mobile will be essential
- Digital channels should be used to complement traditional channels of distribution
- In retailers up to 1/4 of revenue is generated by financial services

Why is this an opportunity?

Urbanisation



- Currently South Africa is one of the most urbanised countries in sub-Saharan Africa, with 64.8% of its population in towns and cities. In OECD member states the percentage of the population living in urban areas average 80.3%, and 47.8% and 25.6% in Nigeria and Kenya, respectively.

- United Nations' Population Division estimates that the continent's population will grow by 114.4% between 2010 and 2050, and by 2050 the median age will be 26.4 years old. Towards 2050, the urban population will have risen to 54.8%, bringing 780 million new city dwellers to the African metropolises.

- Urbanisation implies increases in insurable assets and lives as the new urban population become more affluent and more aspirational. More people have money to move around.

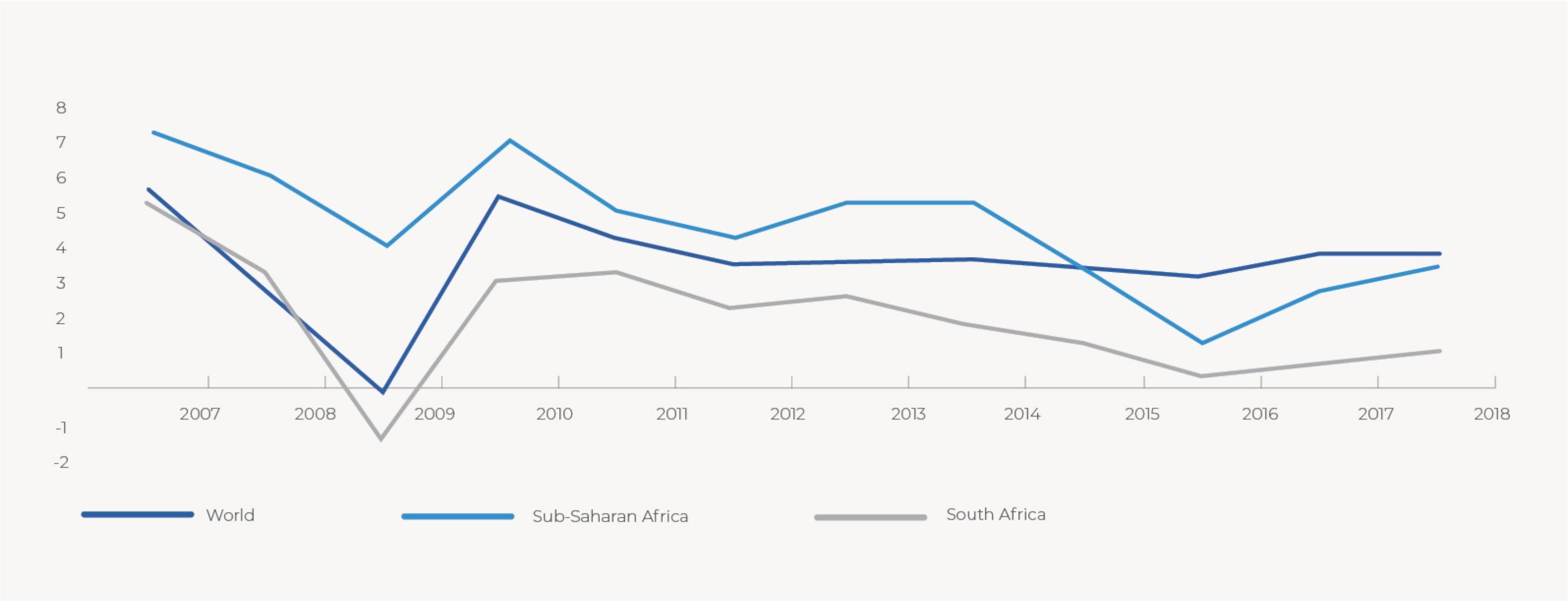
Demographic shift

A considerable potential for growth is driven by:

- A growing young population
- Rising literacy levels
- An emerging middle class.

Property and casualty insurance are expected to grow by a compound annual growth rate (CAGR) of 4.3% between 2017 and 2025, much higher than projections in the mature markets.

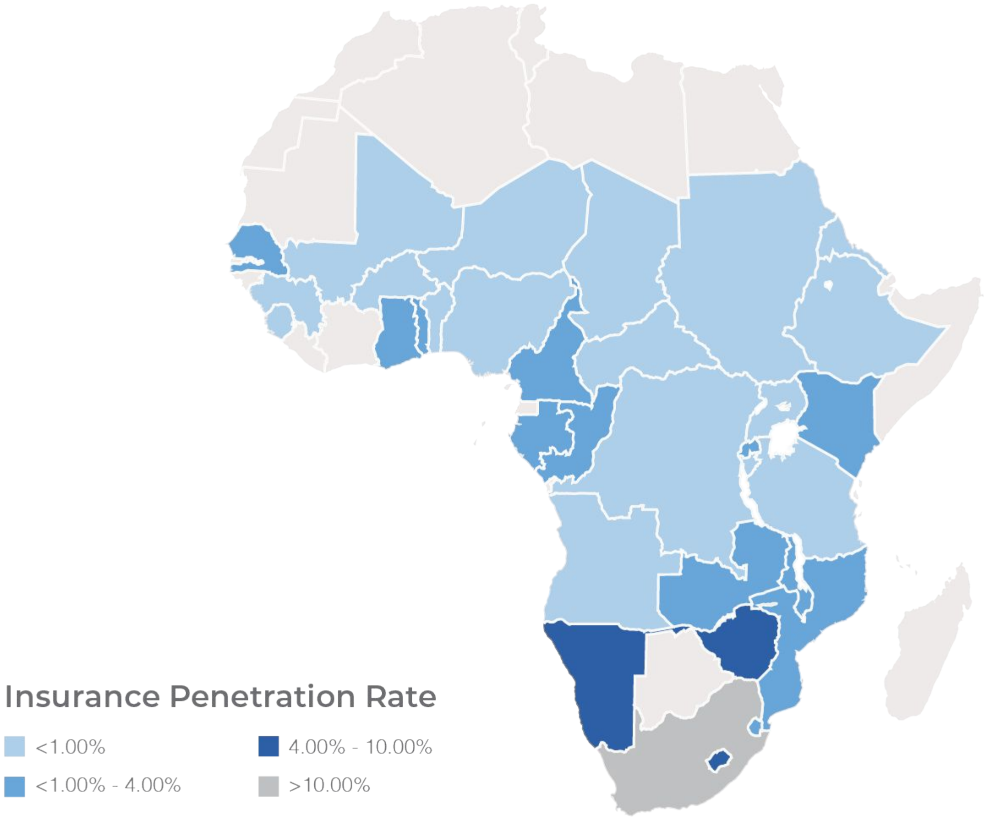
Real GDP Evolution (IMF)



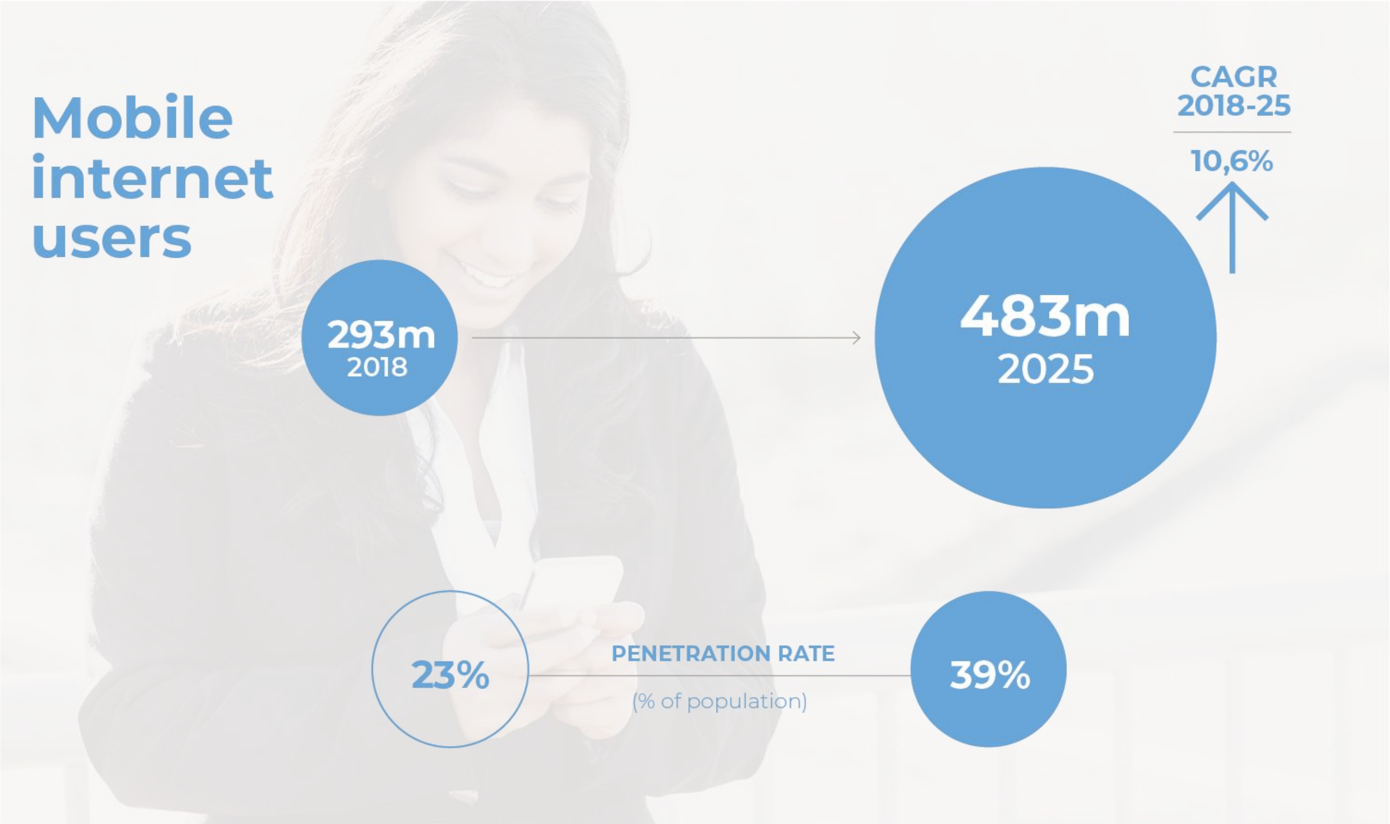
Source: IMF

Current insurance penetration rates

- The insurance market in Africa accounts for only 1.2% of the global GWP per annum (SA Insurance, PwC, 2018)
- South Africa alone accounts for $42B of the total GWP, or 0.89% of the global market
- Global non-life premium growth is forecast to remain around 3%. In emerging markets, growth could increase by as much as 6-7% annually over the next two years (The Great Pivot East, Sigma 3, 2019, Swiss Re)
- The large numbers of un(der)insured, with the potential to speed up access to them through technology, make the opportunity of insurance growth viable.
- The demographics of the population, their adapting behaviours that connected devices advance, and the internet, and social media, all combine to make access easier and increase penetration levels.

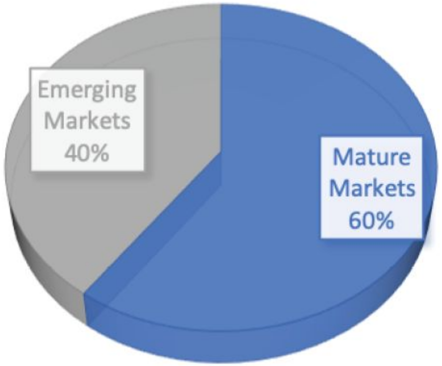


Mobile internet penetration projections

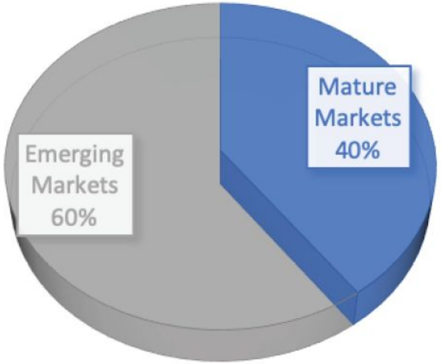


Technology & Data

2013 OWNERSHIP OF DIGITAL UNIVERSE



2020 OWNERSHIP OF DIGITAL UNIVERSE



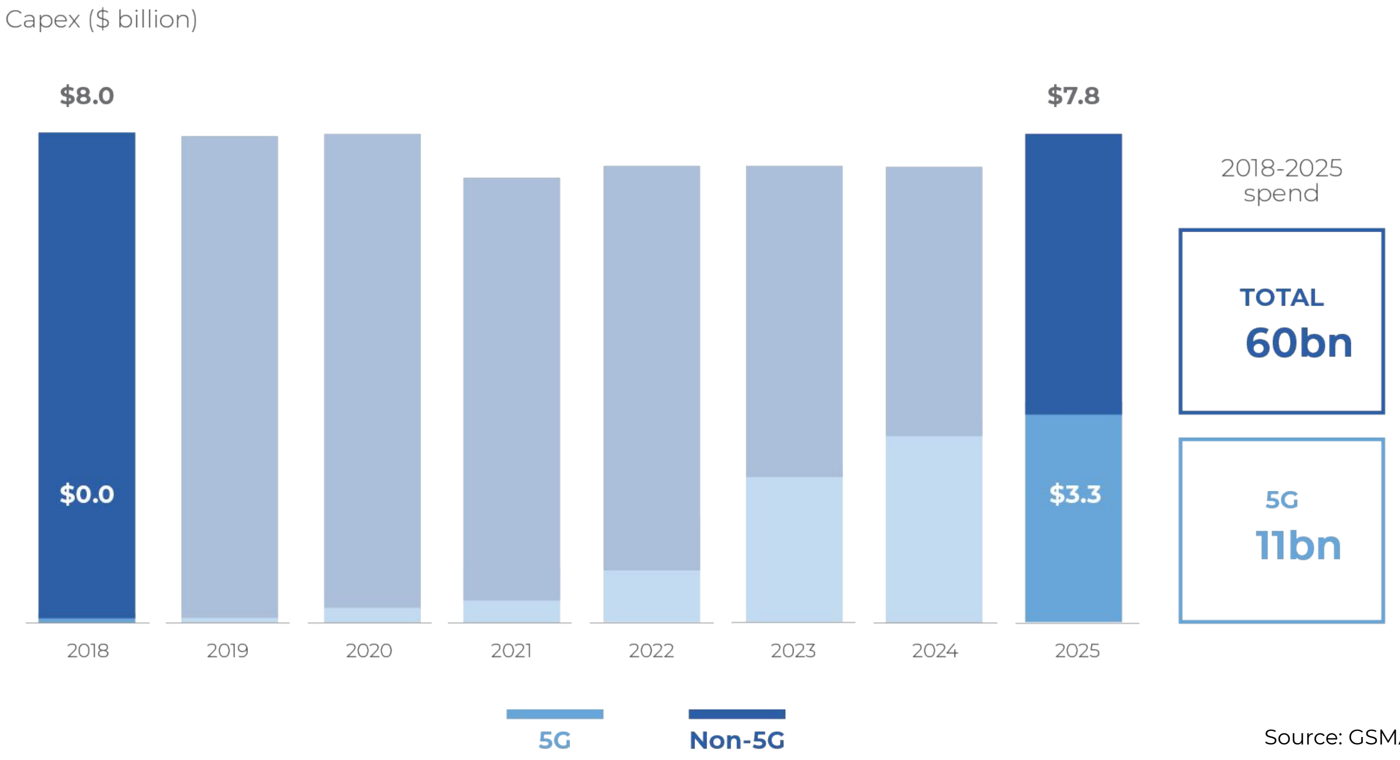
Mobile Economy: The developing world is experiencing increases in connectivity and sophistication

	2016	2020	CAGR
Mobile Subscriptions	660 million	950 million	6%
Smartphone Subscriptions	250 million	770 million	20%
Data traffic per smartphone	0.8 GB/month	1.0 GB/month	3.8%
Mobile internet penetration rate	26%	38% (2020)	

Source: Ericsson

Investment in infrastructure

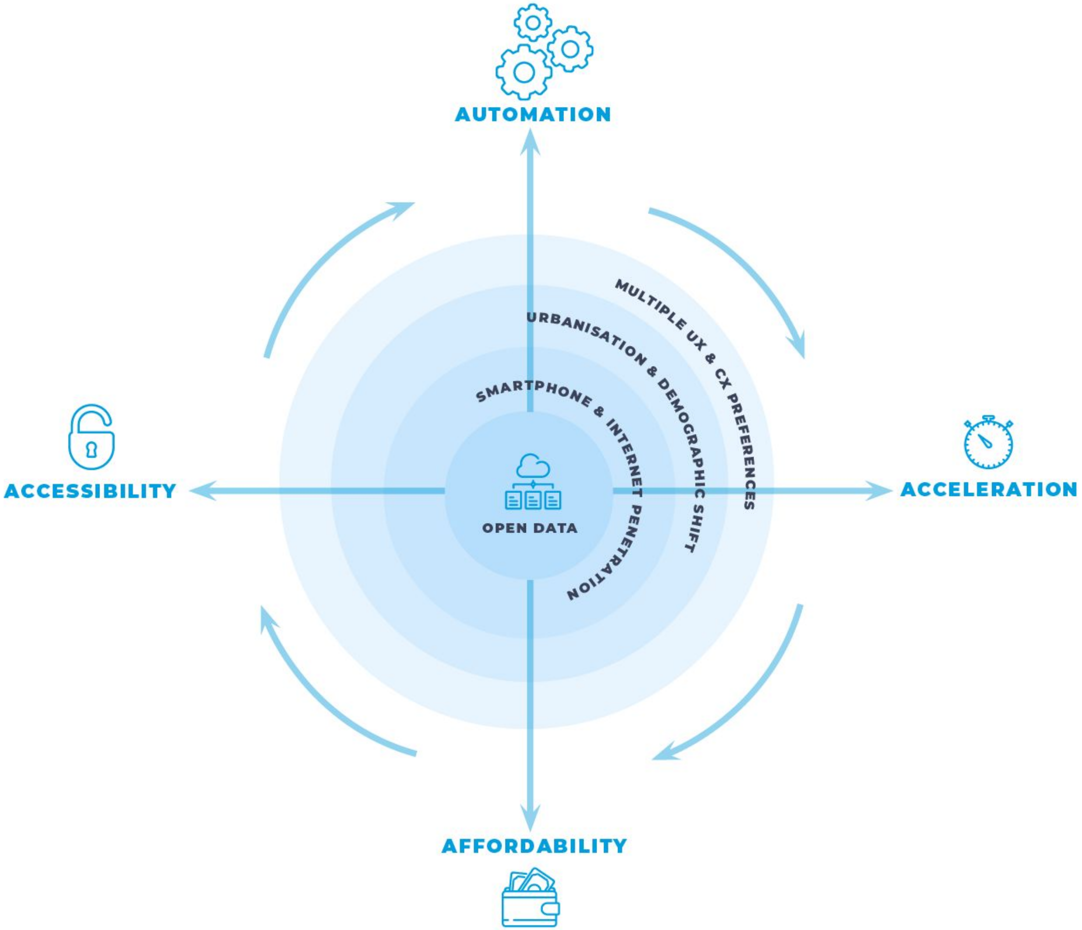
By 2025, mobile operators in Sub-Saharan Africa will invest $60B in their networks



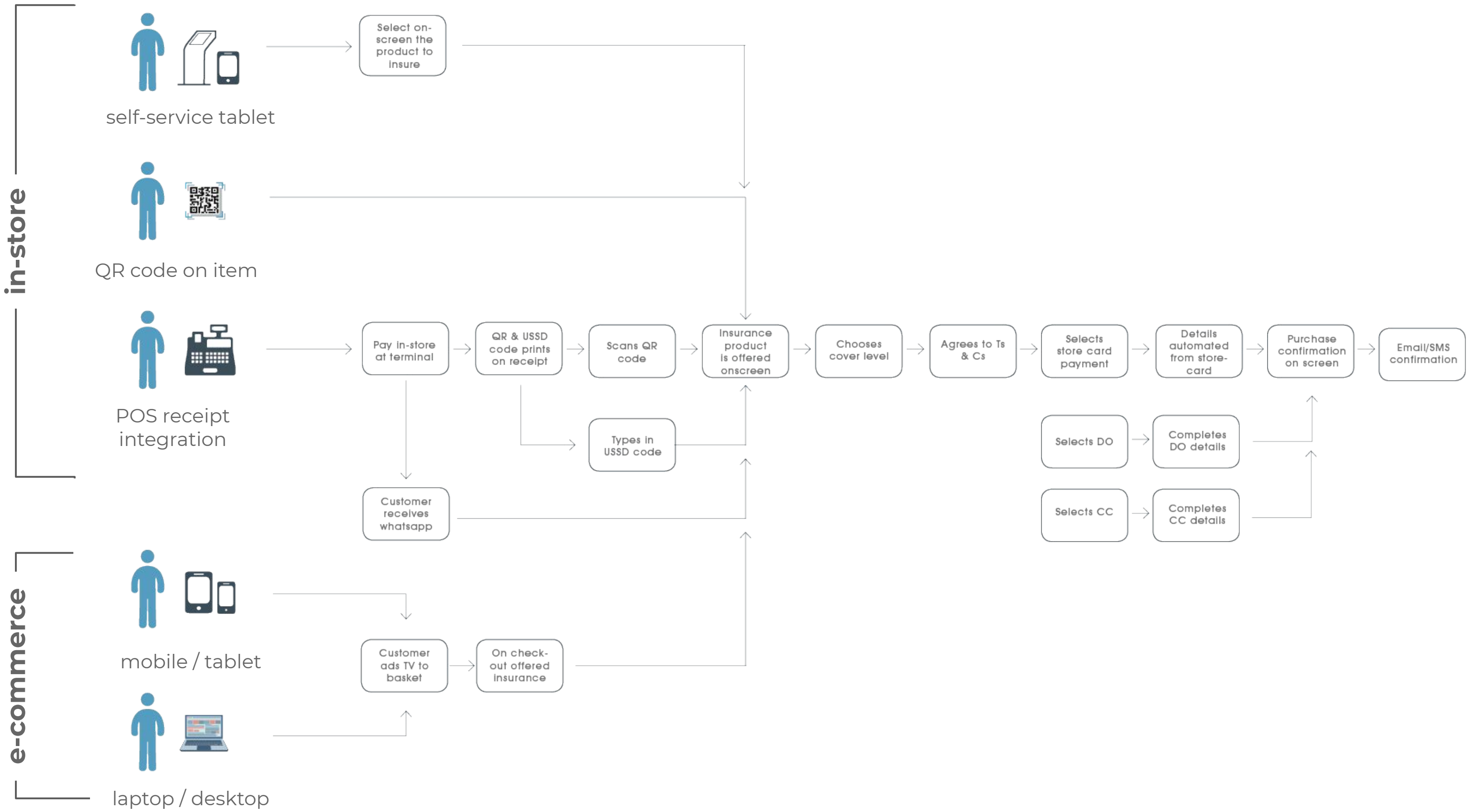
Source: GSMA

Multiple UX (and CX) preferences

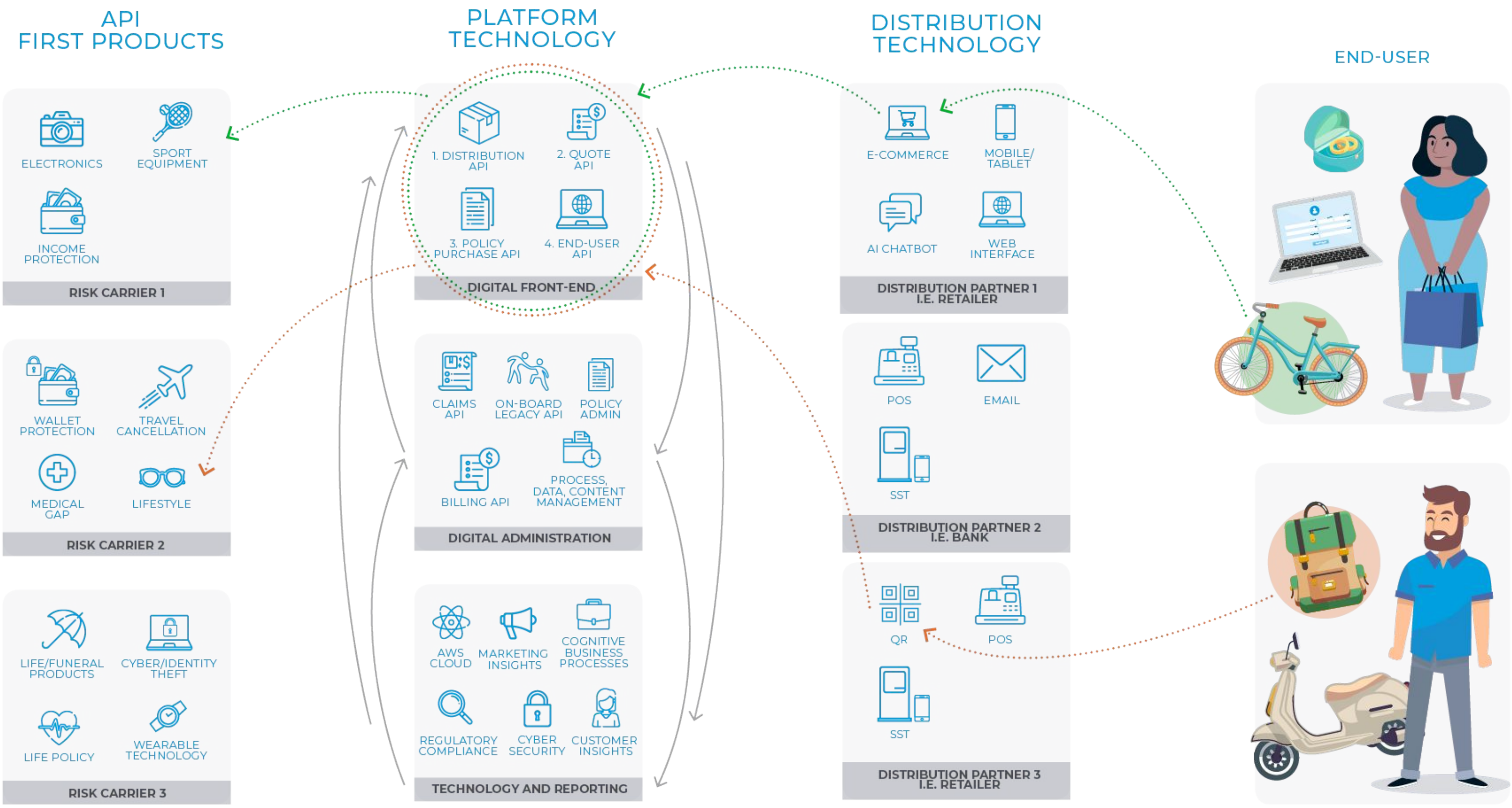
Why is this an opportunity?



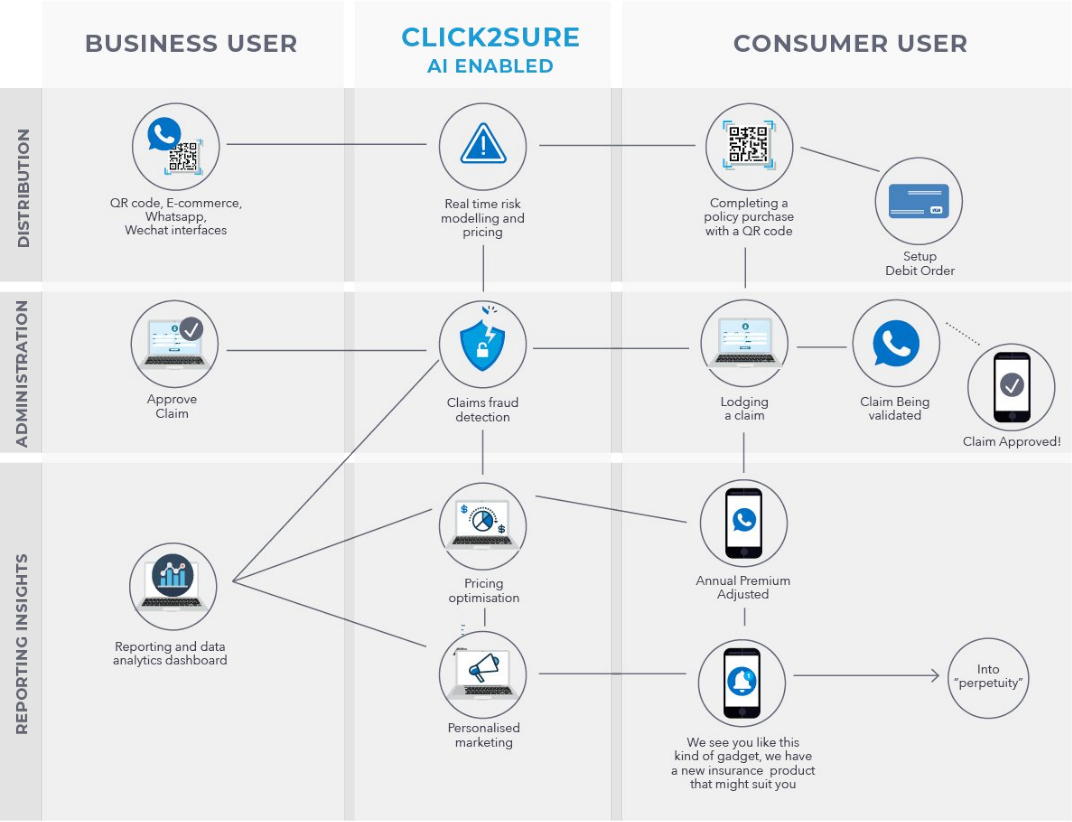
How technology enables distribution opportunity



Tech Enabled Ecosystem



How is technology enabling the entire life-cycle of an insurance product



The Tech Enabled Value Chain

TRADITIONAL VALUE CHAIN

RISK CARRYING → Product & Pricing → Underwriting & Operations → IT Developments → Claims Management → DISTRIBUTION

TECHNOLOGY ENABLED VALUE CHAIN

RISK CARRYING → CLICK2SURE → DISTRIBUTION

Summary

Affinity Partners are sitting on valuable data. Consolidating that data across the whole value chain delivers powerful insights that can produce simpler and speedier, decision-making cycles digitally.

Key drivers impacting technology driven distribution in the Affinity space are the exploration of their large untapped data, exponential smartphone and internet penetration rates, urbanisation and shifting demographics, and new generations' UX and CX preferences.

Automated and accelerated **distribution**, pricing, underwriting, administering all the way through to claims and reporting, equates in higher productivity, which should leave room to make products more affordable, which advances access for un- and underinsured.