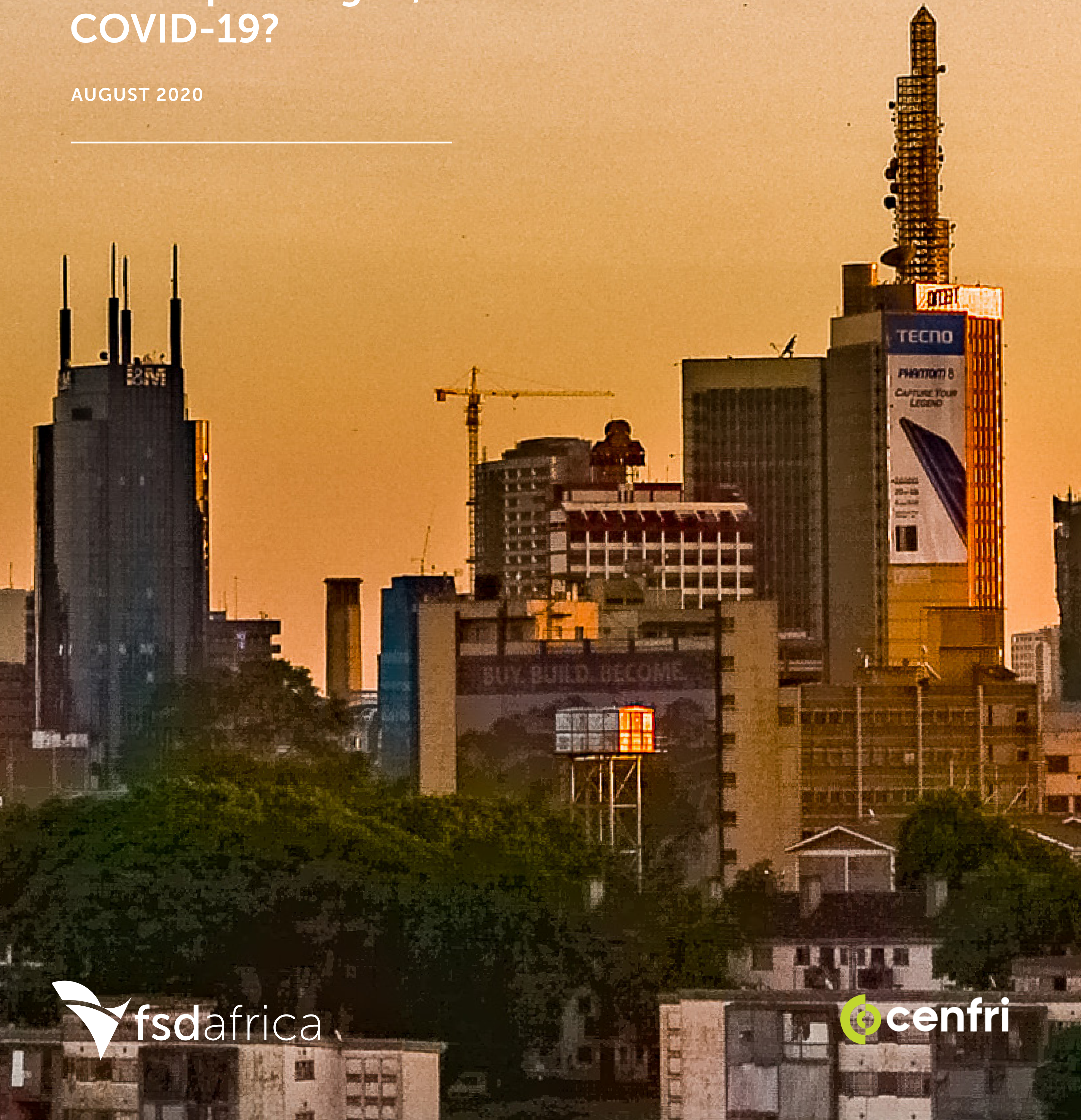
How are insurance regulators in sub-Saharan Africa being affected by, and responding to, COVID-19?

AUGUST 2020



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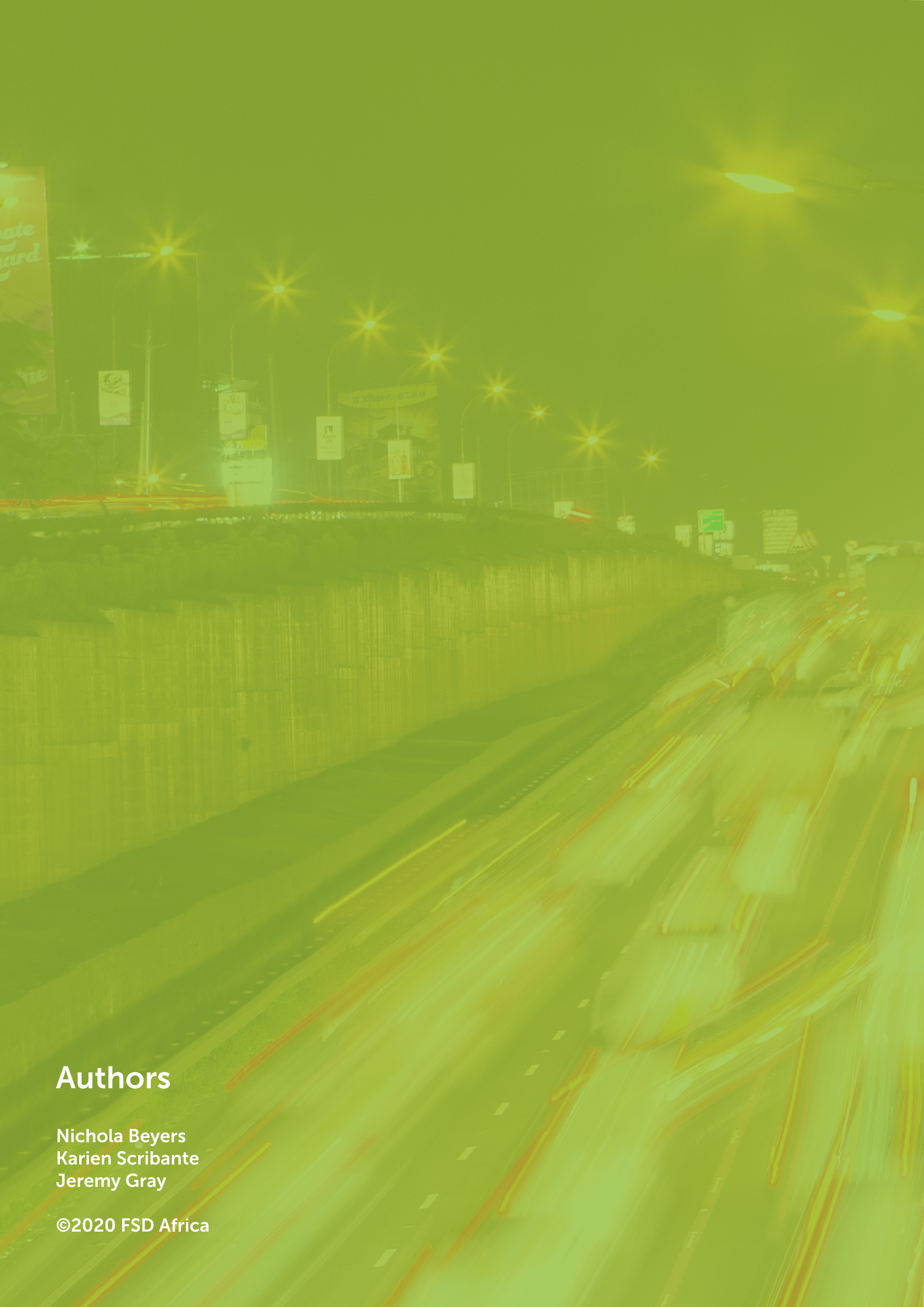

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About Cenfri

Cenfri is a global think-tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About FSD Africa

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.

List of abbreviations and acronyms

AML/CFT	anti-money laundering/combatting the financing of terrorism
BNR	National Bank of Rwanda
CDD	customer due diligence
CIMA	Conférence interafricaine des marchés d'assurance
COVID-19	coronavirus disease
e-KYC	electronic know your customer
FATF	Financial Action Task Force
FSRA	Financial Services Regulatory Authority [Eswatini]
FSCA	Financial Sector Conduct Authority [South Africa]
IAIS	International Association of Insurance Supervisors
ICP	Insurance Core Principle
ID	identity document
IPEC	Insurance and Pensions Commission [Zimbabwe]
IRA	Insurance Regulatory Authority [Kenya and Uganda]
KYC	Know your customer
MCR	Minimum Capital Requirement
NAICOM	National Insurance Commission [Nigeria]
NBFIRA	Non-Bank Financial Institutions Regulatory Authority [Botswana]
NIC	National Insurance Commission [Ghana]
OESAI	Organisation of Eastern and Southern Africa Insurers
PA	Prudential Authority [South Africa]
PIA	Pensions and Insurance Authority [Zambia]
PPSs	policyholder protection schemes
RBM	Reserve Bank of Malawi
Regtech	regulatory technology
SSA	sub-Saharan Africa
Suptech	supervisory technology
TIRA	Tanzania Insurance Regulatory Authority

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Executive Summary

The COVID-19 pandemic and the measures governments have imposed to curb its spread continues to have far-reaching consequences for insurance industries across sub-Saharan Africa (SSA). In the midst of increasing uncertainty, insurance regulators have had to explore a range of options to ensure that they are able to fulfil their core mandates of market stability, consumer protection and, in some cases, insurance market development. The COVID-19 pandemic has affected and disrupted the everyday operations of insurance supervisors – forcing them to adapt to remote supervision of, and communication with industry. Insurance regulators have recognised that regulated entities face the increased burden of uncertainty and rapid adaptation too.

As a result, insurance regulators across SSA have had to perform a balancing act between offering regulated entities regulatory relief during a challenging time and simultaneously monitoring vulnerabilities in the market closely to ensure that consumers remain protected. Different regulators have so far chosen to prioritise different sides of this trade-off. Some insurance regulators have eased up on their usual regulatory requirements in an endeavour to enable regulated entities to enhance their capacity to respond to COVID-19. Others have been more concerned with the set of issues arising from the pandemic, such as the potential for the face-to-face nature of insurance business in their markets to spread the virus.

As such, many insurance regulators have been encouraging or even requiring regulated entities to innovate and digitise their internal, regulator- and customer-facing processes to comply with the social distancing restrictions put in place to curb the spread of the virus. Shifting away from physical/face to-face processes requires insurers to invest in upgrading and adapting their infrastructure and skills. Although these investments may carry considerable short-term costs, provided regulatory uncertainty and regulatory barriers are addressed to encourage and enable these investments, they have the potential to enhance providers' efficiency and to lead to substantial gains in the medium- and longer-term.

This note takes stock of the effect of COVID-19 on insurance markets across SSA as it relates specifically to insurance regulators. It is based on our engagements with 13 supervisors – across 27 SSA countries – as well as with 33 insurance providers (including a survey administered to 68 insurers) and supplemented with desktop research. It focuses on:

- The impact of COVID-19 on supervisors and their responses
- Medium- and longer-term implications for insurance markets
- Opportunities arising from COVID-19 and implications for regulators

Although the short-term priorities of insurance regulators have varied across jurisdictions in SSA so far, we identify a set of key actions/responses and implications for insurance regulators to address in the medium- to long-term so that their insurance markets can seize the opportunities arising from the COVID-19 pandemic.

Key opportunities and implications for SSA insurance regulators

Enable digitalisation and innovation to enhance providers' efficiency.

Government-imposed restrictions on face-to-face interactions have meant that insurers need to engage in remote sales. Insurance regulators have therefore had to consider the issues surrounding digital contracting and remote customer due diligence (CDD) and assesses the enablers and obstacles. In many jurisdictions, there remains significant regulatory uncertainty among insurance market players on the legality of electronic signatures and remote onboarding. Clear, proactive communication and guidance by the insurance regulator may be all that is required to enable market players to seize these digitalisation opportunities. Where regulatory barriers outside of the insurance regulator's control exist – such as the absence of an Electronic, Transactions and Communications Act that permits digital contracting – insurance regulators may need to proactively seek opportunities for engagement, collaboration and partnership with the relevant institutions in their jurisdiction for medium- and long-term impact.

Augment regulators' efficiency.

The speed with which insurance regulators have had to adjust their internal and external-facing processes has posed a challenge, but has also revealed an opportunity for regulators to embrace new solutions, such as regulatory technology (regtech) and supervisory technology (suptech), to enhance the efficiency of their reporting and supervision processes. Supervisors can use suptech to, for example, efficiently collect and analyse unstructured data and to collect and standardise data directly from regulated entities' operational systems in real time. Although the implementation of these technologies may be challenging and costly in the short-term, in the medium- and long-term, they have numerous benefits – such as enhanced efficiency and increased regulatory capability.

Consolidate fragmented markets.

Some insurance markets in SSA were already fragmented and characterised by unsustainable competition among a large number of small, inefficient insurers before the COVID-19 pandemic. In these markets, many insurers set their premiums as low as possible, with little consideration for the actuarial soundness of their pricing, the need to provide value to customers or the need to innovate beyond compulsory products to increase returns sustainably. The COVID-19 pandemic has placed increased pressure on existing weaknesses, which means that, in the medium- to long-term, the landscape of SSA insurance markets could be in for a period of prudential instability and likely market consolidation. In response, insurance regulators need to ensure that they proactively identify and monitor the most vulnerable insurers in their jurisdiction closely and on an ongoing basis. Given how rapidly conditions are changing, it has also become especially crucial that the insurance regulator be deliberate about ensuring that the information it receives is accurate, reliable and current so as to trigger a timely, proportionate response. Proactive engagement with regulated entities – regarding the quality and frequency of reporting – is key. Although it is crucial that the insurance regulator act to prevent the disorderly insolvency of an insurer in its jurisdiction, the 'forced consolidation' that COVID-19 may entail has the potential to yield long-term market development benefits for highly fragmented insurance markets. In order to reap the potential benefits while fulfilling its core mandates, the insurance regulator would need to ensure that the resolution process prioritises policyholder protection and respects the liquidation claims hierarchy in how losses are absorbed. Insurance regulators also need to determine which criteria trigger the start of the resolution process, communicate these to industry and track how regulated entities fare on an ongoing basis. Finally, where relevant, insurance regulators could also consider implementing mechanisms that protect policyholders from losses (such as tied assets, preferred claims and policyholder protection schemes), although their efficacy as short-term response to the immediate impact of COVID-19 is likely to be limited.

1 | Introduction

COVID-19 has had – and continues to have – a major effect on all parts of society. The insurance sector has been placed under the spotlight as providers and regulators grapple with finding a balance between stepping up and providing respite to policyholders through claims and the need to maintain prudential soundness.

This note outlines our key learnings on the impact of COVID-19 on insurance markets across sub-Saharan Africa (SSA) as it relates specifically to insurance regulators. We focused on the following pertinent questions[1]:

What have been the major issues, challenges and priorities for regulators from the crisis so far?	How have regulators responded?	What are the medium- and long-term impacts of COVID-19 on SSA insurance markets likely to be?	What role can insurance regulators play to optimise outcomes in their markets?

To understand the above pertinent questions, we engaged with:

[1] We also conducted desktop research on, and scanned the websites of, 21 regulators across SSA to monitor their responses to COVID-19 and analysed key data from the most recent annual reports of eight SSA insurance regulators. The eight regulators are the BNR in Rwanda, CIMA in the CIMA Region, FSCA and PA in South Africa, FSRA in Eswatini, IPEC in Zimbabwe, IRA in Uganda, IRA in Kenya, NAICOM in Nigeria, NAMFISA in Namibia, NIC in Ghana, RBM in Malawi and TIRA in Tanzania.

[2] Conférence interafricaine des marchés d'assurance (CIMA) is the insurance regulator for 14 West and Central African countries: Benin, Burkina Faso, Cameroon, Central African Republic, Congo, Côte d'Ivoire, Gabon, Guinea Bissau, Equatorial Guinea, Mali, Niger, Senegal, Chad and Togo.

[3] This recent survey of insurance providers across Eastern and Southern Africa was conducted by Cenfri in partnership with OESAI and FSDA. Publication of the findings is forthcoming, but we refer to insights drawn from the data throughout this document. Please note that some respondents stopped filling in the survey and submitted their answers before completing the entire set of questions.

COVID-19 has particularly highlighted the pre-existing weaknesses/challenges and strengths/capabilities of different insurance industries and regulators. Insurers that were weak prior to the crisis are at severe risk of failure now, with substantive implications for regulators to manage that process. Regulators that were already proactively engaging with industry have excelled at providing guidance and certainty to players in their market during the crisis.

In addition, COVID-19 has shifted the priorities of insurance regulators – pushing them to rapidly change the way they operate and engage with industry (which has also had to speedily adjust its processes). Regulators have had to adapt to new working conditions as well as communicate with industry on how regulated entities should proceed. New concerns over ensuring business continuity have meant that regulators' other priorities have been put aside. While this reprioritisation has meant a decreased focus on market development and innovation for some, others have increasingly encouraged digitalisation and innovation as a way to survive the crisis and bolster the future prospects of the insurance industry.

Structure of the note

Description of the direct consequences of the COVID-19 pandemic for insurance regulators and their responses to it.

Summary of the medium- and long-term implications of COVID-19 for SSA insurance markets.

The concluding section focuses on the key priorities and opportunities for regulators to focus on to ensure that they enable their markets to weather the potentially catastrophic consequences of COVID-19.

2 The impact of COVID-19 on supervisors and their responses

Regulators adapting to the shifting environment. COVID-19 and the related social distancing restrictions imposed by many governments across SSA have had a significant impact on local insurance markets. During this time, regulators have had to provide regulatory certainty and leadership to the market, assess the emerging risks faced by both providers and consumers and consider options to provide regulated entities with regulatory relief. They have also had to do all of this while adapting their own supervisory operations and processes, as they too have been required to engage remotely and work from home.

Regulators' response framed within the scope of their mandates. The nature and focus of different regulators' responses to the COVID-19 crisis can be understood through the lens of their mandates. The legal mandates, board-determined objectives and targets have directly influenced the manner in which regulators have responded and what they have prioritised. Insurance regulators across the continent typically have the dual mandates of prudential management and market conduct. However, in the last few years, an additional mandate of market development has been added to many regulatory authorities. These pillars are also included as objectives of insurance supervision in 1.2 of Insurance Core Principle (ICP) 1[4] (IAIS, 2019). Those regulators who have an explicit market development mandate, like the Insurance Regulatory Authority (IRA) in Kenya[5] and the IRA in Uganda[6], have tended to be far more proactive in focusing on supporting innovation as a key driver of market recovery. In contrast, regulators who do not have an explicit market development mandate have tended to focus more on prudential and market-conduct-related elements of supervisory oversight during this time.

2.1. Adaptation of supervisory processes

Attempt to minimise disruptions to regulators' internal activities, facing internal challenges. Most insurance regulators, like providers, were required to shift to remote (or partially remote) operations rapidly, in line with their government's required social distancing restrictions. As such, across regulators, internal meetings have had to be limited or held using digital means. The Financial Sector Conduct Authority (FSCA) in South Africa, for example, swiftly achieved remote capability (89% within the first week of the country's strictest lockdown period). Nevertheless, the FSCA still emphasised that it experienced difficulties with the necessity to adapt within such a short timeframe.

Indeed, as with many providers, the necessary adjustments have presented many practical challenges to almost every insurance regulator's internal operations. The regulators we interviewed highlighted the challenge of ensuring that all staff had laptops they could use and effective remote access to the regulators' servers and systems. Regulators also reported that challenges have included concerns about data security and physical security. In May, the Reserve Bank of Malawi (RBM) stated that its staff had also faced challenges with access to affordable internet while working from home. CIMA stated that it faced specific issues, given that its jurisdiction comprises of 14 countries. By May, the Council of Ministers had not yet convened remotely and CIMA reported that

[4] The Insurance Core Principles (ICPs) are "a globally accepted framework for insurance supervision" that has been issued by the International Association of Insurance Supervisors (IAIS) (IAIS, 2019).

[5] In Kenya, the Insurance Act (assented in 1985 and commenced in 1987) states in article 3A that an objective of the IRA is "to promote the development of the insurance sector".

[6] In Uganda, the Insurance Act of 2017 states in article 11 that an objective of the IRA is "to promote effective competition in the insurance sector in the interests of consumers, the growth and development of the insurance sector and the development of an inclusive insurance sector".

it was especially challenging to do so, given that the Council had never convened remotely before. The delayed Council meeting was mentioned as a barrier for the discussion and implementation of necessary changes for CIMA to adapt to COVID-19.

Move towards remote supervision has led to challenges but also opportunities. Social distancing measures affected regulators' ability to conduct some of its supervisory duties. For example, on-site inspections and face-to-face engagements with external stakeholders were suspended in numerous jurisdictions. In response, some regulators have turned to technological alternatives to conduct on-site inspections. The IRA in Kenya stated in April that it was looking into various applications to conduct on-site inspections remotely, and many other regulators have also been actively exploring this alternative. The FSCA in South Africa has even conducted a virtual inspection of an applicant's systems to approve a new license. Many insurance regulators (like those in Botswana, Kenya and Eswatini) have also either encouraged or required regulated entities to submit documentation electronically, including financial statements, returns, complaints, licensing renewal documentation or applications (NBFIRA, 2020; FSRA, 2020). In the short term, as with many industry players, the COVID-19 crisis has fast-tracked the adoption of digital tools and processes by many regulators in order to cope with the restrictions. Over the longer term, this hastened adoption may enable the development and implementation of new and more effective or efficient supervisory tools and approaches.

2.2. Regulators' communication with industry

Imperative to provide regulatory clarity during periods of high uncertainty. During a period of crisis and significant instability for market players, regulators should ideally provide clear and proactive communication to regulated entities to at least limit any additional regulatory uncertainty. During the COVID-19 crisis, regulators have communicated regulatory relief measures and support to regulated entities in a range of ways. Unsurprisingly, regulators that had an already-established means of communication before the pandemic have communicated more effectively with industry, thus highlighting the importance of a focus on proactive communication and pre-existing communication capacity.

Most regulators posted responses to COVID-19 on their websites. Regulators' websites have been largely used to disseminate information publicly to various stakeholders, but the type of information published has differed. Of the 21 regulators whose websites we visited over a period of two months, 19 had some kind of response to COVID-19 on their website. Of these responses, four regulators only published information from, or links to, the Department of Health in that jurisdiction, while one regulator only put up a notice around the closure of its offices. The remaining regulators published requirements or guidance to industry on their websites in the form of announcements, public notes, directives or circulars. However, some regulators prioritised sending information directly to industry above updating their websites. The National Insurance Commission (NAICOM) in Nigeria initially had no response to COVID-19 on its website and only placed a circular it had already disseminated directly to industry on its website a few weeks later.

Regulators have also relied on more direct engagements with industry. All regulators interviewed have engaged in bilateral communication with regulated entities. However, the frequency of this communication has differed quite substantially between countries. The National Bank of Rwanda (BNR) reported discussing with insurers the major challenges that insurers face, the suitability of their business continuity plans and so forth. CIMA stated that it sent out a survey to industry at the end of March to gather information on the impact of COVID-19 and on how regulated entities have responded to the pandemic. In May, the regulator stated that it planned to first analyse the feedback before providing recommendations.

More multilateral, proactive communication by certain regulators. We observed a variety of responses among regulators, some of whom have been using multiple channels to disseminate information to a variety of stakeholders. For example, in May, the Prudential Authority (PA) of South Africa stated that it was holding virtual meetings with industry associations on a weekly basis. The IRA in Uganda used its quarterly newsletter to provide updates to industry on its response to COVID-19. In Kenya, the IRA provided COVID-19-related updates on its Facebook and Twitter accounts (Insurance Regulatory Authority – Kenya, 2020; IRA Kenya, 2020). NAICOM in Nigeria held a webinar on the impact on insurance (Nwoji, 2020).

Regulators also engaged with bodies outside of the insurance industry. In May, the PA and the FSCA in South Africa reported that they were meeting daily with other governing financial bodies, such as the National Treasury, to coordinate and identify issues that need to be raised to the national cabinet.

Uncertainty exacerbated where communication has been limited or disrupted. Some regulators have had more sparse communication with industry, leaving providers less clear on what is expected of them. In markets such as CIMA, Malawi, Nigeria and Tanzania, insurance providers reported in interviews that limited or no information has been made available on COVID-19 and the regulator's response to it, either publicly or circulated directly to industry. Here, regulated entities have directly stated that they would like more clarity on the approach of regulators. Regulated entities had specific requests for regulators around key issues such as: a) for insurance to be considered an essential service, b) reductions on tax payments and c) allowing flexibility around e-signatures. However, some regulators have been slow to respond to these requests (Schlemmer, Rinehart-Smit & Gray, 2020). A provider in Malawi reported in our interview that the RBM stated that it would be lenient on monitoring and enforcement, but that the regulator was unclear around what this would entail. This has caused regulatory uncertainty for the provider as to what is or is not allowed. The provider also requested that emails be used for product sales and for the submission and approval of claims – a request which the regulator had not addressed at the time of the interview in May. Further, in an interview with CIMA in May, the regulator indicated that it would not require insurers to cover COVID-19-related claims. However, one insurer operating in the CIMA region reported in the same month that it expected the regulator to require all claims, whether COVID-19-related or not, to be paid – even though the insurer did have pandemic exclusions in their policies[7].

Encouraged industry to help stop the spread of COVID-19. Regulators have been required, either explicitly or implicitly, to provide guidance to industry on the interpretation and implementation of national regulation and policies. In South Africa, the FSCA explained that it has been given the primary responsibility for issuing regulation to the insurance industry on how to implement social distancing. In other markets, regulators have primarily circulated communication to industry on how to minimise the risk of infection. Regulators have reiterated the advice of health organisations and provided additional guidelines for their industries to follow. The Non-Bank Financial Institutions Regulatory Authority (NBFIRA) in Botswana has not only advised industry to limit physical contact and follow hygiene protocols provided by the Government, but it has also encouraged the use of digital and telephonic means to communicate with stakeholders and discouraged even small, in-person meetings (NBFIRA, 2020). In Ghana, the National Insurance Commission (NIC) has recommended that industry encourage staff to avoid crowded places, to postpone gatherings such as workshops and conferences, to allow and encourage non-essential staff to work from home or take leave, to provide PPE to staff, and lastly to sanitise their offices (NIC, 2020).

[7] On 18 May, CIMA sent out a communication responding to an insurer who was refusing to cover customers who test positive for COVID-19. In its statement, the regulator emphasised that the insurer should consider covering such consumers, unless the contract explicitly excludes the provision of such cover (Pibasso, 2020).

Issued guidance to enhance the value of insurance to consumers. COVID-19 has presented an opportunity for the insurance industry to raise awareness of the value of insurance during times of crisis. Regulators have recognised this opportunity, as well as policyholders' reliance on insurance to cope with the impact of COVID-19 on their health and financial wellbeing. Policies are lapsing as many policyholders experience financial difficulty and, given varying social distancing requirements, some policyholders are struggling to engage with insurers. Numerous regulators have thus issued guidance to insurers on treating customers fairly during the crisis. As the FSCA in South Africa stated during our interview with them, one "cannot take away [the] umbrella when it is raining". The IRA in Uganda has advised industry (in a guideline on the conduct of business during the pandemic) to consider premium holidays, to extend the grace periods for lapses in life and medical policies, as well as for premium instalment warranty for non-life policies; and it has implored industry to pay claims in a timely manner (IRA Uganda, 2020). In Zambia, the Pensions and Insurance Authority (PIA) also issued a guidance note on COVID-19, which included instructions for industry to "proactively sensitise their policyholders on policy coverage and exclusions" and to "[n]ot reject claims due to delayed reporting or challenges that may arise due to COVID-19 related directives issued by Government" (PIA, 2020).

2.3. Regulatory requirements during COVID-19

Regulators are aware that regulated entities required additional capacity to respond to COVID-19 and thus certain regulatory requirements have been amended in order to provide space for entities to adapt. However, regulators also have various new concerns due to the impact of COVID-19 on both insurers and customers. To address these new concerns, supervisors have issued additional guidelines and reporting requirements.

2.3.1. Regulatory relief

Steps to provide regulatory relief to entities. To free up capacity for providers to focus on the impacts of COVID-19, numerous regulators have granted extensions related to the submission deadlines of various regulatory requirements. For example, the FSCA in South Africa, the IRA in Uganda, the Financial Services Regulatory Authority (FSRA) in Eswatini and the BNR in Rwanda have extended submission deadlines for reporting requirements, such as annual financial statements and audits. NBFIRA in Botswana has extended deadlines for licensing renewals as well as statutory returns (NBFIRA, 2020). Regulators such as the Insurance and Pensions Commission (IPEC) in Zimbabwe have also reported extending the deadline for regulatory levy payments. In Nigeria, NAICOM has extended the deadline for first-quarter returns by a month in March (Orimisan, 2020) and has issued a Circular stating that special risk foreign reinsurance documentations need only be submitted after the Government lifts the current travel restrictions (The Eagle Online, 2020). Before the pandemic, NAICOM announced that the deadline for the new recapitalisation requirements had been extended from 30 June 2020 to 31 December 2020. The regulator has subsequently announced that insurers have to meet half of these requirements by the end of 2020, with the final deadline now being September 2021 (Benson, 2020).

2.3.2. New concerns leading to additional regulatory expectations

Regulators are trying to continue to deliver on their mandates under extraordinary circumstances. This means that regulators have to balance the need for prudential soundness of the market, the protection of consumers and long-term growth of the insurance industry while also working within the constraints set by their governments. While regulators have similar concerns and goals, the different contexts and mandates among regulators mean that they have responded differently to achieve these goals.

Concerns over the spread of the pandemic by the business of insurance. Most of the insurance business in SSA is still conducted face to face, which places both insurance staff and customers at risk of becoming infected. As the pandemic spread to SSA, regulators identified this risk and, as discussed above, many issued additional guidelines to industry to curb the spread of COVID-19. The FSCA in South Africa reported that insurance intermediaries were struggling to digitise as the customers themselves relied on in-person advice. While the regulator prohibited such interactions during the country's strictest level of lockdown, the FSCA has had to allow in-person engagement as the country eased some of its containment measures. However, the FSCA has stipulated that insurance intermediaries cannot go into people's houses and that, instead, they have to meet customers and potential customers at a site where the correct protocols can be put in place. Insurers' business continuity plans aid management to identify critical business operations, the various responsibilities of staff, communication plans for staff and external stakeholders and so forth (IRA Kenya, 2014). Therefore, numerous regulators have directed insurers to activate their business continuity plans, including the BNR in Rwanda and NAICOM in Nigeria. However, a pandemic may not have been previously identified as one of the potential business continuity risks, and the FSCA in South Africa urged insurers to evaluate the impact of COVID 19 specifically on their operational ability (FSCA, 2020). Other regulators, like the IRA in Uganda and the RBM in Malawi, requested that regulated entities submit these plans to the regulator for review.

Concerns around the prudential soundness of insurers. Many insurers across SSA were already vulnerable before COVID-19, and the crisis will potentially have a large negative impact on the insurers' bottom-line (Beyers, Hougaard & Gray, 2020). In response, some regulators have taken steps to monitor and address the prudential soundness of insurers. For example, the PIA in Zambia has instructed insurers to conduct and submit "'stress tests' vis-a-vis the impact of the COVID-19 pandemic on liquidity, capital adequacy, solvency and general financial position (balance sheet) and cash flow" (PIA, 2020). The PA in South Africa stated in our interview that it has also required insurers to report on their operational ability and liquidity on a weekly basis while requiring stress testing for insurers who it expects might be in distress. In Uganda, the IRA paused the payment of all shareholder dividends, unless approval is granted by the regulator, in order to ensure adequate capital capacity be maintained (IRA Uganda, 2020). Nevertheless, by May and the beginning of June when we spoke to them, some regulators had not identified prudential soundness as a primary concern.

Regulators responding to prudential concerns differently. Regulators have approached addressing their prudential concerns differently, as some have become more lenient on prudential requirements in the short term while others have become stricter. The BNR in Rwanda reported that it has sent out a policy measure on capital requirements to industry and will approach insurers who fall below the requirement to consider their response on a case-by-case basis. In Malawi, however, the RBM stated that they will be "kinder" (i.e. more lenient) to shortfalls in capital requirements and solvency than usual.

Concerns about customers being treated fairly during the crisis. Containment measures have affected the financial stability of customers and their ability to pay premiums while more remote operations have hampered many customers' ability to engage with insurers. As the examples above show, this has led regulators to issue guidance or requirements to industry to ensure that customers are being treated fairly and that insurance continues to provide value to them. Most regulators interviewed spoke about market conduct and the treatment of customers. CIMA stated that the fair treatment of customers will be included in their upcoming recommendations to industry. In our interview with the FSCA in South Africa, the regulator reported that while it has seen good practices such as premium payment relief, it has also seen bad conduct from companies (e.g. using premium holidays as inducement; misusing health protocols) as COVID-19 relief was being used to attract customers. Further, ordinary bad conduct practices have still continued – the FSCA still sees issues around the availability and withdrawal of covers, especially health products that are now particularly needed by policyholders.

Concerns about insurers illustrating the value of insurance by covering COVID-19. Covering claims related to COVID-19 requires balancing insurers' capability to cover with regard to their solvency, pricing and risk, and the risk to their reputation and trust if they do not. Some regulators, such as the IRA in Kenya, have required that COVID-19 claims be covered, while others have only encouraged certain lines of business to do so. Regulators like the NIC in Ghana and the Tanzania Insurance Regulatory Authority (TIRA) have generally been supportive of life and medical insurance covering COVID-19. In Uganda, the IRA engaged insurers and reinsurers that are providing medical insurance and obtained their agreement to cover COVID-19 cases. This included cover for testing, as well as treatment and care. Business interruption claims have been more contentious. In South Africa, insurers have been arguing that it is the national lockdown that has led to businesses' losses and subsequent claims, and not COVID-19 itself. Therefore, these insurers have been rejecting claims, as they believe these claims do not relate to the wording in the policy around contagious diseases. In June, the FSCA laid down in a communication that insurers cannot view the national lockdown as a trigger for rejecting business interruption claims and that claims should be paid for policies with the relevant wording around contagious diseases (FSCA, 2020). The FSCA also stated in a press release on insurers' rejecting business interruption, that "[s]uch conduct goes against the principles of treating customers fairly and breaks down confidence and trust in the insurance sector" (2020) . The FSCA based their decision on the Western Cape High Court ruling in June[8] that stated that there is a factual link between COVID-19 and losses of businesses. Certain insurers, however, stated that they will enter into discussions with the FSCA on its decision, as they still do not believe that the business interruption claims are in line with the policy wording (Crouth, 2020).

Different regulatory expectations between jurisdictions. We have observed a range of different responses by regulators. Of the 12 jurisdictions covered in our interviews, regulatory relief only has been provided in three, while additional regulatory expectations only have been communicated in five. In the remaining four jurisdictions, a combination of both responses has been implemented, which means that it is not immediately clear whether the extent of regulatory relief has been sufficient to compensate for the burden of increased regulatory expectations. Unsurprisingly, however, regulated entities seem to be needing more regulatory relief than they have been receiving so far: of the respondents of a recent survey of providers, 20% reported wanting to see increased supervisory and reporting requirements, while 38% stated that they want less burdensome supervisory and reporting requirements and 36% responded that they wanted to see the relaxation of prudential requirements (FSD Africa, OESAI & Cenfri, forthcoming).

2.4. Digitalisation and innovation during COVID-19

Numerous regulators encouraged or required insurers to digitalise, but challenges remain. Certain regulators have identified innovation as key to the recovery of their industry. As a result, these regulators have encouraged innovation in their communication to industry. The PIA in Zambia has required entities to provide e-platforms for selling, paying premiums and settling claims (PIA, 2020), and the FRSA in Eswatini has encouraged the use of digital tools and platforms, including for the online submission of audited financial statements or renewal documents (FSRA, 2020). In Rwanda, the BNR has framed this crisis as an opportunity for providers to offer more services online and further advance their IT systems, and the IRA in Uganda reported that it has challenged industry to embrace insurtech in service delivery.

However, across the board, industry responses are still limited. In the short term, existing digitalisation challenges faced by providers have not gone away. Providers have particularly highlighted the lack of clarity regarding digital contracting and remote onboarding/know-your-customer (KYC) or customer due diligence (CDD) requirements as a hindrance. One provider operating across SSA reported that it is uncertain whether regulators would allow the CDD

8 Cafe Chameleon CC v Guardrisk Insurance Company Ltd (5736/2020) [2020] ZAWCHC 65 (26 June 2020)

process to be digitalised and stated that many regulators were unaware that it is actually legal in their countries (Schlemmer, et al., 2020). In the CIMA region, draft regulation on digital and electronic insurance from 2017 is yet to be validated by the Council of Ministers. In April, the PA and FSCA in South Africa, in collaboration with other financial sector regulators, launched the Intergovernmental Fintech Working Group Innovation Hub (FSCA, 2020). Yet, in our interview with the regulator, the FSCA remarked that getting customers to use digital platforms has been the major barrier that needs to be addressed – before and during the crisis, as well as going forward. However, the drive to support innovation and the increased digitalisation of the insurance industry in the medium to long term may further facilitate innovation if regulators continue to create an enabling environment. As stated by the FSRA, for insurance to play a role in supporting recovery after COVID-19, innovation is still required, and it is important for regulators to consider how to enable innovation.

3 Medium- and longer-term implications for insurance markets

Many insurers across SSA were already vulnerable before the pandemic. COVID-19 is now placing significant pressure on the manner in which insurance business is conducted, as it has disrupted providers' engagement with both regulators and consumers and placed additional requirements on industry in terms of regulatory expectation and its digital capacity. The crisis is also affecting economies on the whole, as well as the financial stability of consumers. These issues are not necessarily going to abate in the longer term and can have severe implications for the sustainability and landscape of insurance markets going forward (Beyers, et al., 2020)[9].

3.1. Existing industry challenges exacerbated in the medium term

Decrease in premiums. Insurers and regulators are reporting policy lapses as well as an increase in the number of policyholders who are unable to pay their premiums. In the aforementioned survey of providers across Eastern and Southern Africa:

64% reported a decrease in premium collection

41% reported an increase in policy lapses

FSD Africa, OESAI & Cenfri, forthcoming

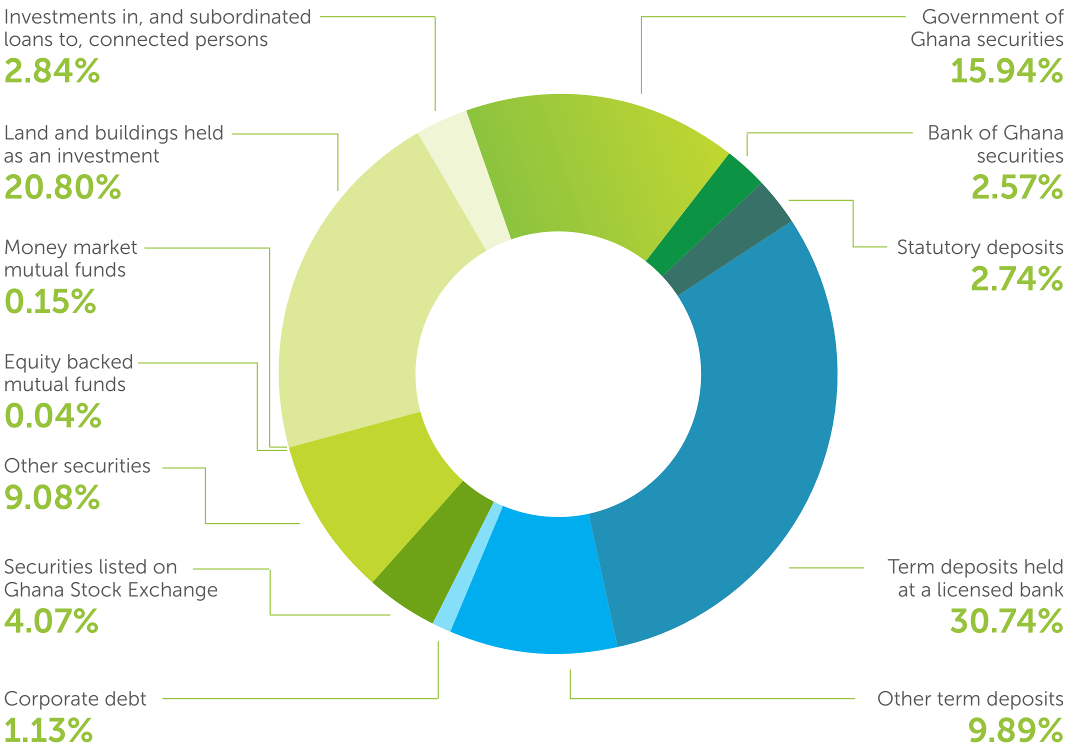
As consumers' income will continue to be affected, policy lapses may persist. Further, there has been a substantial reduction in the number of new policies issued, and premium collection is especially disrupted for countries that have more limited digitalisation capabilities. The impact on the number of new policies and premium income has particularly affected certain lines of business and distribution channels, such as in-person sales through insurance agents and credit-life insurance.

Reduced claims initially; however, other expenses remain. While social distancing measures remain in place and infection rates remain relatively low across SSA, insurers have had fewer claims for certain lines of business, such as motor insurance. However, COVID 19-related claims could increase substantially in the medium term. At the same time, insurers still have to cover their operational and management expenses, and these are unlikely to decrease, thereby compromising profitability. Numerous insurers were already experiencing underwriting losses as well as an average expense ratio above the global guidance benchmark of 40% before the COVID-19 pandemic (Beyers, et al., 2020). In the survey referenced above, 48% of respondents stated that, since the onset of the global pandemic, commission costs have remained unchanged and 78% said that their rent paid has stayed the same (FSD Africa, OESAI & Cenfri, forthcoming). A substantial percentage of respondents (40%) have even found that their operational expenses have increased.

[9] See our previous work on this topic: **Staying afloat: The sustainability of insurers.**

Lower investment income. Across SSA insurance markets, many insurers' positive net profit after tax has been solely due to investment income. In other words, their investment returns have been compensating for their underwriting losses[10]. Term deposits, government securities and property investments are key asset classes across the eight focus countries analysed[11]. This is seen in Figure 1 and 2, on the Ghanaian insurance sector, where these three asset classes constitute 80% of investments assets in the non-life insurance market and 83% in the life insurance market in 2018 (NIC, 2020). Governments have lowered interest rates as part of their monetary policy interventions, which will affect returns from term deposits in the medium term. Government securities may become a riskier investment as "governments become more indebted to raise capital to respond to the crisis, while at the same time facing falling tax revenues and foreign capital outflows" (Beyers, et al., 2020). Lastly, real estate markets have been negatively affected by the decrease in tourism and defaults on rent, affecting investments in fixed property. Together, this can have a large impact on the investment income of insurers.

Figure 1: Breakdown of investment assets in Ghanaian non-life insurance market

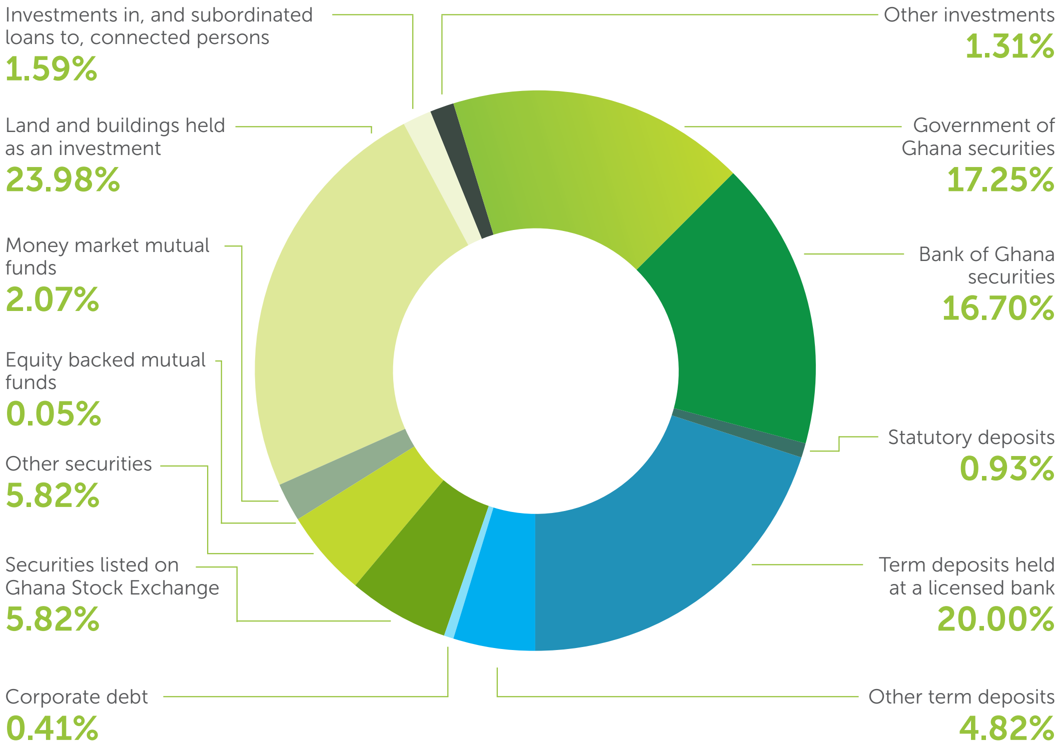


Source: NIC 2018 Annual Report & Financial Statements

[10] Data from the focus country regulators' most recent annual reports showed that many insurers made underwriting losses and had high expense ratios. However, these insurers still made positive net profit after tax, as insurers' net profitability was boosted by their investment income (Beyers, et al., 2020).

[11] Data from the PA in South Africa, IRA in Kenya, TIRA in Tanzania, BNR in Rwanda, NIC in Ghana, IPEC in Zimbabwe, RBM in Malawi and IRA in Uganda was analysed.

Figure 2: Breakdown of investment assets in Ghanaian life insurance market



Source: NIC 2018 Annual Report & Financial Statements

3.2. Impact on sustainability, innovation and market development

Market consolidation possible in the medium term. Many insurers were already vulnerable before the pandemic. A decrease in investment and premium income means that underwriting losses can no longer be compensated for while fixed expenses remain. In the survey of providers mentioned above, 88% of respondents stated that they were concerned over their investment income and 84% reported concern over their operational expenses (FSD Africa, OESAI & Cenfri, forthcoming). Moreover, 76% of respondents said they were concerned over their liquidity and 60% over maintaining their minimum capital requirements. This heightened vulnerability could lead to some insurers becoming insolvent – even a 10% reduction in overall net profit is likely to lead to widespread failures and considerable market consolidation. Numerous providers appear to be aware of this risk, as 68% of respondents expressed concerns over their solvency (FSD Africa, OESAI & Cenfri, forthcoming).

The long-term implication may be a major remapping of the insurance landscape in many SSA markets. ICP 12 states that when an insurer exits a market, policyholders must be protected, losses must be absorbed appropriately, and supervisors must evaluate the risks and put in place procedures to manage the resolution of insurers in different scenarios (IAIS, 2019). Therefore, it is imperative that regulators ensure the responsible exit of unsustainable insurers and that consumers be protected throughout this process. Looking forward, fragmented markets characterised by unhealthy competition can benefit from market consolidation. In turn, this can prompt innovation as faster growth and development is enabled (Beyers, et al., 2020). This opportunity is explored in more detail in the Section 5.

4 Opportunities arising from COVID-19 and implications for regulators

Given the impact of and responses to COVID-19 detailed above, we have identified three key opportunities for insurance regulators.

1	Enable digitalisation and innovation to enhance providers' efficiency
2	Augment regulators' efficiency
3	Consolidate fragmented markets responsibly

We explore each of these, and their implications for regulators, in more detail below.

1. Enable digitalisation and innovation to enhance providers' efficiency

As mentioned above, in response to the COVID-19 pandemic, many insurance regulators have been encouraging or even requiring regulated entities to innovate and digitalise their internal, regulator- and customer-facing processes to comply with the social distancing restrictions put in place to curb the spread of the virus. Shifting away from physical/face to-face processes requires insurers to invest in upgrading and adapting their infrastructure and skills, and although these investments may carry considerable short-term costs, they have the potential to enhance providers' efficiency and to lead to substantial gains in the medium and longer term.

The initial cost implied by the need to adapt internal systems, while important, is not the only barrier to innovation and digitalisation, however. Regulatory uncertainty and regulatory barriers are significant obstacles – especially where "the legality of electronic signatures and remote onboarding for customer due diligence (CDD) purposes" is concerned (Schlemmer, et al., 2020). For example, of aforementioned survey respondents who do not currently use digital/electronic signatures to conclude the sale of insurance contracts for any of their policies[12], 22% report that it is because their business "is uncertain as to whether regulation allows for this" and a further 17% report that it is because "regulation does not allow for this" (FSD Africa, OESAI & Cenfri, forthcoming). Moreover, when asked what regulatory responses they would like to see in their jurisdictions, 20% of respondents stated that they would like to see regulatory support and certainty for acceptance of electronic signatures and 26% that they would like regulatory support for remote onboarding and e-KYC. Of aforementioned survey respondents who do not currently use remote KYC onboarding[13], 27% report that it is because their business "is uncertain as to whether regulation allows for this" and a further 20% report that it is because "regulation does not allow for this" (FSD Africa, OESAI & Cenfri, forthcoming). Interviews with providers also reveal that even in jurisdictions where electronic signatures are permitted by law, "many regulators have

[12] Of respondents, 44% do currently use digital/electronic signatures to conclude the sale of insurance contracts.
[13] Of respondents, 51% do currently use remote KYC onboarding.

yet to release statements or guidelines on their use in insurance", thereby calling the legality into question and rendering providers hesitant to develop new product offerings that leverage digital contracting and remote sales (Schlemmer, et al., 2020).

There are three steps that need to be in place before insurers can conduct remote sales in a jurisdiction.

Step 1	Step 2	Step 3
Digital contracting must be enabled	CDD/KYC that allows the remote onboarding of customers must be enabled	Consumers need to be able and willing to engage digitally

Ferreira, et al., forthcoming

Although the insurance regulator's role in each of these steps varies in prominence, in the context of the COVID-19 pandemic, it is especially important that the insurance regulator builds its understanding of, and assesses, the status of and barriers to remote insurance sales to new customers in its jurisdiction. These barriers include those caused by regulation (or a lack thereof) – such as the absence of an Electronic, Transactions and Communications Act that permits digital contracting and the regulatory requirement of in-person engagement to validate identity – and those caused by a lack of internal capabilities among regulated entities.

In jurisdictions where digital signatures and electronic contracting are already permitted, one of the key actions that insurance regulators can take to enable digital contracting (Step 1) in the short term is to communicate proactively with industry on the topic. This process entails that the insurance regulator a) explicitly acknowledges that this permission also holds for insurance policies and b) raises the insurance industry's awareness of what is and what is not permitted. Provided that CDD regulation in its jurisdiction is sufficiently flexible to permit remote engagement to validate ID, proactive communication by the insurance regulator is also important for Step 2 (enable remote identity proofing). Specifically, the insurance regulator can play a role in providing clarity to its regulated entities that, in line with the latest guidance by Financial Action Task Force (FATF) (2020) on the topic, as long as the appropriate measures to mitigate the risks are in place, "non-face-to-face customer-identification and transactions that rely on reliable, independent digital ID systems [...] may present a standard level of [AML/CFT] risk, and may even be lower-risk". This clarity and guidance by the insurance regulator may help to dispel the perception that remote onboarding is higher-risk or less robust than in-person identity proofing.

Where regulatory barriers exist – such as the absence of an Electronic, Transactions and Communications Act that permits digital contracting – insurance regulators may need to proactively seek opportunities to engage and collaborate with other government institutions and supervisors (Schlemmer, et al.,2020). Moreover, although the insurance regulator cannot be solely responsible for encouraging and enabling the use of robust digital identity verification technology (such as biometrics) and systems, by engaging with other relevant stakeholders, the insurance regulator can play a role in pushing for the adoption of risk-based regulation and the development of "clear guidelines or regulations allowing the appropriate, risk-based use of reliable, independent digital ID systems by entities regulated for AML/CFT purposes" (FATF, 2020). These actions could pave the way for enabling remote identity proofing in the medium- to long-term.

Augment regulators' efficiency.

The COVID-19 pandemic has also forced insurance regulators themselves to seek new ways of working and engaging with industry and many have been exploring alternatives to in-person/face-to-face interactions. For some, COVID-19 has also served as impetus for the forced digitisation of their internal and external-facing processes, with some having to rethink their paper-based approach to supervision and instead requesting, or even requiring, that regulated entities submit the necessary documentation electronically. The speed with which insurance regulators have had to make these adjustments has posed a challenge but has also revealed an opportunity for regulators to embrace new solutions, such as regulatory technology (regtech) and supervisory technology (suptech), to enhance the efficiency of their reporting and supervision processes.

Regtech is "technology deployed by insurers to support their regulatory compliance", while suptech refers to "technology deployed by regulators to support supervisory activities" (A2ii, 2019). Regulated entities can use regtech to, for example, reduce their expenses on regulatory reporting and risk management, respectively, by automating a) typical activities related to regulatory requirements and b) the identification and monitoring of risks (whether these risks are defined internally or by the regulator)[14]. Supervisors can use suptech to, for example, efficiently collect and analyse unstructured data (such as from social media) and to pull or collect and standardise data directly from regulated entities' operational systems in real time. Although the implementation of these technologies may be challenging and costly in the short term, in the medium and long term, they have numerous benefits. Beyond enhanced efficiency, suptech enables regulators to decrease expenses while also increasing their capability – for example, enabling them to shift risk and compliance monitoring "from a backward-looking into a predictive and proactive process" (Broeders & Prenio, 2018).

Consolidate fragmented markets.

Consolidate fragmented markets. As mentioned above, some insurance markets in SSA were already "fragmented" and marked by "unhealthy competition" among a large number of small, inefficient insurers before the COVID-19 pandemic (Thom, et al., 2019). In these markets, many insurers set their premiums as low as possible, with little consideration for the actuarial soundness of their pricing, the need to provide value to customers or the need to innovate beyond compulsory products to increase returns sustainably. As such, these insurers have been relying on price alone to ensure that they retain at least some (meagre) share of compulsory lines, while also failing to keep expense ratios within an efficient range (Thom, Hougaard, Gray, Msulwa, Rinehart-Smit & De Waal, 2019). It is clear that the COVID-19 pandemic has placed increased pressure on existing weaknesses, which means that, in the medium- to long-term, the landscape of SSA insurance markets could be in for a period of prudential instability as some insurers become insolvent and fail and the market consolidates. In line with ICP 1, insurance regulators have the responsibility to manage the trade-offs between their key mandates on an ongoing basis and, in these instances, balancing prudential soundness/financial stability and policyholder protection considerations becomes especially important.

As a first step, therefore, insurance regulators need to ensure that they proactively identify and monitor the most vulnerable insurers in their jurisdiction on an ongoing basis. ICP 9 stipulates that "the supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market" and ICP 17 emphasises that "the regulatory capital requirements include solvency control levels[15] which trigger different degrees of intervention by the supervisor" when an insurer's capital resources dip beneath these control levels (IAIS, 2019). Given how rapidly

[14] The Toronto Centre (2017) and Financial Stability Institute (2018) provide a detailed background on regtech and suptech.

[15] These levels differ across jurisdictions and lines of insurance business and are influenced by, among other factors, insurance regulators' tolerance for risk (IAIS, 2019).

the COVID-19 pandemic and its implications are evolving, it becomes even more important than usual that the insurance regulator be deliberate about ensuring that the information it receives is accurate, reliable and current so as to trigger a timely, proportionate response. COVID-19 has resulted in market changes – such as reductions in trade and altered market fundamentals – which may render it even more challenging for regulated entities to understand and convey their true financial position, given the difficulty of asset valuation (especially property and equity) and of predicting future premium income (Schlemmer, et al., 2020). Insurance regulators need to keep these changes and their potential consequences in mind and proactively engage regulated entities to consider how they can be deliberate about enhancing the quality of information they rely on and convey to the regulator. Moreover, given these challenges, the insurance regulator may also need to request or require additional and/or more frequent reporting on selected key aspects by regulated entities – a response which we have observed in many of the SSA jurisdictions mentioned above. For insurance regulators, balancing the necessary information requirement (ICP 9) with the need to ensure that regulated entities have sufficient capacity to adjust to the implications of the COVID-19 pandemic (in other words, that additional regulatory expectations do not impede regulated entities' ability to weather the pandemic) is key.

The aforementioned actions support the insurance regulator in preventing the occurrence of insolvencies in its jurisdiction. Nevertheless, ICP 17 explicitly states that "the International Association of Insurance Supervisors (IAIS) recognises that jurisdictions will acknowledge that a certain level of insolvencies may be unavoidable" (IAIS, 2019). Moreover, they may not always be wholly undesirable: research shows that the correlation between a) less fragmentation and b) faster growth and development in the insurance sector is positive and significant (Thorburn, 2020). As such, the COVID-19 pandemic has the potential to trigger and enhance the development of insurance markets across SSA, given that it is likely to entail the 'forced consolidation' of fragmented markets. Nevertheless, if even a single insurer is unable to pay claims when they become due and the resolution process is inefficiently managed, the consequences for the insurance industry's reputation as a whole and for consumer trust in the insurance industry could be catastrophic[16]. For SSA insurance markets to reap the potential market development benefits from consolidation, regulators would therefore need to engage in "proactive supervision"[17] to manage the withdrawal process (whether voluntary or involuntary[18]) of insurers and ensure that it is "orderly" (IAIS, 2017 and IAIS, 2019).

Involuntary withdrawal or resolution of unviable insurers could entail "portfolio transfer [to another insurer], run-off [thus requiring that the insurer close to new business], restructuring, and liquidation" and the designation of a resolution authority responsible for these actions varies across jurisdictions (IAIS, 2019). ICP 12 includes examples of criteria that can be used to determine whether the resolution process must be started, some of which are especially pertinent in the context of the current crisis. These include that the regulated entity is in breach (and unlikely to be able to comply again) of "the minimum capital requirement[19]" and/or "other material prudential requirements (such as a requirement on assets backing technical provisions)" and/or that "there is a strong likelihood that policyholders and/or other creditors will not receive payments as they fall due" (IAIS, 2019). In light of COVID-19, determining which criteria are relevant in its jurisdiction, proactively communicating these criteria to industry and ensuring that it can track how regulated entities fare against the criteria (through access to accurate, timely information, as mentioned above) are key steps for insurance regulators to take during this time.

16 Demand-side research shows that, following the collapse of EcoLife Zimbabwe (an m-insurance product which reached 20% of the adult population in Zimbabwe over the seven month period before it abruptly ceased), 63% of respondents "ruled out use of similar products in future" and 42% of respondents reported being "dissatisfied with insurance" (Leach & Ncube, 2014).

17 Proactive supervision requires that regulators "be forward-looking… identify issues early and… act quickly and constructively" (IAIS, 2017).

18 An insurer may voluntarily initiate the process of exiting the market or, if it is "no longer viable or… likely to be no longer viable, and… [has] no reasonable prospect of returning to viability" may (involuntarily) undergo the resolution process (IAIS, 2019). In the context of the current crisis, the latter is likely to be more relevant (although ICP 12 provides details and guidance related to both scenarios).

19 The objective of the Minimum Capital Requirement (MCR) is "to provide the ultimate safety net for the protection of the interests of policyholders", given that it is set at a point where an insurer will still be able to meet its obligations to existing policyholders as they fall due (IAIS, 2019).

Irrespective of the jurisdiction-specific configuration of roles and of the criteria used to trigger the resolution process, ICP 12 stipulates that the two key objectives of the legislative framework for resolving insurers are policyholder protection and "the absorption of losses in a manner that respects the liquidation claims hierarchy" (IAIS, 2019). Achieving the aforementioned objectives does not automatically equate a guarantee that policyholders are fully protected from absorbing any losses whatsoever. Nevertheless, ICP 12 also encourages regulators to explore the potential of mechanisms to minimise the extent to which policyholders must absorb losses and to ensure that policyholders "receive high legal priority in the liquidation of an insurance legal entity" (IAIS, 2019). These mechanisms include tied assets (where insurers are required to ring-fence/earmark and separately maintain assets that completely cover insurance liabilities), preferred claims (where policyholders' claims receive preferential treatment in the event of an insurer's insolvency) and policyholder protection schemes (PPSs)[20] (IAIS, 2013). In selecting among mechanisms to protect policyholders, it is important that insurance regulators carefully consider the benefits and costs that the different options entail, keeping in mind that the efficacy of some may be limited in the short-term and thus as an immediate response to the impact of COVID-19. For example, PPSs have the potential benefits of promoting financial stability and the protection of policyholders, thereby enhancing trust in the insurance sector (OECD, 2013). Nevertheless, in markets where PPSs have been set up, they could result in moral hazard that can affect regulated entities, policyholders and regulators alike and lead to increased risk-taking and decreased vigilance because of the fallback mechanism that these schemes represent (IAIS, 2013). Moreover, given that the insurance industry in general is under strain as a result of COVID-19, setting up PPSs during this period would require that regulated entities free up funding at a time when they can least afford to do so.

20 A PPS "provide[s] a minimum layer of protection to policyholders [and beneficiaries] in the event that the safeguards within the supervisory regime are not sufficient" and, as such, can be classified as a "last-resort mechanism" (IAIS, 2013).

5 | Conclusion

Insurance regulators across SSA face unprecedented conditions and increasing pressure and uncertainty as a result of the COVID-19 pandemic. Their challenge remains to achieve and balance their core mandates and objectives – prudential soundness of the market and financial stability, consumer protection and (for some) market development – under extraordinary circumstances. It is clear that the COVID-19 pandemic has highlighted and exacerbated the pre-existing weaknesses of insurance markets across SSA. However, it has also brought existing strengths and capabilities to light and created opportunities for insurance regulators to drive changes in the short-term that could have significant benefits in the long-term. These key opportunities are:

Key opportunities

Enable digitalisation and innovation to enhance providers' efficiency
through proactive communication on digital contracting and remote onboarding

Augment regulators' efficiency
by using the momentum for change generated by COVID-19 to explore capability-enhancing suptech solutions

Consolidate fragmented markets responsibly
– keeping consumer protection in mind – through careful monitoring and flexible, proportionate and timely action

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