

# R3Lab innovation and regulatory portraits

## Uganda update

July 2022



### **Authors**

**James Marriner**

**Michaela Allen**

**Christine Hougaard**

### **Acknowledgements**

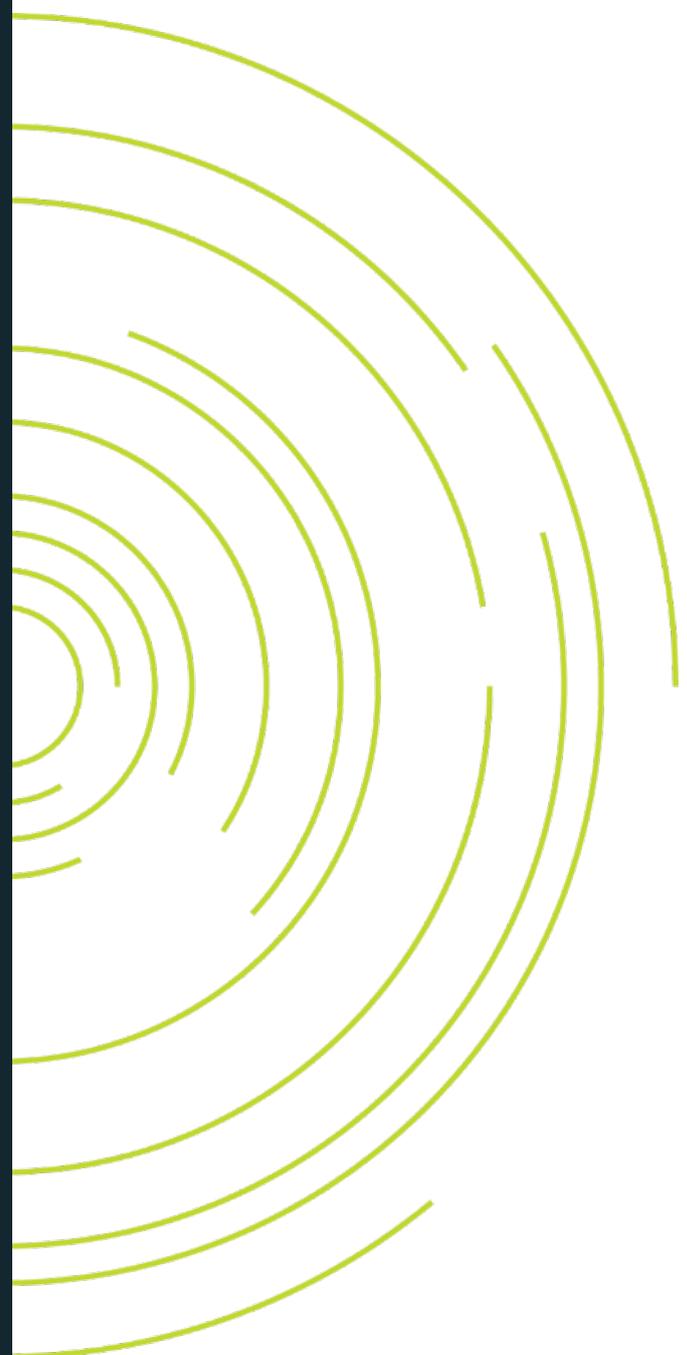
We would like to thank the Uganda Insurance Regulatory Authority (IRA) for their invaluable insights and contributions in developing this insurance innovation memo.

### **Cenfri**

Tel. +27 21 913 9510  
Email: [info@cenfri.org](mailto:info@cenfri.org)  
The Vineyards Office Estate  
Farm 1, Block A  
99 Jip de Jager Drive  
Bellville, 7530  
South Africa

PO Box 5966  
Tygervalley, 7535  
South Africa

[www.cenfri.org](http://www.cenfri.org)



# Table of contents

1. Introduction and problem statement .....	1
2. Insurance innovation and enabling environment update .....	4
2.1. State of the insurance market .....	4
2.2. State of the enabling environment.....	5
Looking back .....	5
Latest developments .....	6
3. Action plan refresh.....	8
3.1. State of 2019 action plan implementation.....	8
Key achievements to date.....	9
Learnings so far.....	10
3.2. Additional recommendations.....	11
4. Conclusion .....	13
5. Bibliography.....	15
Appendix: Stakeholder engagements.....	17

## List of tables

Table 1: IRA's reported progress on the 2019 action plan recommendations .....	9
Table 2: Key action plan elements: what, who and when? .....	14
Table 3: Stakeholders consulted .....	17

## List of figures

Figure 1: Regulating for innovation framework.....	2
--	---

## List of boxes

Box 1: Regulating for innovation framework .....	2
Box 2: Recap of key 2019 findings.....	6

# 1. Introduction and problem statement

***Innovation is key to increasing insurance penetration in Africa.*** Despite recent improvements, insurance penetration across sub-Saharan African (SSA) markets remains low, at 2.78%, compared with the global average of 7.3% (Signe, 2021). Innovation is needed to change this picture: to enhance the value proposition of insurance, a new take is required on systems, product design, distribution and claims. Yet, while there is no lack of innovation on the continent<sup>1</sup>, foundational challenges relating to, among others, infrastructure, partnerships, skills, payment streams, seed funding and behavioural barriers to adoption continue to inhibit the achievement of the required scale of innovation (Cenfri, 2021).

***Need to balance risks with the rewards of innovation.*** While not all aspects of the enabling environment are within the regulator's control, more and more regulatory authorities have an implicit or explicit market development mandate under which they actively work to promote innovation (A2ii, 2020). With innovation also comes risks. The reality of these risks implies that, for a market to benefit from the rewards of innovation, insurance regulators need to strike a balance between fostering an enabling environment for innovations to thrive, while also protecting the market against any undue risks that may be associated with market development. Indeed, proactive and proportionate management of the risks arising from innovation is core to maintaining the sustainability of innovation. Striking this balance aligns with the principle of proportionality in the face of digital innovation as put forth by the IAIS<sup>2</sup>. To maintain a conducive but safe environment for innovations to thrive, supervisory responses need to evolve and adapt to the changing realities of innovative industries.

---

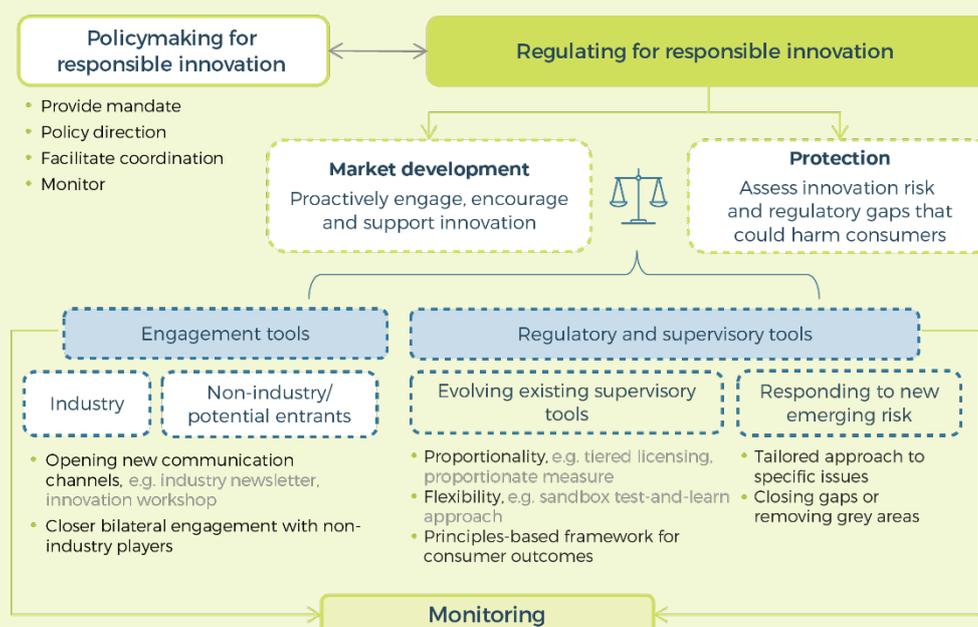
1 For example, as shown by Cenfri's [insurtech tracker database](#).

2 [The use of digital technology in inclusive insurance](#), IAIS (2018).

**Several potential tools.** Not all supervisory responses require changes to regulation. Four categories of tools can help regulators to strike the balancing act (see Box 1).

### Box 1: Regulating for innovation framework

Insurance regulatory authorities tasked with striking the balancing act to regulate for responsible innovation can use four sets of tools, as outlined in the diagram and discussion below:



**Figure 1: Regulating for innovation framework**

Source: Cenfri, FSD Africa and FSD Uganda, 2021 – *Regulating for Innovation Toolkit*

- **Regulatory tools** entail adjustments to regulatory instruments, such as issuing guidance or updating licence categories. This set of tools can also include tiered, proportionate licensing requirements, adopting a principles-based framework for consumer outcomes or using letters of no objection as a test-and-learn mechanism.
- **Supervisory tools** refer to any evolution of existing supervisory processes, for example, by updating the licensing or product approval process, incorporating a risk-based market supervision framework or implementing new supervisory mechanisms such as setting up a sandbox.
- **Engagement tools** include proactive engagement with and signalling to industry, for example via the hosting of innovation workshops, an industry newsletter, engaging with innovation hubs or accelerators, or explicitly following an open-door policy. Importantly, such engagement would extend not only to incumbent market players, but also to potential new entrants.
- Finally, **monitoring** key innovation indicators will inform whether the other tools are fit for purpose and whether they need to be adjusted to ensure a regulatory environment that is conducive to innovation.

## 1.1. Project overview

***Innovation and regulatory portraits to inform the balancing act.*** To support insurance regulatory authorities in SSA in striking the balance between innovation and risk, FSD Africa has set up the R3Lab – risk, resilience and regulatory lab – as a platform for capacity building and peer exchange among regulators. To inform the work of the R3Lab, FSD Africa has commissioned a study to review and assess the state of innovation in eight countries in SSA<sup>3</sup>, take stock of the challenges or barriers to further innovation, and conclude on tailored innovation action plan recommendations for each country. This document sketches the insurance innovation and regulation portrait for Uganda as one of the eight focus countries.

***Project approach.*** This document builds on a 2019 report, commissioned by FSD Africa and FSD Uganda in partnership with the Insurance Regulatory Authority (IRA) Uganda, which painted the initial portrait of the state of insurance innovation in Uganda and developed a set of action plan recommendations for the IRA Uganda (de Waal, et al., 2019). In June 2021, a follow-up case study was published by Cenfri and FSD Uganda on the progress of IRA Uganda in implementing the proposed 2019 action plan<sup>4</sup>. Given that a prior innovation assessment and action plan were developed for Uganda, as well as a progress update note in 2021, the approach taken for this project was to conduct a light-touch update of the state of the insurance market and key innovation trends and challenges, based on desktop research, pre-existing Cenfri analyses and key informant interviews<sup>5</sup>. Discussions were also held with the IRA Uganda to understand the implementation status of the previous action plan recommendations, as well as key priorities going forward.

***Portrait structure.*** The remainder of this document is divided into three sections. Section 2 provides an update on the state of innovation in the insurance market and assesses key trends in the innovation-enabling environment since the previous assessment. Section 3 then presents a refresh of the 2019 innovation action plan recommendations, proposing revisions or extensions to existing action plan items, as well as new actions as relevant. Section 4 concludes.

---

3 The eight focus countries are Kenya, Ghana, Nigeria, Rwanda, Ethiopia, Zimbabwe, Uganda and Malawi.

4 [IRA regulating for innovation case study](#), Cenfri & FSD Uganda (2021).

5 A full list of stakeholders consulted for the Uganda portrait can be viewed in the Appendix.

## 2. Insurance innovation and enabling environment update

This section provides an update to the 2019 report on the state of insurance market development and innovation, as well as on the state of the enabling environment that shapes the nature and level of innovation.

### 2.1. State of the insurance market

**Persistent market challenges.** The [2019 catalysing insurance market innovation in Uganda report](#) (hereafter referred to as “the 2019 report”) showed a developing insurance market with promise for market growth and innovation. Yet, insurance penetration and reach remained low. This picture has persisted since the 2019 assessment:

- **Decrease in insurance penetration in recent years.** Insurance penetration in Uganda declined from 0.86% in 2014 to 0.796% in 2021, and remains lower than comparable countries<sup>6</sup> and the average<sup>7</sup> in SSA (IRA, 2020). A declining penetration rate means that insurance premium growth has not kept pace with GDP growth. While the reason for this decline is not officially documented, stakeholder consultations suggest that policy numbers have been affected by the COVID-19 pandemic and associated economic hardship (Stakeholder consultations, 2022).
- **Retail uptake remains limited compared with informal coping mechanisms.** Despite about 61% of Ugandans facing an insurable risk during 2018, only 1.4%<sup>8</sup> of Ugandan adults reported having insurance and very few considered formal insurance as a valuable coping mechanism (FSDU, 2018). Even among salaried workers, the best-served segment, only 4% were reported to have insurance. Over 73% of the uninsured population are from rural areas (FSDU, 2018). Alternatively, approximately 40% of the adult population in Uganda (7.4 million) report relying on informal risk-coping mechanisms<sup>9</sup>. Though updated survey data is not available, consultations from industry stakeholders suggest that this picture has not changed significantly since the 2019 assessment.

---

6 For instance, Kenya’s insurance penetration in 2021 was 2.30% (AKI, 2021).

7 Average insurance penetration in sub-Saharan Africa is a modest 2.78%, compared to the global average of 7.3% (African Insurance Organisation, 2020).

8 There are no updated reports of insurance uptake in Uganda succeeding the 2018 report from FinScope.

9 Informal mechanisms refer to membership of community health schemes, burial societies and community-based savings groups that offer financial assistance to members in times of need (FSDU, 2018).

To increase insurance uptake, innovation is necessary to overcome the main barriers. These include low public awareness of and trust in insurance, distribution challenges and a narrow insurance product range, particularly for low-income earners (FSDU, 2018).

*The innovation tide is starting to turn, but slowly.* The IRA Uganda has been actively engaging with the market to overcome these barriers and promote innovation. While substantial market challenges remain, stakeholder consultations show a number of instances where innovation is starting to take root (Stakeholder consultations, 2022):

- **Notable recent innovations.** There have been some notable examples of innovation in the market since the 2019 report. For instance, Old Mutual Uganda has embarked on innovative developments within the SME sector by making it easier for SMEs to access insurance through digital means (Stakeholder consultations, 2022). Similarly, FSD Uganda has partnered with the Insurance Training College to enable the distribution of insurance products digitally (Stakeholder consultations, 2022). In addition, Prudential Uganda was awarded the most innovative life product for 2021 at the annual Innovation Awards (discussed in greater detail in the section below), with their product focusing on an end-to-end digital whole-life assurance product (IRA, 2022; Uganda Business News, 2022).
- **Focus on existing client base.** The examples noted above show that insurance providers are proactively digitalising their offerings to reap efficiency gains and increase ease of use for the current consumer base. However, these innovations have by and large not yet made inroads into new and underserved markets (Stakeholder consultations, 2022). Thus, while these developments are noteworthy, they do not serve to significantly expand insurance uptake and penetration.

The next sub-section considers the drivers or determinants of this innovation picture, looking at market players' incentives and challenges, as well as the role of the regulatory and supervisory environment in shaping innovation incentives and practices.

## 2.2. State of the enabling environment

This section revisits the key trends and themes emerging since 2019, looking at market challenges to innovation, as well as regulatory and supervisory barriers or drivers.

### Looking back

The 2019 report highlighted five key themes, across industry and regulation, that characterised the state of insurance market development in Uganda. These were:

- **Industry:**
  1. Limited industry incentives for innovation
  2. Limited ability to innovate
- **Regulation and supervision:**
  3. Limited overarching regulatory barriers
  4. Regulatory uncertainty by incumbents
  5. Lack of easy pathway to market entry for potential entrants.

Box 2 elaborates further on each of these 2019 characteristics as a point of departure for evaluating recent trends affecting the enabling environment for insurance innovation in Uganda today.

## **Box 2: Recap of key 2019 findings**

### **Industry**

**Limited incentives and ability to innovate.** Market players were comfortable in their existing positions and did not prioritise strategies to innovate. Where the willingness to innovate was present, it was difficult to convince insurance boards to prioritise innovation investments, as they were often deemed risky. Poor infrastructure and a lack of actuarial and underwriting skills limited the ability of both insurers and new entrants to innovate.

### **Regulation and supervision**

**No overarching regulatory barriers.** On aggregate, previous assessments indicated that the insurance regulatory framework did not present any major barriers to innovation. Nevertheless, some potential regulatory challenges to innovation were flagged for both incumbent market players and prospective entrants, notably:

- **Regulatory and supervisory process uncertainty.** Insurers suggested that the IRA has a good rapport with the industry but that there was uncertainty pertaining to certain rules and procedures as set out by the IRA, e.g. the acceptability of online sales of insurance, product approval processes and required documentation, and turnaround periods for approval.
- **No easy pathway to market for new entrants.** Potential entrants suggested that there is no easy pathway to market entry by players that fall outside of the traditional licence categories, illustrated through difficulties to comply with the capital and managerial requirements as set out by the IRA. Entrants also often faced the challenge of needing a track record to secure investments and convince potential partners of the viability of their business case, but being unable to build a track record without a temporary entry to market to pilot their product.

Source: (de Waal, et al., 2019)

## **Latest developments**

**COVID-19 as a catalyst for change.** Stakeholder consultations suggest that the insurance target market has become more active and engaged in recent times (Stakeholder consultations, 2022). The COVID-19 pandemic made consumers realise the value of insurance. Consumers are thus increasingly demanding convenient and value-driven services<sup>10</sup>. The change in consumer sentiment, along with the need for remote engagement triggered by the pandemic, disrupted the previous comfort zone

<sup>10</sup> For instance, it was noted that consumers move between different vehicle insurance providers until their expectations of value-driven products are met (Stakeholder consultations, 2022).

that insurers were in and forced providers to adapt their product offerings and digitise their services to make them more accessible (Stakeholder consultations, 2022).

***Hesitancy to invest in large-scale innovation persists, as do partnership challenges.***

Stakeholder consultations suggest that incumbent insurers remain cautious of the inherent risks associated with investments in innovation. This hesitancy however appears to be underpinned more by the unwillingness of incumbents to move beyond business-as-usual practices and the perceived lack of a business case to do so, rather than by scarce monetary resources. Furthermore, there has not been significant entry by new players to disrupt traditional market practices (Stakeholder consultations, 2022) and partnership and distribution challenges flagged in the 2019 assessment still persist.

***Mobile insurance regulations not yet having the desired impact.*** Stakeholder consultations suggested that despite a mobile insurance regulation<sup>11</sup> being instated in legislation in 2020, there has been little uptake of MNO distribution by insurers (Stakeholder consultations, 2022). The mobile insurance regulation was instated to ease access to transparent digital transactions for mobile insurance, making it convenient to digitally onboard clients, pay premiums, make claims and receive claim settlements (IRA, 2020). However, market uptake of the regulatory provisions has been lacklustre (Stakeholder consultations, 2022).

***The IRA has played a distinctive role in enabling innovation.*** Taking the challenges noted in the 2019 assessment to heart, the IRA has played a direct role in enabling innovation (as will be discussed in Section 3). The pandemic has prompted the IRA to be more open-minded to the shift to digital distribution (IRA, 2020).

***More inter-governmental coordination needed.*** The need for more effective inter-regulatory coordination was noted as a primary reason for the poor market response to the mobile insurance regulations. As already noted in 2019, innovation often cuts across the jurisdictions of different regulatory authorities, with coordination and collaboration being key in fostering an innovative environment (de Waal, et al., 2019). While various regulators have MOUs to facilitate coordination, consultations suggest that there are still challenges of effective coordination in practice within the financial market in Uganda (Stakeholder consultations, 2022). According to stakeholder consultations and secondary research, there is no single cross-cutting regulatory forum aimed at addressing matters regarding insurance and financial innovation. While the Uganda Financial Sector Surveillance Committee (FSSC) does meet to “discuss issues pertaining to enhancing the stability of the financial sector, to share data and market intelligence and coordinate financial crisis management arrangements,” innovation and its enabling environment are not recognised as explicit priorities for discussion (Bank of Uganda, 2022).

---

11 The Insurance (Mobile Insurance) Regulations, 2020. S.I. 97 of 2020.

### 3. Action plan refresh

This section considers what more needs to be done to drive the innovation agenda in Uganda, considering the assessment in Section 2. First, we take stock of the implementation of the 2019 action plan, the outcomes achieved and learnings so far. From there, we recommend new and revised actions for the road ahead.

#### 3.1. State of 2019 action plan implementation

**Action plan overview.** The following recommendations were provided in the initial [2019](#) action plan:

- i. Proactive two-way engagement with current and potential market players to signal, build awareness, convene and facilitate around market innovation.
- ii. Understanding and broad adoption of the principles of innovation within the IRA.
- iii. Effective product approval to ensure transparency and regulatory certainty, thereby building an entry pathway for innovative products.
- iv. Enable easier entry of potential disruptors to the market and improve the IRA’s ability to effectively regulate new types of players by broadening licensing categories.
- v. Improve efficiency of reporting and data collection and rethink the appropriate indicators to track market development and innovation.

**Proactive implementation.** As noted in Section 2, the IRA has taken deliberate steps to action these recommendations. The specific recommendations and actions taken are outlined in the Table 1.

Action plan pillars	Recommendations	Actions since
(i) Proactive two-way market engagement	<ul style="list-style-type: none"> <li>• Strategic thinking around effective communication with industry</li> <li>• Develop a strategy for effective communication with industry, including the consideration of key audiences and opportunities to leverage</li> </ul>	<ul style="list-style-type: none"> <li>• Developed a quarterly newsletter</li> <li>• Quarterly press conferences held</li> <li>• Hosted an inaugural industry innovation workshop</li> </ul>
	Establish a strong communications function within the IRA	<ul style="list-style-type: none"> <li>• Training provided for the IRA’s communications department and a comms strategy developed</li> <li>• Enhanced coordination between comms department and other IRA teams</li> </ul>

<b>(ii)</b> <b>Institutional buy-in throughout IRA</b>	Secure strategic buy-in throughout the IRA	Adoption and implementation of the action plan and engagements that served to secure strategic buy-in
	Sensitise staff members to the principles of innovation	Staff exposed to innovation principles via workshops and the training under item iii
	Develop a network of skills related to innovation to draw upon	Partnership formation with The Innovation Village
<b>(iii)</b> <b>Streamline product approval</b>	Streamline the product approval process	Product approval guidelines amended and product approval committee engaged
	Ensure effective coordination between IRA departments	IRA staff underwent training for product risk assessment to feed into product approval
	Establish clear communication lines with applicants	Incorporated via ongoing operations
<b>(iv)</b> <b>Pathway to entry for potential disruptors</b>	Expand the menu of intermediary licences	Instead of amending licence categories, a sandbox was introduced to facilitate a pathway to entry as part of a test-and-learn approach
	Introduce pilot licences – with safeguards – as part of a test-and-learn approach	As part of the sandbox, participants are allowed to test or pilot their idea in the market
	Consider introducing cell captive licences	Action deemed not to be strategically important, and no immediate market needs arose in this regard
<b>(v)</b> <b>Monitoring</b>	Monitor impact and draw lessons from regulation for innovation approaches elsewhere	No reported developments on monitoring and data collection initiatives
	Consider strategically what data they are tracking and why	
	Reflect on the current reporting processes and their inefficiencies	

**Table 1: IRA's reported progress on the 2019 action plan recommendations**

Source: (de Waal, et al., 2019; FSDU, 2018)

The remainder of this section presents a summary of the key achievements and learnings across the various actions implemented.

## Key achievements to date

***Proactive and deliberate market engagement to foster innovation, including with the fintech sector.*** The IRA has proactively been engaging with the market to promote innovation: by hosting innovation awards and an innovation workshop, by issuing quarterly innovation newsletters and by holding quarterly press briefings (FSDU, 2018). The innovation awards were inclusive of both insurtechs and incumbent insurers, rewarding key innovators in the market for their insurance innovations (Stakeholder consultations, 2022). These activities followed the

development of an IRA targeted communications strategy. The development of the strategy equipped the communications team to understand and locate their objectives within the broader market development and innovation objectives of the IRA, and to coordinate with IRA technical staff for technical inputs.

***Institutional structure entrenches market development mandate, cemented through capacity building.*** The enactment of the new Insurance Act in 2018 expanded the IRA's mandate from market soundness and consumer protection to include market development (de Waal, et al., 2019). The IRA's institutional structure is set up to support this broader mandate: it has a supervision department of 15 staff members, as well as a dedicated research and market development department. The mandate has been further cemented through proactive internal capacity building, including training of the communications department and training for the product approval committee (FSDU, 2018). These various forms of training showcase the IRA's commitment to upskill and capacitate its staff to better drive the innovation agenda.

***Streamlining of product approval process.*** The IRA has taken steps to streamline its product approval process to enhance efficiency. These steps included the undertaking of training by the IRA's product approval committee and industry players on how to use and implement a risk assessment tool. Furthermore, the IRA amended the product approval guidelines, resulting in stakeholders no longer reporting on uncertainty on the product or licensing approval process (Stakeholder consultations, 2022).

***Set-up of regulatory sandbox to promote innovation and facilitate partnerships.*** The 2019 report recommended that the IRA enhance licensing options to accommodate different entities that do not fit neatly within existing licence categories (FSDU, 2018). In response, the IRA issued insurance regulatory sandbox guidelines in November 2020 (IRA, 2020). The aim of the guidelines was to establish a framework for fintechs and insurtechs to experiment with technology and innovative products to improve efficiency and access to insurance without compromising consumer protection. Thus, the sandbox creates a space for market participation without the need for formally adjusting the licensing categories. Since its implementation, two fintechs have been introduced into the sandbox, of which one has a product ready to take to market (Stakeholder consultations, 2022).

## **Learnings so far**

***Weaker-than-expected innovation response.*** While the tide does seem to be turning in favour of innovation, the discussion in Section 2 has shown that industry has so far not been as responsive to the IRA's attempts to enhance and promote insurance innovation as the regulator would have hoped (Stakeholder consultations, 2022). Moreover, the innovation that is present in the market has not yet managed to reach into underserved target market segments at scale. This shows that while proactive communication is a necessary step to stimulate market development, it is not sufficient to incentivise insurers to serve difficult-to-reach customers where the business case is often constrained and the enabling environment weak.

**Partnerships remain a key challenge.** As also discussed in Section 2, partnerships remain difficult to cultivate, and innovative ideas often fall flat due to an inability to secure a viable partnership. While the IRA has tried to reduce this challenge by facilitating a space for engagement between industry players and innovators, the learning is that even more is needed in this regard.

**Sandboxes require significant institutional capacity and need to be fit for purpose from the start.** The initial learning from the implementation of the sandbox is that doing so requires more staffing capacity and resources than initially anticipated. Stakeholder consultations also suggest that the desired outcomes of the sandbox are not entrenched in its definitions or processes, which can create some misperceptions in the market of the intended outcomes. More broadly, while important, a sandbox is not a panacea for all insurers and insurtechs. The IRA recognises that the sandbox is one of a variety of tools to facilitate and nudge innovation in the market and has made plans to partner with the Innovation Village – an accelerator in Uganda – to more proactively solicit ideas from potential insurtech innovators, as well as to facilitate matchmaking between innovators and insurers.

## 3.2. Additional recommendations

From the above, it is clear that the IRA has already established a strong foundation for regulating for innovation. The recommendations outlined in the remainder of this section are formulated to build on that foundation, rather than negate or replace any existing actions.

**Grow and better capacitate staff resources dedicated to market development.** As far as possible within the authority’s financial resources, it is recommended that the IRA both expands the current staff contingent dedicated to market development and regularly upskills staff on how to understand and engage with the evolving insurance innovation landscape in Uganda. By growing and capacitating the market development team in this way, the IRA will be better positioned to continue implementing and evaluating the success of the sandbox such that it meets industry needs.

**Create regulatory allowances to incentivise insurers to advance digitalisation efforts.** To encourage insurers to overcome their complacency to innovate, the IRA should consider the development of specific regulatory incentives that could potentially nudge players to digitalise and partner for greater reach. Examples of such incentives include the potential amendment of the Insurance Act to allow for companies to allocate a larger amount of resources to technological and digitisation developments (Stakeholder consultations, 2022)<sup>12</sup>.

**Use the sandbox brand to convene a variety of players and create a space for partnership formation.** Under the sandbox initiative, build in a broader innovation facilitation role whereby prospective applicants and other market players are given a platform to interact and scope out partnership opportunities. In that way, the sandbox can be used as a market engagement tool that reaches further than just the few selected sandbox participants.

---

12 This example has already been implemented in Kenya via Section 41 of the Kenya Insurance Act.

***Leverage communication channels to be more vocal about the kind of innovations the market needs.*** While the IRA has a dedicated communications specialist within the sandbox department, it is recommended that the IRA pushes for news and developments about the sandbox to be heard by a wider audience. More broadly, the innovation comms campaign should focus on pertinent innovation topics for targeting underserved target market segments.

***Enhance inter-regulatory coordination.*** As discussed, limited inter-regulatory collaboration can hold back innovation. For example, the regulation of mobile insurance distribution sits with numerous regulators within Uganda's financial services sector. Enhanced coordination between financial sector regulators will help to iron out any delays and barriers to its take-off in Uganda. In recognition of this fact, FSD Uganda has plans to develop an inter-regulatory forum to bring innovation to the forefront of the financial and insurance landscape in Uganda. The IRA would play an anchor role in such a forum. Expanding the mandate of the FSSC to also incorporate financial sector innovation as a priority topic for discussion can also be undertaken as an interim step ahead of the development of such a forum.

***Develop a monitoring strategy.*** Now that the first round of actions has been implemented and that the sandbox is underway, the IRA can shift its focus to monitoring and learning. An increased focus on this could yield a greater understanding of the market and where opportunities and pitfalls lie. This can be accomplished by revisiting indicators and monitoring processes through an innovation lens, drawing on the market development pillar of the A2ii [Supervisory KPIs lexicon](#) and [handbook](#).

***Leverage the sandbox as a learning opportunity.*** As part of the monitoring strategy, it is important that the IRA leverages the insights and results from the first, ongoing sandbox cohort to learn what is needed to increase the success of the sandbox in future rounds, as well as how best to apply other tools alongside the sandbox to support innovation. To ensure maximum learning, it is important to define measurable outcomes and objectives for the sandbox, to clearly communicate these objectives to entrants, and then to track progress against those outcomes to inform the design of future sandbox rounds. The R3Lab can support the learning agenda by commissioning case studies on the first round of participants and facilitating peer exchange with other jurisdictions on sandbox learnings and emerging best practices. The learnings and findings from the sandbox should then be disseminated to industry, even to those players who are not in the sandbox, to help unlock the broader innovation potential in the Ugandan market.

***Clarify use of digital insurance distribution mechanisms.*** While the IRA has developed and released guidelines for mobile insurance distribution, stakeholder consultations suggest that there are still some uncertainties in the market about which digital mechanisms are allowed. Stakeholder consultations also revealed that AI and digital distribution mechanisms are likely to dominate in the future, so it is important that the IRA issues guidance to clarify the use of digital distribution mechanisms in the market. To reduce any regulatory uncertainty as a hindrance to innovation, the IRA can issue non-legally binding guidance notes around digital distribution, and share press releases and short memos to clarify key regulatory aspects or positions that the industry lacks certainty on.

## 4. Conclusion

*The IRA has supported innovation on several fronts, but more is needed.*

This memo has shown that the IRA has embarked on numerous initiatives to address the recommendations from the 2019 report and that it continues to work to create an enabling space for insurance innovation. Despite these developments, insurance penetration and reach remain very low; the market is not yet innovating at the rate needed to close the gap between the current and potential market. Ultimately, the learning is that it takes time to entrench an innovation mindset in the market, and to form the partnerships needed to take innovation to scale. The COVID pandemic has served as a wake-up call to the market to start to innovate, and the IRA can leverage that momentum as it continues to enhance its innovation facilitation efforts.

Table 2 summarises the key additional/revised action plan elements by responsibility, term and priority level.

Intervention	Responsibility	Action plan term
<p><b>Grow and better capacitate staff resources dedicated to market development.</b></p> <p>IRA to dedicate financial resources to market development with a focus on staff development to meet market development KPIs.</p>	IRA, with support from FSD Uganda	Medium term
<p><b>Create regulatory allowances to incentivise insurers to advance digitalisation efforts.</b></p> <p>Amend existing insurance regulation to allow and encourage providers to dedicate more capital to digitalisation.</p>	IRA, with support from R3Lab	Medium to long term
<p><b>Use the sandbox brand to convene and create a space for partnership formation.</b></p> <p>Leverage the sandbox as a platform to initiate partnerships and financing opportunities.</p>	IRA, with support from FSD Uganda and R3Lab	Medium term
<p><b>Leverage communication channels to be more vocal about the kind of innovations the market needs.</b></p> <p>Efforts to amplify the voice of the sandbox so it is heard by a wider audience.</p>	IRA, with support from FSD Uganda and R3Lab	Medium to long term
<p><b>Enhance inter-regulatory coordination.</b></p> <ul style="list-style-type: none"> <li>Leverage the FSSC to bring innovation to the forefront.</li> <li>Develop an innovation-specific inter-regulatory forum for the future.</li> </ul>	IRA, with support from FSD Uganda	<p><b>Medium term:</b> Expand FSSC mandate to include innovation</p> <p><b>Medium to long term:</b> Develop an innovation-specific forum</p>

<p><b>Develop a monitoring strategy.</b> Revisit indicators and monitoring processes through an innovation lens.</p>	<p>IRA, with support from R3Lab</p>	<p>Medium term</p>
<p><b>Leverage the sandbox as a learning opportunity.</b> Define measurable outcomes and objectives for the sandbox that can measure, track and communicate impact.</p>	<p>IRA, with support from FSD Uganda and R3Lab</p>	<p>Medium term</p>
<p><b>Clarify use of digital insurance distribution mechanisms.</b> IRA to clarify its use of digital distribution mechanisms through the dissemination of non-legally binding guidance notes, press releases and memos.</p>	<p>IRA</p>	<p>Short to medium term</p>

**Table 2: Key action plan elements: what, who and when?**

***A concerted effort.*** While these recommendations are formulated for IRA adoption, the IRA cannot by itself achieve the desired results. Development partners have a key role to play in backstopping the IRA in this journey, as does the market to rise to the challenge. The ongoing support from FSD Uganda will be as important in the next chapter of the journey as it has been to date. To this can now be added technical assistance and peer learning and exchange via the FSD Africa R3Lab.

## 5. Bibliography

A2ii, 2020. *Evolving insurance supervisory mandates in Sub-Saharan Africa: implications for data practices*. [Online]

Available at: <https://a2ii.org/en/media/4879/download>  
[Accessed 15 March 2022].

African Insurance Organisation, 2020. *Africa Insurance Pulse: Growth perspectives of African re-/insurance markets*. [Online]

Available at: [https://www.schanz-alms.com/files/faber/pdf-pulse-reports/Africa Insurance Pulse Growth e 2020.pdf](https://www.schanz-alms.com/files/faber/pdf-pulse-reports/Africa_Insurance_Pulse_Growth_e_2020.pdf)  
[Accessed May 2022].

AKI, 2021. *2020 Insurance Industry Report*. [Online]

Available at:  
[https://www.akinsure.com/content/uploads/documents/AKI Insurance Industry Report 2020.pdf](https://www.akinsure.com/content/uploads/documents/AKI_Insurance_Industry_Report_2020.pdf)  
[Accessed March 2022].

Cenfri, 2021. *Opportunities and challenges to innovation in the Ugandan insurance market*. [Online]

Available at: <https://cenfri.org/articles/opportunities-and-challenges-to-innovation-in-the-ugandan-insurance-market/>  
[Accessed 8 March 2022].

de Waal, Gray, J. & Hougaard, C., 2019. *Catalysing insurance market innovation in Uganda*. [Online]

[Accessed May 2022].

FSD Uganda, 2018. *Report on Uptake of Insurance Services in Uganda*. [Online]

Available at: <https://fsduganda.or.ug/wp-content/uploads/2019/02/FSDU-Thematic-Report-on-Insurance-2018.pdf>

[Accessed May 2022]. IRA Kenya, 2021. *Insurance Industry Annual Report 2020*. [Online]  
Available at: [https://www.ira.go.ke/images/annual\\_2020/INSURANCE-INDUSTRY-ANNUAL-REPORT1.pdf](https://www.ira.go.ke/images/annual_2020/INSURANCE-INDUSTRY-ANNUAL-REPORT1.pdf)  
[Accessed 2022].

IRA, 2020. *Annual Insurance Market Report*. [Online]

Available at: [https://ira.go.ug/cp/uploads/N\\_Web\\_IRA\\_Annual%20report%202021%20\(1\).pdf](https://ira.go.ug/cp/uploads/N_Web_IRA_Annual%20report%202021%20(1).pdf)  
[Accessed May 2022].

IRA, 2022. *2021 INSURANCE INDUSTRY INNOVATORS AWARDED*. [Online]

Available at: <https://ira.go.ug/2021-insurance-industry-innovators-awarded/>  
[Accessed May 2022].

NAICOM, 2022. *Bulletin of the Insurance Market Performance Q3 2021*. [Online]

Available at: <https://naicom.gov.ng/publications/>  
[Accessed March 2022].

Signe, L., 2021. *Brookings*. [Online]  
Available at: <https://www.brookings.edu/blog/africa-in-focus/2021/07/02/capturing-africas-insurance-potential-for-shared-prosperity/>  
[Accessed 16 February 2022].

Stakeholder consultations, 2022. [Online].

Uganda Business News, 2022. *Prudential Uganda scoops three Insurance Innovation awards*. [Online]  
Available at: <https://ugbusiness.com/2022/03/company-releases/prudential-uganda-scoops-three-insurance-innovation-awards#gref>  
[Accessed May 2022].

# Appendix: Stakeholder engagements

Throughout the project, Cenfri engaged with various stakeholders within the Kenyan insurance market to understand the opinions and perceptions of innovation from the industry itself. Table 3 summarises the stakeholders Cenfri engaged with.

Stakeholder type	Name of organisation	Date of engagement
Regulator	Insurance Regulatory Authority	13/05/2022
Insurance firms	Old Mutual Uganda	12/05/2022
	Britam Uganda	15/02/2022
FSD	FSD Uganda	19/05/2022

**Table 3: Stakeholders consulted**

## 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 non-profit company that aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by UK aid from the UK Government. FSD Africa also provides technical and operational support to the FSD Network: a family of 10 financial market development agencies, or FSDs, across SSA.