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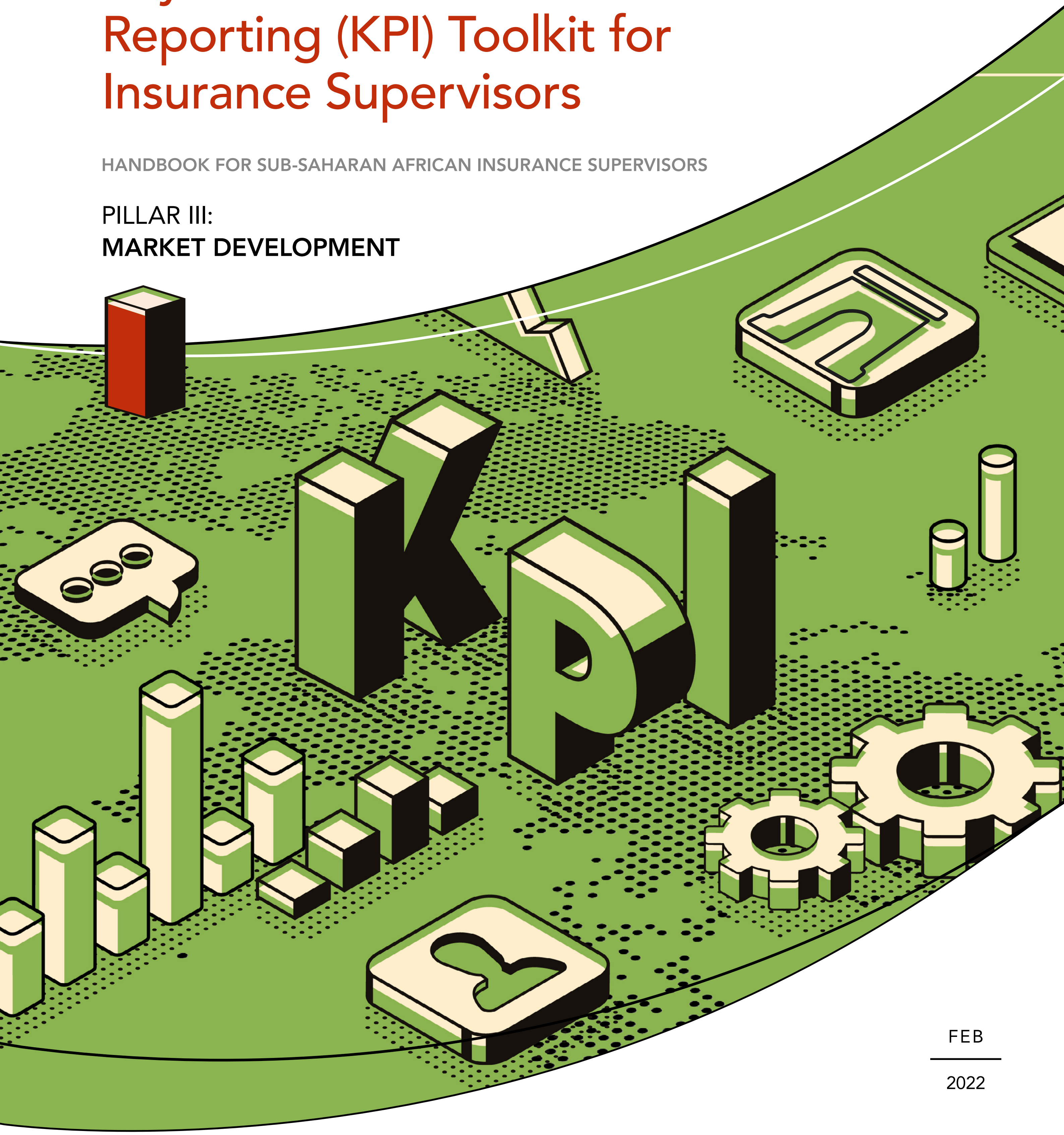
Key Performance Indicator Reporting (KPI) Toolkit for Insurance Supervisors

HANDBOOK FOR SUB-SAHARAN AFRICAN INSURANCE SUPERVISORS

PILLAR III:
MARKET DEVELOPMENT



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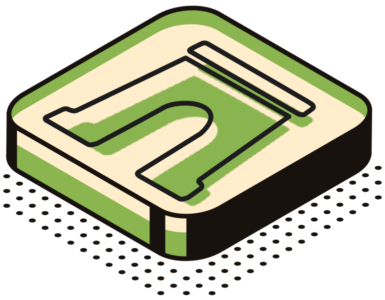

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List of acronyms

A2ii	Access to Insurance Initiative
CIMA	Conférence interafricaine des marchés d'assurance
FSC	Financial Services Commission
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
IAIS	International Association of Insurance Supervisors
ICP	Insurance Core Principles
IRA	Insurance Regulatory Authority
KPIs	Key performance indicators
NIC	National Insurance Commission
RBM	Reserve Bank of Malawi
SDGs	Sustainable Development Goals
SSA	Sub-Saharan Africa

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The market development KPI Handbook was developed by Nichola Beyers, Christine Hougaard and Karien Scribante (Cenfri) based on the experiences of the steering group member jurisdictions. The project was led by Hui Lin Chiew and Carolyn Barsulai from the A2ii.

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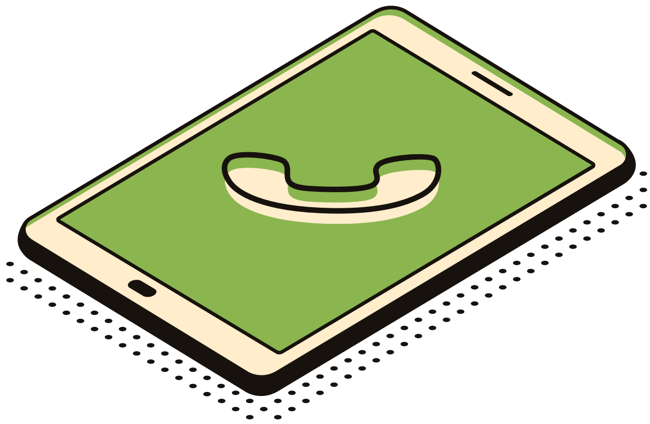


1. INTRODUCTION

1.1. About the KPI reporting project

This handbook is one part of a Supervisory Key Performance Indicator (KPI) Toolkit comprising three components and spanning four 'pillars' of supervisory mandates or objectives, namely prudential, market conduct, insurance market development (including inclusive insurance) and insurance for sustainable development (Figure 1). Together, these manuals and other tools will support supervisors as they consider what relevant metrics to monitor for their context and mandates.

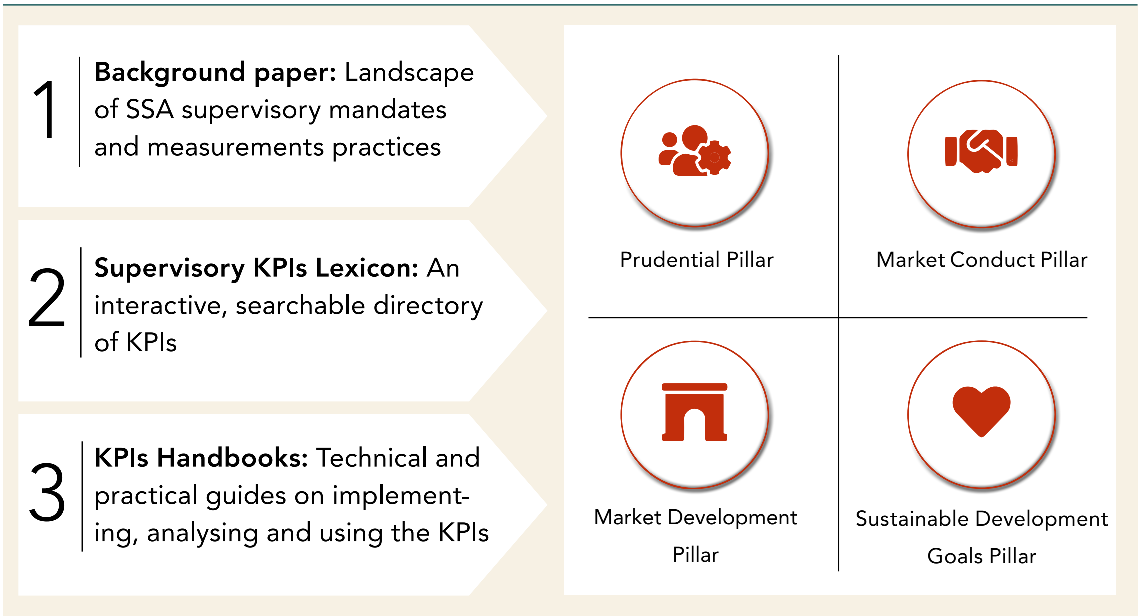


Figure 1: The Supervisory KPI Toolkit[1]

Each handbook is tailored to the established global and regional practice for the particular pillar. For the prudential pillar, this handbook focuses on prioritising and applying the KPIs in a risk-based manner in the context of SSA. The CARAMELS framework, technical guidance on the prudential indicators, as well as global supervisory practices are already widely harmonised and well-documented (see reference materials). The market conduct KPI handbook is anchored on Insurance Core Principle (ICP) 19 but, in comparison to prudential, goes in-depth into basic conduct concepts and each KPI as this information is, at the time of writing, not widely available or globally harmonised among supervisors. Finally, the last two pillars are the most nascent. The handbooks are dedicated more to fundamental thinking and concepts: helping supervisors pull together a suitable conceptual framework for assessing market development and sustainable development based on their local context and priorities and providing practical guidance on implementing new data frameworks. This market development handbook draws on desktop research, interviews as well as survey data gathered from the seven Steering Group members, namely the CIMA region, Ghana, Kenya, Malawi, Mauritius, South Africa and Uganda.

1 For all materials, see: https://a2ii.org/en/supervisory-kpis-lexicon

Why assess KPIs on insurance market development?

Insurance market development contributes to growth. A growing body of literature suggests that the development of the insurance market contributes to a country's sustainable and inclusive growth in three ways, by: a) building household resilience; b) supporting business resilience and enterprise development and c) bolstering capital market development (Hougaard, et al., 2018). Therefore, the development of the insurance market is an important objective in the broader national policy context.

Market development mandate emerging. Supervisors are led by their legal mandates, which stipulate the scope of supervisors' powers, responsibilities and activities. Increasingly, market development is being recognised as a supervisory mandate alongside the traditional mandates of stability (prudential soundness) and consumer protection (market conduct). The definition of 'market development' is context-dependent, but is understood here to mean actively growing the insurance market, both in terms of breadth and depth, in a manner that will increase access to insurance and better serve the risk transfer and risk management needs of the economy. While some supervisors have an explicit market development mandate, for others, this mandate is implicit.

Single indicators ineffective at tracking market development. To effectively act on their market development mandate, it is necessary that supervisors are able to track/monitor progress in market development. Traditionally, the insurance penetration rate (total premiums as a percentage of GDP) is used as a catch-all indicator to measure the level of insurance market development. This indicator is useful for measuring the importance of the insurance industry in domestic economies as well as the maturity of the industry relative to other countries (Kwon & Wolfrom, 2016). Nevertheless, this indicator is flawed and limited in the extent to which it can capture the different facets of market development[2].

Tracking a range of indicators supports market development mandate. Implementing a more complete set of KPIs will allow insurance supervisors to track market development more holistically to support the fulfilment of their market development mandate. KPIs enable supervisors to establish a baseline from where to measure impact (for example, over time or as a result of specific interventions), to feed market development considerations into their own decision-making and to steer the insurance industry in this direction. They can also highlight gaps in development thinking and facilitate the creation of performance targets.

The definition of 'market development' is context-dependent, but is understood here to mean actively growing the insurance market, both in terms of breadth and depth, in a manner that will increase access to insurance and better serve the risk transfer and risk management needs of the economy.

2 For further details on the limitations of the insurance penetration rate, see this report by the A2ii.

BOX 1:

Towards insurance market development measurement implementation in Sub-Saharan Africa (SSA)

Supervisors across SSA are still incorporating market development into their reporting processes and have not yet fully leveraged the market development insights that can be drawn from data and indicators to support policy decisions and strategies. The task moving forward is for supervisors to consider which indicators in the supervisory KPIs Lexicon to prioritise for their context and their purposes, how to go about the tracking process and then how to analyse and use these KPIs to inform their mandate. Compared to prudential data analysis, fixed or objective benchmarks are much less useful in market development data analysis. Instead, supervisors need to make decisions more actively on their priorities and targets based on the local context, and then select the corresponding indicators and track progress over time.

How to use this work

Audience. This handbook is targeted at SSA supervisors who wish to track the development of their insurance markets and to plan and implement development initiatives.

A reference and tool. This handbook sets out the specific considerations for implementing the market development KPI pillar. It is intended as a reference and a working tool for supervisors in SSA countries. The handbook is supplementary to the Lexicon, to help supervisors to identify which indicators out of the full Supervisory KPIs lexicon would be relevant to their policy context, and how to go about tracking and utilising the data. It provides a framework for measurement by a) putting forth practical considerations on how to select relevant KPIs from the Supervisory KPIs Lexicon that are both fit-for-purpose as well as local context-dependent; b) outlining how these selected KPIs should be tracked, including how current data sources can be leveraged; and c) providing considerations for analysis, as well as how the findings could feed into supervisory decisions.

Structure. The remainder of the handbook first provides a framework for assessing the development of the insurance market, before outlining practical considerations on five fronts:

- Laying the groundwork for measurement
- Selecting fit-for-purpose KPIs
- Tracking the selected KPIs
- Analysing the KPIs to derive insights
- Acting on the insights derived

TIP

REFERENCE MATERIALS FOR THE MARKET DEVELOPMENT FRAMEWORK

The following documents were used as foundational references for the creation of the market development pillar:

- Cenfri and FSD Africa. *Funding the Frontier: The Link Between Inclusive Insurance Market, Growth and Poverty Reduction in Africa.* 2017
- Feyen, Erik, Rodney Lester, and Roberto Rocha. *What Drives the Development of the Insurance Sector? An Empirical Analysis Based on a Panel of Developed and Developing Countries.* 2011
- Giné, Xavier, Bernardo Ribeiro, and Peter Wrede. *Beyond the S-Curve: Insurance Penetration, Institutional Quality and Financial Market Development.* 2019
- A2ii, *Using Key Performance Indicators (KPIs) in Inclusive Insurance Supervision.* 2019
- Swiss Re Institute. *Insurance: Adding Value to Development in Emerging Markets.* 2017
- The World Bank. *Global Financial Development Database.* n.d.
- Bank Negara Malaysia. Expanding Insurance and Takaful Solutions for the Underserved Segment. 2017
- Reserve Bank of New Zealand. An overview of the life insurance sector in New Zealand. 2020

2. FRAMEWORK

This section describes the conceptual framework used to structure the KPIs in the market development pillar. The KPIs in this pillar can be organised into three broad categories (A2ii, n.d.):

Category	Definition	Areas of investigation
Market outcomes	• Capture observable results that arise from Market inputs and Market operations • Reflect development objectives or desired outcomes, such as growth in access to insurance.	☐ Market growth ☐ Customer outcomes ☐ Access and outreach ☐ Product diversity and suitability ☐ Inclusive insurance scale and client value ☐ Innovation
Market operations	• Measure how the industry's 'wheels are turning' and how the market is functioning • These indicators are influenced by the market inputs.	☐ Competition ☐ Functioning of the insurance value chain
Market input	• Measure the fundamental building blocks of insurance market development • Data is broader than the insurance sector and can be pulled from global indices, government data, cross-sectoral financial sector data or academic research.	☐ Market opportunity e.g business environment, financial development ☐ Insurance and legal regulatory framework ☐ Financial soundness, competence, governance and culture of insurance firms ☐ Information and data ☐ Scale and demand

Figure 2: **Framework for assessing insurance market development**

Flexible and modular. Across the three categories, the Lexicon covers 99 indicators. The indicators are further grouped by areas of investigation under each category. This allows for a flexible and modular approach to measurement whereby certain aspects and indicators be selected for monitoring purposes. The exhaustive list of KPIs are set out in the Supervisory KPIs Lexicon. To illustrate, Table 1 below showcases selected example indicators reflecting the areas of investigation under each of the three categories:

Category: Market outcomes	
Area of investigation	**Description**
Market size and growth	**The extent to which the overall insurance market is growing, measured by different parameters.** • **Example indicators:** Insurance penetration rate; Insurance density; Growth in premiums, growth in number of insured • **Link to other pillars:** Prudential, Sustainable development
Access and outreach	**The extent to which the overall insurance market is equitable in terms of accessibility of distribution and availability of products.** • **Example indicators:** Coverage ratio (unique individuals); Distribution mix; Sufficiency of insurance touchpoints • **Link to other pillars:** Market conduct, Sustainable development
Product diversity and suitability	**Range of product offerings in the market and the extent to which they meet development and policy objectives e.g. retirement, long-term life protection, or any of the SDGs.** • **Example indicators:** Prevalence of non-compulsory products; Product composition of the market • **Link to other pillars:** Prudential, Market Conduct, Sustainable development
Inclusive insurance product scale and client value	**Regulators should determine what they consider to be 'inclusive insurance' for KPI purposes. 'Scale' measures whether the insurance market is growing sustainably and whether the state of financial inclusion is improving. 'Client value' measures 'appropriateness for customers', affordability of products, accessibility and fairness of processes and quality of service (Tatin-Jaleran & Chiew, 2019). Most market conduct KPIs can be applied specifically to inclusive insurance product lines to understand the performance of these lines of business.** • **Example indicators:** Socioeconomic data of the target group; Number of inclusive insurance products; Affordability; Market conduct KPIs for selected inclusive products e.g. claims rejected rate, lapses • **Link to other pillars:** Market conduct, Sustainable development

Innovation	**The extent to which the insurance sector 'does things differently' to reach new customers or introduce new products and services (World Bank, 2019), as well as introduce new cost efficiencies. This includes the extent to which the sector adopts technology and digitalisation.** • **Example indicators:** Regulatory sandbox or innovation hub performance (if applicable); Prevalence of digital models; Prevalence of product and business model innovation • **Link to other pillars:** Prudential, Market conduct, Sustainable development

Table 1: Market outcomes, sample of indicators

Category: Market operations	
Area of investigation	Description
Competition and market conditions	**Refers to 'the process of rivalry between suppliers' (Financial Conduct Authority, 2017). When this process is effective, it 'drives down costs and prices, drives up service standards and quality and increases access to financial services', while simultaneously bolstering innovation and productivity (Financial Conduct Authority, 2017). As such, this factor also includes measures of efficiency and innovation within the market.** • **Example indicators:** Concentration or fragmentation (Herfindahl-Hirschman Index); Concentration or fragmentation (Market concentration ratio); Indications of unhealthy competition • **Link to other pillars:** Prudential, Market conduct
Functioning of the insurance value chain	**'All interactions that have to take place between the underwriter of the risk and the ultimate client'. As such, according to Smith, et al., (2011), it includes 'policy origination, premium collection and policy administration, as well as all marketing, sales and claims payment activities'.** • **Example indicators:** Market conduct KPIs on efficiency and expenses e.g. expense and commissions ratios; Challenges of distribution • **Link to other pillars:** Prudential, Market conduct

Table 2: Market operations, sample of indicators

Category: Market inputs	
Area of investigation	**Description**
Market opportunity – business environment and financial development	**The extent to which insurance is viable and needed, based on whether there is 'a sufficient level of income, stability in the economic environment and the presence of industrial activity' (Chamberlain, et al., 2017). Covers factors within and beyond the insurance sector. Not all KPIs are within the influence of the supervisor or insurance industry.** • **Example indicators:** Mobile and smartphone penetration and usage; Internet penetration and usage; Ease of Doing Business ranking • **Link to other pillars:** N/A
Insurance legal and regulatory framework	**The extent to which there is a sound and enabling regulatory framework for development.** • **Example indicators:** Sound prudential and consumer protection regulation, Regulations' supportiveness of inclusive insurance; Regulations' supportiveness of innovation and digitalisation; Product approval turnaround time • **Link to other pillars:** Prudential, Market Conduct
Competence, governance and culture of insurance firms	**The extent to which there is sufficient professional and technical skills (notably actuarial skills) (Chamberlain, et al., 2017) and strong governance and corporate culture within the insurance sector. Governance and culture affects firms' decisions and behaviour regarding prudential and conduct risk.** • **Example indicators:** Size of insurance workforce; Skills gap; Earnings per employee • **Link to other pillars:** Prudential (Governance)
Information and data component	**The extent to which information asymmetries between insurers, intermediaries and consumers are minimised. From the suppliers' perspective, this means the ability to manage anti-selection and moral hazard. From the customer angle, it entails transparency and the ability to compare options and make informed choices (Chamberlain, et al., 2017). This requires proper market conduct as well as appropriate data infrastructure.** • **Example indicators:** Overall financial capacity of consumers; Insurance awareness and literacy; Digital access and literacy • **Link to other pillars:** Market conduct
Scale and demand component	**The extent to which there exists a large enough insurable population for viability, as well as demand and need for voluntary insurance.** • **Example indicators:** Demography of population; Prevalence of informal risk-sharing mechanisms; Coverage of the social security system • **Link to other pillars:** Market conduct

Table 3: Market inputs, sample of indicators

3. STEPS FOR IMPLEMENTING KPIS IN MARKET DEVELOPMENT

This section sets out the steps for applying the market development framework in a fit-for-context way. The following diagram summarises the steps as set out in each of the sub-sections to follow:

Laying the groundwork	Institutionalise the need to track market development	Foster buy-in from the policymaker	Balance market development mandate against prudential and conduct mandates	
Selecting KPIs	Define market development objectives in context	Check Lexicon: Take stock of what is already tracked	Consider feasibility of tracking new data items	Prioritise indicators to incorporate
Tracking KPIs	Repurpose existing data and indicators	Map remaining KPIs to various potential data sources	Decide what needs to be collected through new reporting requirements	Consider how to sequence the steps
Analysing KPIs	Ensure data is good quality, is reliable and accurate	Define analytical framework	Create a dashboard to pull KPIs together	Extract meaningful insights by defining benchmarks in context
Acting on insights	Define use-cases and ensure data relates to use-cases	Integrate into internal policy and regulatory deliberations	Set KPIs as targets/ goals for internal workstreams	Communicate upwards, laterally and externally

Figure 3: Steps for implementing KPIs in market development

3.1. Laying the groundwork

Before indicators are selected, tracked and measured, it is important to lay the groundwork for the supervisor to take on the role of measuring market development.

Institutionalising the need to track market development. As discussed in Section 1, the legal or government mandate to pursue market development is the foundation for the implementation of a market development measurement framework. An explicitly formulated mandate ensures that the supervisor's board and management recognise market development as a key organisational goal. A mandate, by itself, is however, not sufficient to ensure a coherent approach to market development measurement. Doing so requires the market development function to be institutionalised within the supervisory authority and become part of its operations. The responsibility for market development can be allocated to a specific team or, eventually, a division. This team should then regularly report on market development progress to the relevant board and/or management team. Aligning incentives from the top, taking a conscious stance and assigning responsibilities throughout the authority to track market development will ensure that market development receives priority and momentum.

Fostering buy-in from the policymaker. Buy-in from the policymaker to whom the insurance supervisor reports is also important to provide an impetus for market development measurement. If there is explicit interest from policymakers, momentum is more likely to be sustained. For insurance supervisors without an explicit market development mandate, senior staff (such as the Commissioner) may need to proactively champion and lobby for this role with policymakers/the relevant Ministry so as to secure additional resources to enable tracking.

BOX 2:

Steering Group example – Uganda

In Uganda, inclusive market development is part of the Insurance Regulatory Authority (IRA)'s strategic objectives. Tracking market development is the role of the Research and Market Development department. By tasking a specific department with market development, market development measurement has become entrenched in the agenda of the authority.

Balancing market development mandate against prudential and conduct mandates. Supervisors may find a tension between the market development, prudential and conduct pillars reflected in the KPIs. For example, weaning a market off compulsory insurance might be positive for development in the long run, but may have severe short-term prudential implications for insurers that depend on this business for survival. As such, it is important that the market development team closely coordinate with prudential and conduct supervisory teams. If the same teams are responsible for all three pillars, supervisors will need to build internal skills and capacity to ensure that the team is able to balance and address all objectives of their mandate.

3.2. How to select fit-for-purpose KPIs?

Once the objective to measure market development has been set, the question is: **Which indicators**, out of the indicators in the Lexicon, should supervisors prioritise to inform this mandate? This sub-section describes the process for selecting fit-for-purpose KPIs.

3.2.1. Define market development objectives in context

Start with the end in mind. The first step towards prioritisation is to determine what 'insurance market development' means/looks like in a specific market, what the authority's specific market development objectives are and/or where particular pain points in the market lie. This process, like for any other organisation setting its strategic goals, should ideally be based on a sound deliberation process within the supervisor. Some supervisors set aside specific periods in their calendars for developing a financial or insurance sector 'blueprint' that sets out objectives over the coming years (for example, five or 10 years into the future). In setting goals, supervisors should seek to 'bring it down from the abstract' and articulate concrete outcomes – is the objective a more inclusive market, or better gender outcomes? More competition? More product diversity? Or innovative partnerships or business processes to bring the efficiency needed to serve needs across the population and business community? Setting out concrete goals will help a supervisory authority to determine which of the components and indicators are most relevant for them to track/prioritise.

Identify the compass. In defining the objectives, it may be helpful to take stock of what orients the decision. Factors include:

- **The local market context.** The specific country context is key in shaping which components and indicators to focus on. For example, some supervisors operate in agriculture-based or subsistence farming economies; thus, a key growth area for the insurance industry could be index insurance for subsistence farmers, thus informing the context-specific definition of 'products that are inclusive' within the Access and outreach component of the Market outcomes category. Other supervisors' markets may be centred on the provision of compulsory insurance, in which case the diversification of the product offering and extending the reach of voluntary insurance offerings may be explicit objectives.

- **Broader government priorities.** The specific national strategies, agendas or objectives of the policymaker can direct the supervisor as to what areas of the market development framework to prioritise. As part of their role, supervisors may already have been directed by policymakers to focus on particular areas, such as to drive inclusive insurance solutions to support inclusive economic growth and financial health.

- **Linkages to other core mandates and supervisory objectives.** Supervisors should consider which categories, components and indicators are supported by their existing prudential or conduct mandates and where different initiatives may be interrelated. For example, initiatives to create better customer and conduct outcomes may link to diversifying business models (via innovation) and the need to improve financial soundness and underwriting capacity in a market may link to the need to consolidate companies.

BOX 3:

Existing market development prioritisation among Steering Group members

The Steering Group members have varying market development priorities. For example, in South Africa, due to the economic and social legacy of apartheid, the development of the insurance market focuses on increasing previously disadvantaged groups' access to high-quality insurance products and services. As a result, the Financial Sector Conduct Authority (FSCA) requires that regulated entities in the banking sector report on indicators along racial lines, for example, how many products are held by previously disadvantaged people.

Filter indicators for the priority focus areas. After identifying the priority components to focus on, supervisors should go through the market development Lexicon and conduct a first round of filtering to identify which KPIs are relevant to the specific objectives.

3.2.2. Consult Lexicon: take stock of what is already tracked

Consider which indicators are already tracked. The next step is to ascertain which indicators are already available as part of, for example, a supervisory authority's prudential and market conduct monitoring activities and/or inclusive insurance data on target groups. It may also be that some indicators are tracked in a slightly different form (e.g. raw data or a different formula derivative) to how they are specified in the Lexicon, which means that supervisors may find that they are already partially tracking certain indicators. What is already tracked can then be compared to the identified list of KPIs to determine which additional KPIs to incorporate.

Frequently tracked indicators based on Steering Group survey responses. Annex A lists the indicators that emerged from the Steering Group survey as being a) more frequently tracked and b) tracked as part of supervisors' prudential and market conduct monitoring activities. These categories constitute a potentially 'easy starting point' for supervisors in their prioritisation exercise, by indicating which indicators are likely to require minimal additional resources to track, plus by indicating what SSA insurance supervisors' peers are tracking (in so doing also supporting harmonisation and regional benchmarking).

BOX 4:

Extent to which market development KPIs are already tracked across Steering Group members

Of the Steering Group members, five have an explicit and two have an implicit market development mandate. None of the Steering Group members track all of the KPIs in the Lexicon. The survey responses show that the pillar is still nascent. While the highest number of KPIs tracked by any of the Steering Group members is **63 out of 99**, on average, members track only **28 out of 99** of the KPIs in this pillar. Members also differ in which indicators they track or consider useful. Only 6 indicators are commonly tracked by most members and only 3 indicators are not tracked by any members. Steering Group members indicated that certain indicators are already tracked for market conduct or prudential purposes, although other indicators are tracked for market development purposes in particular.

Of the market development pillar categories, the market inputs category is the least tracked (less than half of the Steering Group members track this category's numerous components). The market outcomes category is the most tracked (more than half of the Steering Group members track its components). This suggests that Steering Group members' current monitoring/measurement of market development consists mostly of tracking observable results and less of examining the building blocks of insurance market development, which includes collecting information from sources outside of industry (such as from national statistical bureaus).

3.2.3. Consider feasibility of tracking new data items

The next step, after filtering for market development objectives and indicators that are already tracked, is to consider which of the remaining indicators would be feasible to start tracking.

Feasibility considerations should inform prioritisation. Adding any new indicators to track has capacity implications for supervisors and industry alike (see Box 5 and Box 6). It is therefore important to consider whether the identified indicators are feasible to collect in the immediate term. Supervisors do not need a fully-fledged feasibility assessment at this point[3], but supervisors should have a grasp of which KPIs would be more or less feasible at the outset. Constraints to weigh up include:

- Whether there is available internal capacity for developing, implementing and analysing additional data requirements on an ongoing basis. For the supervisor, this includes setting up and implementing industry reporting requirements, as well as additional desktop research and coordinating with third parties such as policymakers and statistical bureaus.

3 Such a feasibility assessment can be done through consultation with the industry and other internal departments once an initial KPI list is ready

- Industry's capacity to accommodate additional reporting requirements. Supervisors need to balance their requirement for additional information with the need not to over-burden industry players. For example, supervisors could start with data that is already being collected internally by the industry. Requiring data that the industry is not ready to offer could simply result in poor-quality data or poor reporting compliance, which would render the data unusable.

- Time and processes needed to make the required data available, as this will inform the sequencing and timing of integrating the new indicators. Supervisors must consider mandated processes for and institutional restrictions to the amendment or creation of reporting requirements and the timing thereof.

BOX 5:

Steering Group member capacity considerations

Several Steering Group members stipulated that the bulk of their capacity is dedicated to governance and prudential supervision, with a few also heavily focused on market conduct supervision. Although market development forms part of some of their mandates explicitly, the extent to which it is holistically tracked is minimal. Departments tend to be small and there is limited scope to introduce additional activities to their staff's current workload. One member stated that it is currently introducing and phasing in a dedicated market conduct return, an activity which will occupy its capacity for the next two years. As such, this supervisor does not plan to request additional indicators from its industry at this point in time.

BOX 6:

Potential industry capacity considerations

Where industry capacity is concerned, several Steering Group members highlighted that some regulated entities are still not submitting complete or high-quality returns even on existing requirements, due to capacity constraints. This suggests that it may not be feasible to introduce lengthy or complex new reporting requirements. Supervisory resources will also need to be dedicated to data processing, cleaning and follow-up.

Currently, the type of reporting done by insurers in many SSA jurisdictions is limited to prudential and some conduct reporting. Adding market development parameters into the templates will require adjustments. Moreover, other financial authorities might already be requiring reporting on financial inclusion, but to a different level and for different purposes e.g under a National Financial Inclusion Strategy initiative. It is important that duplicative reporting is avoided.

Insurers may not have data required for generating market development oriented-KPIs. An example is detailed customer segment data. Many insurers in SSA still have limited actuarial and underwriting capacity, both in terms of skill as well as infrastructure, such as underwriting software. In many cases pricing is still done on a uniform rather than individual underwriting basis and therefore insurers do not collect detailed or complex customer segment data. Any consumer data is collected at the point of sale.

Feasibility will differ according to the maturity of the market. For instance, insurtechs are increasingly coming up with software for processing granular underwriting data, but not all insurers have the capacity to invest in the new technology. Multinational insurers and small local outfits will have different capacities

3.2.4. Prioritise indicators to incorporate

Tailored prioritisation follows from preceding steps. While it is useful to track indicators that are widely used on a regional or global level, ultimately the exact indicators chosen need to be fit-for-context in a particular country. Once an insurance supervisor has articulated specific objectives for market development for its jurisdiction, identified which KPIs correspond to these goals, noted which KPIs are already tracked as well as potential constraints to new indicators, it can decide which indicators should go into a dedicated market development measurement framework.

Organise KPIs along a framework. The table in Box 7 provides an example of a simple template that can be used to select priority KPIs, using a hypothetical case study. The shortlist of KPIs should be carefully considered and fit-for-purpose so that no indicator is tracked simply for the sake of tracking it. Once this step is done, supervisors can then proceed to Section 3.3 to consider how and from which sources to track the KPIs.

BOX 7:

Case study: Selecting inclusive insurance KPIs

The supervisor of jurisdiction A has been mandated to increase access to insurance by its government over the next 3 years. This goal has also been announced in the national budget in the following way: 'to increase insurance take-up among A-citizens, including the low-income and vulnerable'. As a first step, it has set up a sandbox to allow easier market entry for innovative ventures, but there has been limited traction so far.

Deliberating this internally, the supervisor identifies that, firstly, there needs to be a way to measure uptake of insurance products by A-citizens. Additionally, a crucial aspect is that the insurance sector needs to offer an appropriate range of products that meets diverse needs in society, and these products need to be accessible via appropriate, possibly alternative and innovative, distribution channels that are ideally incentivised to service underpenetrated segments. The supervisor decides to first assess what the current 'state of play' is in this regard, what the gaps are, and potentially have a discussion with the industry about it. Assume that in country A, the supervisor already has an inclusive insurance regulatory framework, under which 'microinsurance' products are defined, approved and launched.

To select and shortlist KPIs that would help them in this task, the supervisor uses a simple template as per the table below to consider which components of the Lexicon and which use cases address the key questions that they want to answer and, for that, to identify what KPIs are already tracked and could be repurposed, and what KPIs should be added. This first-cut shortlist below ends up with seven new proposed KPIs tentatively judged to be feasible, in addition to nine existing KPIs to compile (and possibly repurpose):

Check lexicon: Selected relevant components	Check use case: Purpose of KPI	Check lexicon: KPIs listed per component	Shortlist of KPIs to prioritise given feasibility considerations
1) How do we measure / what is the current state of insurance inclusion?			
Market size and growth Access and outreach	• Measure baseline and set targets	**Already tracked** • Growth in number of insured • Uptake of insurance by inclusive insurance segments (FinScope survey) **Not yet tracked** • Coverage ratio (by unique individuals)	**Compile existing** • Growth in number of insured • Uptake of insurance by inclusive insurance segments (FinScope survey) **New to add** • Coverage ratio (by unique individuals)
2) Are current distribution channels and products able to address needs of all segments of society?			
Access and outreach Product diversity and suitability	• Inform supervisors' internal policy formulation • Provide an evidence basis for nudging industry and reporting to policymaker	**Already tracked** • Distribution mix (conduct supervisor) • Product composition of the market **Not yet tracked** • Coverage ratio (specific segments) • Sufficiency of insurance touchpoints • Geographical distribution of insurance touchpoints • Prevalence of channels with an inclusive target group • Prevalence of products that are inclusive	**Compile existing** • Distribution mix (conduct supervisor) • Product composition of the market **New to add** • Sufficiency of insurance touchpoints • Prevalence of channels with an inclusive target group • Prevalence of products that are inclusive

3) What is the reach of current inclusive products?			
Inclusive insurance products (Scale & client value)	Measure adequacy of existing initiatives	**Already tracked:** Microinsurance-specific data on: • Uptake of inclusive insurance (policies) • Claims rejected rate • Complaints ratio • Complaints reasons • Paid claims ratio (gross) **Not yet tracked** Microinsurance-specific data on: • Claims frequency • Voluntary client retention (renewal, persistency, cancellation, lapse) • Combined ratio • Socioeconomic data of the target group • Customer satisfaction • Protection value	**Compile existing** • Uptake of inclusive insurance (policies) • Claims rejected rate • Complaints ratio • Complaints reasons • Paid claims ratio (gross) **New to add** • Claims frequency • Voluntary client retention (renewal, persistency, cancellation, lapse) • Combined ratio

3.3. How to go about tracking the selected KPIs?

Considerations for tracking. As part of the prioritisation process as summarised in Box 7, supervisors would have identified existing indicators that could be used, either from internal or external sources, plus additional priority indicators to be newly collected. A related step is to think through how these KPIs will be tracked: what data is needed to populate each indicator, and how can it be sourced reliably and with sufficient regularity? Thinking through the data sources will already be needed to inform the prioritisation as set out above. Once the focus KPIs have been determined, further work is then needed to compile the data collection and collation plan to action the measurement of such KPIs. The discussion below sets out the key steps to track or populate the selected market development KPIs. Annex A also contains a list of indicators that require additional effort to track.

3.3.1. Repurpose existing data and indicators

Determine which KPIs can be extracted or adapted from prudential or market conduct information. Many market development KPIs are constructed through basic/raw supervisory data (such as product registry, claims, premiums, number of policies at the insurer, intermediary, product line or industry level). Supervisors either already have this information on hand or are building towards collecting this information for their core supervisory mandates. Already-held indicators can thus be 'reused' – analysed from a market development perspective. As such, supervisors need not initially design an entire new return which means that the level of effort of tracking market development can be minimised (for themselves and for their industry). For example, the market development team need not separately collect financial soundness data and generate another assessment of the sector's underwriting capacity but could rather obtain this information from the prudential supervisory team.

Consult closely with prudential and conduct supervisors. For the step above, and in conducting future analysis, it is important that those tasked with tracking market development consult closely with prudential and conduct supervisory colleagues. This helps to ensure that the application and interpretation of the KPIs are sound and technically consistent across the organisation. It also helps to reinforce the interlinkages between the supervisor's prudential, consumer protection and market development mandates, as insights gained from market development can reinforce prudential/market conduct supervision and vice versa.

3.3.2. Map remaining KPIs to various potential data sources

Differentiate between industry data reporting items and other sources. Where KPIs cannot be drawn from existing supervisory data, the next step is to consider which other existing data sources may speak to such KPIs. Some of the market development KPIs are not typical data that the industry is accustomed to compiling and some of the indicators are also subjective, therefore requiring clear definitions and discussion with the supervisor beforehand. Generally, market development data can be split into three 'streams', each of which will be discussed in turn below:

1. **Industry data:** Data typically generated or tracked by insurers in their usual course of business, such as financial or market conduct data, data on their products and services, organisational data such as human resources and competencies.

Take stock of range of sources already used to collect data from industry. Not all industry data has to come from dedicated reporting templates. Supervisors already collect or have easy access to information through other means. However, where KPIs are not provided as readily calculated ratios from the industry but rather as raw data, the supervisor needs to ensure that they have enough team capacity, or the data analysis tools to perform these calculations. Some supervisors prefer to calculate the ratios themselves to ensure reliability and consistency. Sources of data include:

- Standardised reporting templates for quantitative financial information and qualitative information in the form of simple "yes/no" questions with brief explanations
- Other documents submitted to the supervisor such as actuaries' reports, investment policies, business plans, risk management frameworks, product notification/approval
- Published annual reports and audited financial statements
- Industry reports, press reports, financial analysts' and credit rating reports

2. **Internally contextualised data:** Data that is defined based on judgement from the supervisor

Some KPIs that are more subjective require supervisors' internal criteria or judgment rather than rely on self-reporting by the industry. Examples include 'number of business models considered new or innovative', 'prevalence of products that are inclusive' and 'strength of insurers' 'governance and culture' where the definitions of 'innovative' and 'inclusive' and the measurement of 'strength', respectively, rely on supervisors' judgment or set internal criteria. Such indicators may also require that regulated entities submit raw data, such as premiums and policy data broken down by different (inclusive insurance) target markets.

BOX 8:

Steering Group data collection methods

Many Steering Group members reported that they collect qualitative information during onsite inspections. However, due to the Covid-19 pandemic, these supervisors had to suspend their onsite inspections. Certain supervisors are conducting virtual inspections instead, although there are limitations to the information that the regulator can collect and review online. Steering Group members increased engagement with their industries during the pandemic through alternative means, such as surveys, as supervisors had to ascertain the impact of Covid-19 and the subsequent social distancing measures on their industries. This has opened up an opportunity for Steering Group members to maintain this level and type of engagement with their industries as the new norm.

3. **Third party information:** Information from outside the regulator and insurance sector

Take stock of third-party information. The industry need not be, and sometimes are not able to be, responsible to shoulder the entirety of the burden of supervisors' information sourcing needs. Some of the indicators in the market development pillar rely on information that does not originate directly from insurers' day-to-day business to begin with. Potential data sources include:

- Information published by national statistical bureaus and individual ministries, such as general financial and economic data, national housing and population census, rural development data

- Information collected or published by other financial supervisory authorities e.g health insurance regulator, central bank[4]
- Information on risk protection needs, protection gap or uninsured losses captured in demand-side surveys
- Published research on the proportion and number of people in the jurisdiction that can be classified as financially vulnerable/part of the low-income population
- Published financial market assessments

BOX 9:

FinScope Consumer Surveys

FinScope Consumer Surveys are regularly conducted in some of the Steering Group member countries and Steering Group members indicated that they already track selected indicators through these surveys. This includes, for example, indicators on the financial capacity of consumers, insurance awareness and literacy and trust and perception with regard to the insurance industry.

BOX 10:

IRA Uganda's external data collection practices

The Research and Market development department within the IRA Uganda draws on a range of alternative data sources and incorporates research findings from relevant publications into their daily activities. The supervisor reported that it leverages FinScope surveys, for example, to access information that it does not track and that it feeds these findings into its own actions, as well as into its reporting to the government. On the basis of FinScope survey findings, the IRA has conducted its own surveys and research to understand specific trends better. FinScope survey findings indicating low adult insurance literacy led to the IRA conducting financial education campaigns. The IRA also draws on other data sources, such as the national bureau of statistics.

4 For non-public data held by other financial authorities, insurance supervisors may need to leverage existing or set up new information-exchange arrangements with the respective authority. The prudential supervisory teams may already have such arrangements in place. If not, the supervisor may wish to consider setting such an arrangement up and ensure issues such as frequency, scope and use of or control over data are addressed.

3.3.3. Decide what needs to be collected through new reporting requirements

Once supervisors have mapped the priority KPIs across the various potential data sources that may already speak to such indicators, the next step is to determine where the gaps are that explicitly require additional reporting from industry. Ultimately, many of the indicators in this pillar still require information that needs to be deliberately collected from industry (whether via adjustments to existing reporting requirements or through a new dedicated return). Supervisors can send out periodic ad-hoc requests for information, though should aim to minimise the frequency of such requests, as these put a strain on resources.

Amending and creating reporting templates. Supervisors have set processes to amend current industry reporting requirements or introduce new ones. Certain supervisors must go through their jurisdiction's legislative body, such as parliament, to modify their reporting requirements. Some supervisors have powers to request ad-hoc information from the industry, thus allowing more flexibility. Supervisors may also operate in a hybrid system of the two, where to some degree, the supervisor can make changes at will but past a certain level of intervention, the change must be approved by the legislative body. Further, supervisors often consult and have training sessions with industry before making changes to the reporting requirements. Some Steering Group members need not (strictly, per legislation) engage industry when making changes, but most still consult the industry as best practice.

BOX 11:

Steering Group example processes for amending/creating reporting templates

Malawi: Standard reporting returns are captured in a regulatory directive. Therefore, if the supervisor wants to add additional requirements to the report, the directive must be changed. It takes the supervisor around six to seven months to implement reporting changes (a process that includes consulting with industry). After this process has been completed, the amended reports must be gazetted by the government, the timing of which could be rapid or drawn out, depending on the Ministry. From there, industry members can indicate to the supervisor that they need a year or two to implement these new requirements in their reporting. The supervisor does not have broad powers to request additional ad-hoc information when needed.

CIMA: The supervisor is given the authority in regulation to ask for necessary data from industry. In practice, however, it consults with its Council of Ministers and with industry members before doing so. Moving forward, the regulator is considering whether to continue with this practice of consulting industry or whether to move to a process in which additional information is requested from industry at the supervisor's discretion.

3.3.4. Consider how to sequence the steps

After having taken stock of all the data sources, the final step is to consider how to sequence the development of the information collection system to match supervisors' internal and industry's capacity – which data sources to draw on in the short-term and what can be introduced in the medium or longer term.

Given that market development may form an explicit part of insurance supervisors' core mandates, obtaining a holistic state of market development constitutes an important priority in the medium to long term, but it may be necessary to 'start small'. Generally speaking, in the:

- **Short term:** Supervisors could leverage the information that they already track and hold in-house discussions to determine their market development priorities and ascertain the extent of market development.

- **Medium term:** Supervisors could look to add or enhance existing indicators in line with their priorities/market development prioritisation framework. This could mean mining additional sources of data to populate selected indicators and sending out ad-hoc requests for information or holding light engagements with the industry. At this stage, supervisors also need to start to plan for indicators that they want to track in the long term through additional reporting requirements.

- **Long term:** As a long-term priority, supervisors could aim to introduce structured reporting requirements to onboard additional priority KPIs for the purpose of tracking market development.

    - For industry data, supervisors should ideally onboard the industry such as by sending clarifying circular letters, holding workshops and engagements. This is also so that the information that the supervisor receives from industry is of good quality and usable.

    - If third-party, particularly policymaker, data is needed, and the data is not public, supervisors need to set up the relationships and data-sharing arrangements accordingly.

Bear in mind potential piloting and transitional reporting. Given the feasibility constraints, there are ways of helping the industry to transition to new reporting requirements, such as by extending the compliance deadline to give time for the supervisor and industry to prepare. Supervisors can also consider piloting requirements in Excel-based returns before setting the requirements in regulations. The following process could be considered:

- Develop an Excel-based data reporting template and a proposal for the process for submission, including deadlines and frequencies

- Have extensive consultations with industry, publish requirements for comments and set up workshops with industry to communicate how these requirements should be met

- Prepare for first-round submission, by first piloting with a few insurers and/or allowing a transitional period; publish guides and explanatory notes and allocate supervisory staff to help insurers' compliance staff submit in a timely and accurate manner.
- Observe progress and challenges over the pilot or transitional period and expect things to go wrong, as not all insurers will be equally capable of meeting requirements, not all data fields will be completed and some data items may need to be adapted or removed entirely. Dedicated engagement may be needed to support certain insurers. Consider if any changes need to be made at end of phase-in period.
- In parallel, set wheels in motion to develop any legislative changes or infrastructure requirements to institutionalise reporting.
- Finalise and issue any legislative requirements to submit accurate and complete data on ongoing basis.

BOX 12:

The timeframe for introducing a new return: learnings from FSCA's journey to implement a Conduct of Business Return

The diagram above illustrates the various steps in the long journey that South Africa's Financial Sector Conduct Authority (FSCA) followed to develop and implement a new conduct of business return (CBR). From the diagram and information gathered through interviews with FSCA, the process has taken almost 10 years, across several rounds of industry consultation, before complete and accurate data is being received from all insurers. As such, developing a dedicated market development return may likewise be a time consuming, longer-term undertaking and not a 'quick win', especially since industry will need time to develop systems and reporting.

3.4. How to approach analysis?

Analysis enables action. The way KPIs are analysed determines whether supervisors can make sense of the information, generate insights and act.

Good quality, accurate, reliable data precedes analysis. Before supervisors can start analysing the tracked indicators, it is important that they clean the data to make sure that it is accurate and of high quality, so that the insights from the analysis are useable.

TIP

CHARACTERISTICS OF GOOD-QUALITY DATA[5]

- **Relevant and meaningful**, providing useful information to assess the performance of the insurance market.
- **Reliable, accurate and complete**, and free from errors and missing values.
- **Sufficiently detailed** – providing information at a detailed level such as product-level data, number of policyholders to enable meaningful assessment. The supervisor may also need to gather information that is commercially sensitive to fully assess the market and will therefore need to ensure that the confidentiality of this information is protected.
- **Consistent across different insurers**, across time and different data sources. Consistency of data allows for comparison of experience across insurers in the market, for the analysis of trends in experience over time and for cross-industry conclusions to be drawn. If there are differences in the way certain financial indicators are measured this should be clearly explained.

5 Adapted from: https://quizlet.com/29315267/10-characteristics-of-data-quality-flash-cards/

- **Timely and up to date**, so that data reflects the recent experience allowing for early intervention in the event of deteriorating performance.
- **Readily available and easy to use and analyse**. It is good to rely on data that is used for internal monitoring and prepared for accounting purposes by the insurer. This will reduce the costs to insurers of preparing data. The presentation and format of the data that is submitted to the supervisor should support efficient analysis of the information.

Define analytical framework. Supervisors should be clear about what the insights are that they want to derive from the indicators, across what fields of analysis, linking back to the original goals identified. The categories and components of the market development pillar can assist supervisors to establish the needed fields for this analysis. The analytical framework determines how the key insights derived from the analysis process will be added up and forms the basis for ongoing monitoring of the development of the insurance market. The box below provides an indicative example of a potential simple framework to combine insights from the priority indicators using a few different components. Supervisors would need to populate the framework with context-relevant indicators and analysis. Supervisors can always start with a simple template with a few components. The longer they regularly analyse this information, the more experience they will gain, and the more granular and nuanced insights will be. Components can then be added, removed or refined as necessary.

BOX 13:

Illustration of how to analyse market development KPIs along the Lexicon framework

The supervisor from jurisdiction A (Box 7) has now set up a dedicated market development team that is currently monitoring market development on an annual basis. The supervisor has traditionally only measured insurance penetration, insurance density, and inclusive insurance indicators, and has recently started tracking market development in a more holistic way.

Having deliberated this via internal working sessions, the supervisor's view of market development can be summarised as follows: Aside from financial soundness and growth, the insurance industry should meet the diverse needs of the population in their services and offerings. It should also support economic and social development[6] needs by supporting the resilience of government, businesses and households. This includes inclusive insurance, and treating consumers and policyholders fairly in line with ICP 19.

6 To concretise how insurance can support development, the SDGs are a useful framework. See the KPI Handbook: Sustainable Development Pillar.

The supervisor has pulled together 17 KPIs across six components to track this goal. How they would like to use the KPIs (their use cases), are:

- Informing ongoing policy formulation by monitoring progress over time, reporting the KPIs as a dashboard to management and for internal working discussions.
- Providing a basis for engaging with the industry, e.g. highlighting gaps and positive developments to steer industry initiatives or hold insurers accountable.
- Advocating to the ministry for additional resources to build up the market development team, by clearly showing gaps and required workstreams.
- Showcasing development trends: selected KPIs are also reported in the supervisor's annual report alongside a commentary on the state of development.

The template below illustrates the insights that can be drawn from these KPIs and how they link to one another:

Check Lexicon: Selected relevant components	Priority KPIs	Data sources	Results	Insights and implications
1) Overall, is the market growing?				
Market size and growth	• Size: total premiums & assets • Insurance penetration rate • Insurance density • Growth in premiums • Growth in number of insured	• Industry data (reporting returns) • National statistical bureau (GDP, population)	• Insurance penetration is 1.2% of GDP, has stagnated over the last 5 years • Density USD50 million • GWP growth (in real terms) has slowed in last 5 years • 7% of the adult population report that they have an insurance product (when statutory health products are excluded)	Current levels of penetration, access and demand still low compared to regional and global leaders. *Supports need for active market development team and workstreams.*

2) Are current distribution channels and products currently addressing needs of households, businesses, government?				
Product diversity and suitability	• Product composition of the market • Prevalence of non-compulsory products • Conduct track record – product development practices	• Industry data (reporting returns) • Supervisor/ internally contextualised data (sandbox monitoring, conduct supervisors)	• Compulsory motor insurance uptake = 53% of non-life premiums, key driver of growth • Credit life (mostly compulsory) and funeral insurance key driver on life side. • Small share but fast-growing: hospital cash	Large share of compulsory insurance may mean diverse needs are not being met, especially in inclusive insurance target segments. *Need to find information on needs and map to existing products.* Nascent innovation in hospital cash insurance requires further support to scale. *Engage industry on innovation barriers in health insurance.*
3) Does the industry have financial, technical and innovation capacity to meet economic and social development needs?				
Innovation	• Regulatory sandbox or innovation hub performance • Prevalence of product and business model innovation	Supervisor/ internally contextualised data (sandbox approval tracking, internal judgement on what is considered innovative)	• Since being set up one year ago, sandbox has received 11 applications focused on digital distribution and claims • Overall, product and distribution types have remained the same for the past decade	Industry seeing signs of new processes. Mostly retail applications offered by external outsourcing providers. However little shift in product composition and distribution mix. *Need to investigate barriers as to why innovation is lacking.*
Value chain (cost efficiency)	• Aggregated expense ratios	Supervisor/internally contextualised data – prudential /conduct supervisor	• Average expense ratio of over 50% in past three years, with one third of insurers at >80% • Two insurers have ratio <35%	High-risk from prudential point of view, not efficient and little room for investing in new processes. However, there are 2 insurers who have achieved better efficiency. *Analyse source of high expenses, compare against best-in-class insurers. Consider how supervisory staff can nudge/guide insurers to reduce cost drivers.*

Competence, governance and culture	• Financial soundness & underwriting capacity • Number of actuaries available vs. needed • Intermediary competence – complaints, productivity	Supervisor – co-ordinate with prudential & conduct supervisor	• Prudential supervisors note overall thin profitability margins, high expenses, reliance on underwriting income • Only 10 trained actuaries vs. 30 life insurers. Pricing practices of most insurers still rudimentary. • Intermediaries – mostly agents, high turnover and low productivity.	Little underwriting and capacity for complex products. Lack of trained intermediaries that can give proper financial advice or transition to more complex products. Need to consider how to build capacity, introduce new players or leverage market leaders. Consider that with prudential and conduct enhancements under way, may improve.
4) Is the regulatory framework supportive of market development?				
Legal and regulatory framework	• Regulations' supportiveness of innovation and digitalisation • Key regulatory barriers identified by industry	Industry data (engagement, survey)	Industry lists top 3 challenges as follows: difficulty meeting new risk-based capital requirements, appointed actuary regulations, restrictions and uncertainty in new models e.g. outsourcing, new technology.	Industry currently bogged down with prudential and conduct regulatory enhancements. Most players have little leeway for short-term strategy changes. However, a few players did not list these as challenges. Consider how to leverage such 'best-in-class' insurers. Consider where else to provide leeway for innovation, e.g. new channels, test and learn. Talk to innovators e.g. hospicash insurance providers, sandbox cohorts.

Source: Authors' own, based on hypothetical results

Viewing market development holistically allows supervisors to see the big picture. What can be observed from the above? Overall, the market is growing, but slowly, despite a largely unsaturated market. Product and channels seem to be largely driven by compulsory or bundled products, rather than tailored to active demand. Looking at trends, innovation in product or business models in the past 10 years has been stagnant. The regulatory sandbox is seeing traction but has not yet been proven to bring impactful or scalable change.

A challenge that clearly comes across from the KPIs is that, on average, insurers are in no position to undertake significant investments or change their business strategies in the short term, given regulatory transitions, lack of actuarial capacity, high expenses, a tough market and lack of a distribution network that can support new strategies. ***How can the supervisor get the market to grow, innovate and expand valuable product offerings in spite of the challenges?***

Viewing the KPIs this way indicates the many simultaneous challenges that the supervisor needs to respond to, while highlighting ongoing improvements. This can help the supervisor to sequence development strategies in a more balanced way. For instance, the supervisor may decide to monitor the sandbox for another two cohorts while conducting further research in the meantime, such as on consumer needs and barriers to innovation. They can then triangulate the findings and decide if any or a different intervention is needed. Or supervisors may decide to incrementally introduce new prudential/conduct requirements to provide insurers with breathing room to innovate.

Such a holistic view also helps supervisors to get a better sense of root causes. Note that the above framework covers all three categories of KPIs: market inputs, market operations and market outcomes and that they are closely linked. Market inputs, e.g. the legal and regulatory framework, will affect the industry's capacity to innovate; financial soundness, competence, governance and culture will affect cost efficiency and also capacity to innovate and/or focus on less profitable segments. All of these factors then influence the outcomes of product diversity and market growth. A key consideration is then whether the supervisor should focus on addressing root causes – such as financial soundness or competition issues – which are usually long-term fixes, versus solutions to 'jump-start' the market, such as a sandbox.

The analytical framework above clearly has gaps: it covers little information on demand-side data e.g. the size of the protection gap in terms of sums insured and number of people, insurance perception, and insurance needs. If available, e.g. from other agencies, it would also be useful to understand income and expenditure patterns of households to get a sense of affordability[7].

Create a market development KPI dashboard to pull KPIs together in line with context-specific market development definition. The table above provides a tool for breaking down the findings relating to each prioritised KPI. Creating a dashboard will enable supervisors to see and communicate a holistic picture of the state of the insurance market vis-à-vis the supervisor's market development goals. Such a dashboard can be relatively simple and put forward in Excel with linkages to more granular data fields. Figure 4 below shows how this can be translated into a visual on the basis of a 'traffic light system' (with green indicating that the indicator/sub-component is at a very favourable level and red indicating that the indicator/sub-component is at an unfavourable level) that provides an overview of the supervisor's assessment of how the market fares across the specific sub-indicators tracked for that component, in order to derive an overall assessment of the state of market development in a particular country[8]:

7 For examples of a thorough market development analysis, see: https://cenfri.org/publications/the-role-of-insurance-for-growth/ for country diagnostics. A light touch version of this type of diagnostic can be done/deliberated annually internally/within the supervisor with the help of the market development KPIs.

8 The full MS Excel version of this dashboard is available on request.

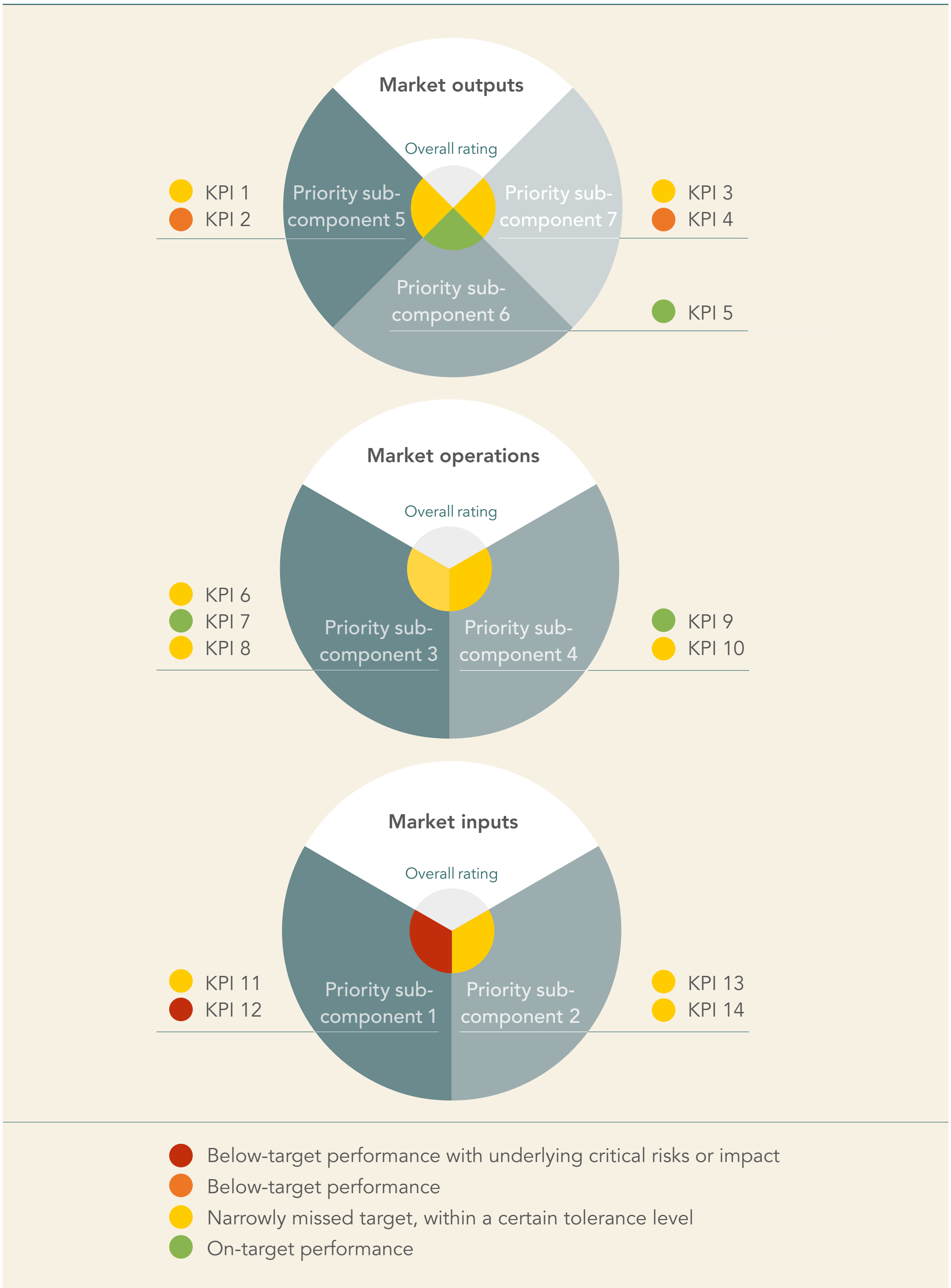


Figure 4: **Illustration of diagram for internal deliberations, management presentations and monitoring**

RegTech solutions can support visualisation. RegTech can help generate a dashboard in a more automated and visual way. The dashboard can then be adapted for presenting summary data during internal management updates or for publication, if the supervisor wishes to include these indicators in annual reports.

BOX 14:

Use of SupTech among the Steering Group members

Most of the Steering Group members are at the start of implementing SupTech to create analysis tables/dashboards that greatly enhance their efficiency (for example, Ghana, which uses the Vizor system). Staff members require training and the necessary skillsets to use such systems effectively, however. ICT capacity is an issue, as well as capacity to plan for, implement and train staff.

The Steering Group members noted that even basic data systems are expensive. One supervisor (CIMA) is currently receiving funding from an international development agency to develop an online database, but the project has proven to be challenging in terms of timelines and budget.

Another of the Steering Group members (South Africa) is looking into how it can use RegTech to streamline reporting and analysis – in other words, how it can leverage technology to be part of the solution to the monitoring challenges arising from increasingly rapid industry innovation.

Extract meaningful insights by defining benchmarks in context. There are no set benchmarks for indicators in this pillar, as this depends on market context . For example, an indicator such as 'product mix' cannot be assigned an absolute benchmark: it depends on the baseline in the specific country as well as the population/consumer demographic or 'maturity' of access and usage of financial services (for example, if consumers are more sophisticated, then more advanced protection/savings insurance tools would be relevant; if the population is largely financially excluded then more basic, inclusive insurance products would be more relevant). However, supervisors still need a way to define progress. Borrowing from market conduct supervision, and in the absence of objective, fixed benchmarks, the IAIS (2014) suggests a) trend analysis of indicators over time and b) 'horizontal analysis' where insurers within the same industry are compared with each other and outliers are identified. For common indicators, regional/international benchmarks could also be used. This includes insurance penetration rates, coverage ratios, key prudential ratios such as the retention ratio or claims ratio[9] which might be commonly published. The market development KPI list also includes indicators for which global indices are available, such as the Herfindahl-Hirschman Index and the Ease of Doing Business ranking for which a comparative score is clear.

9 See: https://microfact.webnode.com/microinsurance-tools/microinsurance-handbook/

BOX 15:

Considerations for implementation

Before supervisors analyse the tracked data, they should consider the following:

- **Allocation of internal accountabilities and capacity building to implement analytical framework.** Under limited capacity, frontline supervisory staff – staff whose primary responsibilities are to monitor firms – may be the ones implementing the market development KPI framework by overseeing data collection, conducting analysis and extracting insights. This requires capacity building to entrench the market development perspective into staff members' thinking and to ensure that they possess the necessary skills. Supervisors may also wish to assign responsibilities to a specific team of specialists who maintains the 'big-picture' oversight of market development KPIs across different supervisory teams and who are also responsible for experimenting with the data to generate better insights.
- **Aligning analysis with data systems.** How data is collected and stored matters for how it is analysed. For example, where supervisors rely on manual submission of Excel returns, it is difficult to conduct in-depth analyses with as much efficiency as when there is a web portal for industry submission that collates the information into a database for analysis. Such systems are costly to install and require upfront training and capacity building within the supervisor as well as with industry members interacting with the system. Ultimately, supervisors should consider introducing such systems in terms of what is viable and the resources available to them. It is important, however, to keep in mind that data tools and technology are not a substitute for supervisors' human judgement and analysis.

3.5. How to act on the insights?

At this point in the process, insurance supervisors will be confronted with the fruits of their labour in following the steps described in previous sub-sections: they would have selected fit-for-purpose KPIs, decided how to track the various indicators, and compiled an analytical framework from which insights are generated. To ensure that the KPIs are fully utilised and not simply tracked for the sake of tracking, the insights gained from these KPIs should then be used to inform supervisory decisions and action, and regulatory reform.

Define use-cases and ensure data relates to these use-cases. The first step to ensuring that subsequent insights are utilised fully is to define their use case and purpose, which is closely linked to the supervisor's mandate and role in informing policy. This process may require ongoing, adaptable collaboration and engagement with key stakeholders (policymakers, other regulators, international development organisations, industry and consumer bodies).

BOX 16:

Example use cases for KPI-driven insights

The insights gleaned from tracking market development KPIs can be used in the following ways/for the following purposes:

- Feed into internal strategy and regulatory development, by analysing the KPIs to identify gaps, formulate potential solutions and set targets
- Informing and providing an evidence basis for supervisors' engagement with industry, whether for goal-setting, progress reviews, brainstorming or moral suasion
- Accountability and reporting, such as in reporting on industry market development or the level of competition as part of the supervisor's annual report
- Engaging with and informing policymakers on the development of the insurance market
- Coordination with other authorities on financial sector development, such as in national financial inclusion strategies, digitalisation strategies or setting targets (whether across sectors or jurisdictions)
- Showcasing market development in international circles (for example as part of the A2ii and IAIS peer exchanges)

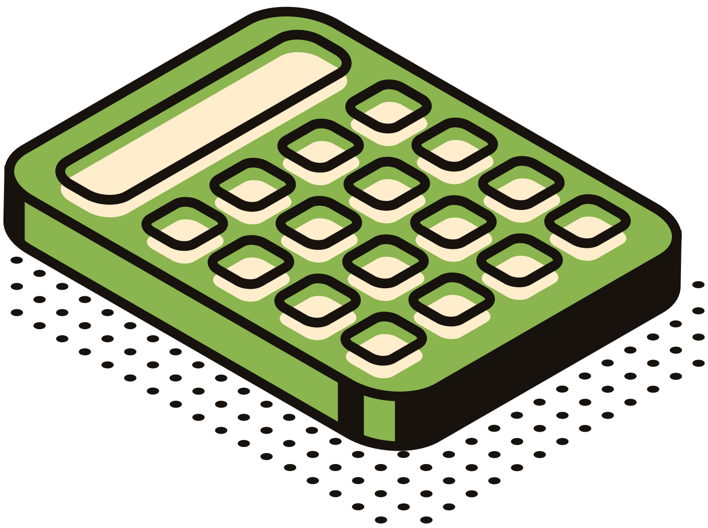
These cases can be translated into practical actions in the following ways:

- **By integrating insights into internal policy and regulatory deliberations.** Supervisors should consider including KPIs in all policy deliberations as the default practice, in daily activities/at the working level, when proposing policy solutions to internal management and when deliberating at management committee levels. In this regard, the role of internal leadership is extremely important in setting top-down expectations throughout the organisation on evidence and data-driven policymaking.

- **By setting KPIs as performance targets or goals for internal workstreams.** KPIs can be built into supervisors' internal work and business planning as well as used as a basis for review and target-setting for supervisory teams. However, supervisors may want to be cautious about holding supervisory officers and teams accountable for KPIs that are beyond their control or that present long-term challenges. For example, a lack of increase in the number of people covered under insurance could be due to demand-side and broader economic factors instead of issues with the inclusive insurance strategy.

- **By communicating upwards and laterally.** Supervisors must ensure that there is a reporting loop to management so that management has a continuous 'finger on the pulse' and that a coherent long-term view of development is institutionalised over time. Doing so will also help to ensure that resources, accountabilities and projects are planned for within the organisation. For example, the dashboard can be reported as part of regular internal reviews, business planning or management committee meetings. It is also important that the results are disseminated throughout the relevant supervisory functions (specifically, prudential and market conduct) to ensure that all functions work in a coordinated fashion. This can be done by ensuring that the KPIs are discussed at regular inter-departmental meetings.

- **By communicating externally.** The insights on market development should ideally be disclosed publicly. Benefits of external communication include providing guidance to industry on the insurance supervisor's expectations and thus nudging industry to focus on certain aspects, while also increasing accountability. This can be done by, for example, including key KPIs on the regulator's website and in the regulator's annual reports[10]. Supervisors can also present the KPIs to the industry at industry engagements or conferences. Supervisors can also share the data at inter-agency meetings and working groups.



10 See IRA Kenya's 2019 Annual Report, Table 4:
https://www.ira.go.ke/images/annual/Insurance%20Industry%20Annual%20Report%202019%20(30.09.2019)%20(2).pdf

4. TOWARDS A HARMONISED APPROACH FOR SSA

Still a nascent pillar. Despite an interest in tracking this pillar of the Supervisory KPIs Lexicon, Steering Group members are still in the early stages of doing so. This handbook represents the first step in detailing the considerations and key success factors and opportunities for starting to measure market development more proactively across insurance markets in SSA. Making a deliberate decision to track this pillar constitutes the first step, but then a pragmatic prioritisation process is needed, as well as a clear analytical framework and plan to ensure that insights are generated that can inform mandate. The question of what needs to be put in place to systematically start gathering and analysing these KPIs has no one-size-fits all answer, because it depends, to a considerable extent, on context-specific objectives, capacity and resourcing considerations – within supervisors and within industry.

Further peer learning and benchmarking will be helpful. A key challenge with the market development KPIs is the lack of standard or objective benchmarks. Peer learning and comparisons to similar markets provide one possible avenue through which supervisors can get some idea of reasonable targets. Building communities of practice and engaging peers on the technology, systems and data sources/methods that they use to track new or leverage existing KPIs can also inform supervisors' efforts to develop internal capacity and data infrastructure.

Steering Group insights are the first steps towards harmonised, tangible KPI frameworks. The Steering Group work over the past few years and the joint learning represents a first step towards the harmonising of measurement framework and approaches across countries. The survey highlighted a few common indicators already being collected among Steering Group members (see Annex A). These indicators may prove to be a useful starting point for harmonisation and for the creation of comparable regional data (as exemplified by regional initiatives like CISNA). Harmonised, tangible measurement approaches to insurance market development are especially relevant, given that objective benchmarks are largely non-existent, thus making it more difficult to set hard targets.

Need for further active support to enable broad onboarding across SSA. As these frameworks are adopted, learnings arise and best practices are established. It will be important to document learning from pilot/demonstration countries to share with a broader supervisory audience. Some supervisors will require technical assistance in piloting the framework and along this journey. This handbook can be an input to help supervisors make the decisions and implement the systems needed to embark on the journey to develop a market development KPI reporting pillar.

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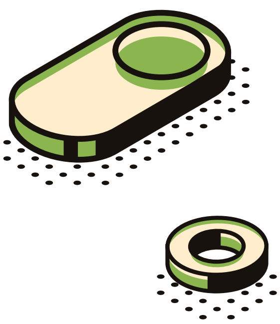


ANNEX A: MOST TRACKED, EASY-ENTRY AND ADDTIONAL-EFFORT KPIS

Based on the Steering Group survey responses, the following indicators will assist supervisors who wish to start measuring this pillar:

Most tracked: Indicators tracked by at least three Steering Group members

Category	Area of investigation	Indicator
Market inputs	Competence, governance and culture	Strength of insurers' governance and culture
	Information and data	Insurance awareness and literacy
	Information and data	Strength of insurer management information systems
	Information and data	Availability of pricing data
	Legal and regulatory framework	Regulations' supportiveness of inclusive insur-ance
	Legal and regulatory framework	Regulations' supportiveness of innovation and digitalisation
	Legal and regulatory framework	Product approval turnaround time
	Legal and regulatory framework	Key regulatory barriers identified by industry
	Market opportunity (Capacity)	Key challenges or risks identified by industry
	Market opportunity (Capacity)	Industry-wide claims and combined ratios
	Market opportunity (Capacity)	Capital adequacy
	Market opportunity (Capacity)	Retention ratio
	Market opportunity (Capacity)	Access to reinsurance facilities

Market operations	Competition and market conditions	Concentration or fragmentation (Market concentration ratio)
	Competition and market conditions	Indications of unhealthy competition
	Competition and market conditions	Entry of new firms
	Competition and market conditions	State market share
	Value chain (cost efficiency)	Aggregate expense ratio
	Value chain (distribution)	Commission ratio
Market outcomes	Access and outreach	Distribution mix
	Inclusive insurance products (Client value)	Claims rejected rate SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Complaints ratio SEPARATELY FOR INCLUSIVE/ MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Complaints reasons SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims timeframe - from notification SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims timeframe - from receipt of full documentation SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Paid claims ratio (gross) SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Scale)	Uptake of inclusive micro/insurance products
	Innovation	Regulatory sandbox or innovation hub performance (if applicable)
	Innovation	Prevalence of product and business model innovation
	Innovation	Prevalence of product and business model innovation

	Innovation	Prevalence of product and business model innovation
	Market size and growth	Insurance penetration rate
	Market size and growth	Insurance density
	Market size and growth	Growth in premiums
	Market size and growth	Business line mix
	Market size and growth	Growth in number of insured
	Market size and growth	Size
	Market size and growth	Key market growth drivers
	Product diversity and suitability	Prevalence of non-compulsory products
	Product diversity and suitability	Product composition of the market

Easy entry: Indicators tracked as part of supervisors' prudential and market conduct monitoring activities

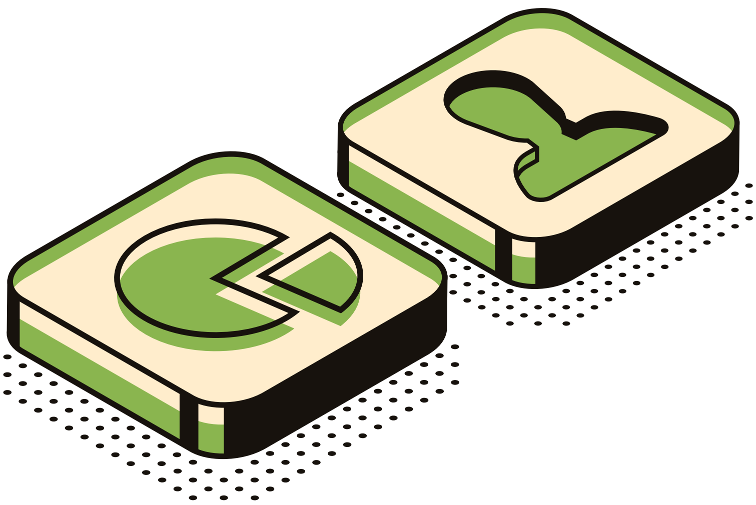
Category	Area of investigation	Indicator
Market inputs	Market opportunity (Capacity)	Retention ratio
Market operations	Value chain (distribution)	Commission ratio
Market outcomes	Access and outreach	Distribution mix
	Inclusive insurance products (Client value)	Lapse or surrender rate SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims acceptance rate SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS

	Inclusive insurance products (Client value)	Claims frequency SEPARATELY FOR INCLUSIVE/ MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims paid in first instance SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims rejected rate SEPARATELY FOR INCLU-SIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims withdrawn rate SEPARATELY FOR INCLU-SIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Complaints ratio SEPARATELY FOR INCLUSIVE/ MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Complaints reasons SEPARATELY FOR INCLU-SIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims timeframe – from notification SEPA-RATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Claims timeframe – from receipt of full doc-umentation SEPARATELY FOR INCLUSIVE/ MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Complaints resolution timeframe SEPARATELY FOR INCLUSIVE/MICROINSURANCE PROD-UCTS
	Inclusive insurance products (Client value)	Voluntary client retention (renewal, persistency, cancellation, lapse) SEPARATELY FOR INCLU-SIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Paid claims ratio (gross) SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Average claims payout SEPARATELY FOR INCLUSIVE/MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Expense ratio SEPARATELY FOR INCLUSIVE/ MICROINSURANCE PRODUCTS
	Inclusive insurance products (Client value)	Combined ratio SEPARATELY FOR INCLUSIVE/ MICROINSURANCE PRODUCTS

Additional effort: Indicators requiring additional effort to track

Category	Area of investigation	Indicator
Market inputs	Competence, governance and culture	Skills gap
	Competence, governance and culture	Skills gap
	Competence, governance and culture	Number of actuaries available and needed
	Competence, governance and culture	Prevalence of ESG practices
	Information and data	Overall financial capacity of consumers
	Market opportunity (Financial sector development)	Level of financial institutions' development and of financial market development
	Market opportunity (Financial sector development)	Level of development of digital financial services
	Market opportunity (Financial sector development)	Market discipline
	Market opportunity (Capac-ity)	Presence of 'best in class' insurers or inter-mediaries
	Scale and demand	Demography of population
	Scale and demand	Prevalence of informal risk-sharing mecha-nisms
	Scale and demand	Prevalence of informal risk-sharing mecha-nisms
	Scale and demand	Coverage of the social security system
	Scale and demand	Size of excluded segment
	Scale and demand	Trust and perception
Market operations	Value chain (distribution)	Challenges of distribution

Market outcomes	Access and outreach	Sufficiency of insurance touchpoints
	Access and outreach	Geographical distribution of insurance touchpoints
	Access and outreach	Prevalence of channels with an inclusive target group
	Inclusive insurance products (Scale)	Socioeconomic data of the target group



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