

THE INSURANCE SECTOR AND THE E-COMMERCE RACE IN AFRICA

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The overwhelming majority of European, Asian and American companies are now embracing e-Commerce according to an Andersen Consulting study released recently. Significantly, the report finds that the key driver of e-Commerce initiatives is fear of competition. Established businesses in these regions are trying to keep up with the competitors, and seeking to secure a strategic position in their industry.

It is however important to note that no mention was made of African companies' participation in e-Commerce throughout the report. This is so because, short of pockets of such activities in South Africa, it is practically non-existent in the continent.

This paper therefore intends to give a brief insight into how the insurance sector could sensitise the public into embracing the newest trend in computing, e-Commerce.

Reinsurance and insurance companies could seize the Internet opportunities to enhance interactions amongst themselves and other sectors of the economy, within and outside Africa, by exchanging business information more effectively.

A private initiative by some software design experts puts the reinsurance company at the centre in its design of an Internet-based software application, a package meant for the reinsurance companies to gather business information and share it amongst their



various clients.

Why start with a package for the reinsurance sector and not any other sector?, one may ask. The reason is not far-fetched:

- An initial study revealed that the reinsurance and insurance practices are very well organised and follow established standards that are almost the same across the continent. This characteristic is a great asset to the software designers. It makes computerisation much easier. The same is not the case in other sectors where standards are not as easy to come by.
- The reinsurance practice is in the business-to-business class, where trust amongst clients is more guaranteed than in the business-to-consumer class. The trust and guarantee of security is an essential factor in e-business transactions.

The project, when completed, will include the development of interfaces with existing applications of potential beneficiaries. This becomes necessary because the adoption of the internet-based application does not necessarily replace the in-house systems.

The processing of inward businesses is one of many tasks in a reinsurance company and the analysis of information flow in the process can be categorised as shown below. However, this list is in no way exhaustive.

MANAGEMENT AND FINANCE

Category	Direction
New business offers	Cedant-to-Reinsurer
Confirmation of Offers	Reinsurer-to-Cedant
Rejection Information	Reinsurer-to-Other players in the industry
Returns from Accepted offer	Cedant-to-Reinsurer
Claims Information	Cedant-to-Reinsurer Cedant-to-Other players in the industry
Statement of Account	Reinsurer-to-Cedant
Other Reports and information to be shared with other players in the market	Reinsurer-to-Cedant Reinsurer-to-Other players in the industry
Payments	Cedant-to-Reinsurer Cedant-to-Bank Cedant-to-Other players in the industry Reinsurer-to-Cedant Reinsurer-to-Bank Reinsurer-to-Other players in the industry Bank-to-Cedant Bank-to-Reinsurer

Database tables are created and set up for each of the information flow categories in such a manner that information is not duplicated and should originate from only one clearly stated source. Each participant could then take responsibility for his actions or inactions.

The design principle requires that access to each category listed above is by a click of the mouse via the dedicated and secured website of the reinsurance company. Access will however be controlled by strict security measures that will be put in place at various levels of processing. Access limitations could be

best described by the three samples of data access permissible per participant in the business process as given below.

Cedant Log-in Screen

New business Offers (Edit & View)	Returns from Accepted Offers (Edit & View)	Returns from Accepted Offers (Edit & View)
Confirmation of Offers (View only)	Claims or Loss Information (Edit & View)	Other Reports (View only)
Rejection Information (View only)	Payments to Reinsurer (Edit & View)	Banks Confirmation of Receipts and Payments (View only)
	Receipts from Reinsurer (View only)	

Bank Log-in Screen

		Other Reports (View only)
Confirmation of Receipts and Payments (Edit & View)	Payments to Cedants (View only)	
	Receipts from Reinsurer (View only)	

Reinsurer Log-in Screen

New business Offers (View only)	Returns from Accepted Offers (View)	Statement of Account (View only)
Confirmation of Offers (Edit & View)	Claims Information (View only)	Other Reports (View only)
Rejection Information (Edit & View)	Payments to Cedants (Edit & View)	Banks Confirmation of Receipts and Payments (View only)
	Receipts from Cedants (View only)	

Other players Log-in Screen

New business Offers (View only)	Claims or Loss Information (View only)	Other Reports (View only)
Rejection Information (Edit & View)		

This type of project offers many advantages:

- Reduction in manpower hence in staff expenses as the cedant will be directly responsible for processing of own data;
- Statements of accounts and other reports are up-to-date and available online for the cedants and other players in the market, where permissible, to guide in decision-making;
- A data bank is maintained for use by other institutions, government or private, in formulating policies relating to the insurance and reinsurance sectors;
- Individual company's offers and the entire African insurance market are automatically open to the rest of the world.

An internet-based project of this type requires an efficient telecommunication system and electricity supply system in African countries that may wish to benefit from the scheme.

Indeed, as the state of these infrastructures in some countries is below the efficiency level, players in the

insurance industry could influence and encourage the government to address these problems. Another way would be for the sector to take up the initiative to drive and directly participate in investments in the required facilities. When fully implemented, such a project could be the African insurance sector's response to RINET in Europe.

However, invitation to participate in a project of this magnitude could not be limited to the insurance industry. Other service providers that will benefit directly or indirectly from the scheme should also be accommodated, while the insurance sector retains the lead. These include:

- Banks
- Government institutions (such as local insurance commissions or ministries)
- Telecommunication companies
- Internet service providers
- Software engineering companies, etc

The cost of maintenance and future enhancement of the facilities could be derived from the installation fee and annual subscription.

An active involvement of African governments and established businesses is needed if the continent is to make the best of Internet opportunities and compete with the rest of the world. Collective participation with a high level of commitment will ensure that all parties adopt uniform processing and reporting standards across the board.

The internet-based project will open the African insurance market to its counterparts in Europe, America and Asia. This is a challenge the industry should accept to lead the race. Other sectors will surely follow, and the continent is bound to gain from it.

This could also be the required impetus for Governments to develop the much-needed infrastructure in the areas of telecommunication and electricity supply.

Most businesses could be reduced to forms amenable to internet-based designs. This has been done in America, Europe already has its RINET, and Asia has reached an appreciable height. Africa can also do it and the insurance sector could play a pioneering role.