Insurers to explore alternative data to support sector growth

By Faridah Kulabako

The insurance industry, whose growth has stagnated at below 1%, are now considering using the increasing data volume generated on the different platforms including social media, mobile phones and sensors, to increase market penetration.

Insurers are turning to personal data on potential clients to identify and design products that would attract them to buy insurance.

This comes at a time when businesses globally are exploring big data, also called alternative data, to grow their bottom lines.

The sector's training arm — the Insurance Institute of Uganda (IIU) has engaged the services of the International Computer Driving Licence (ICDL) to offer computer skills certification to industry players to enable them optimally exploit data to support the industry's growth.

ICDL and IIU will design Information and communications technology (ICT) packages for the different industry players, including agents, brokers, managers and assessors to facilitate the use of the alternative data sources to grow the industry.

According to ICDL Africa's country manager for Uganda, Michael Niyitegeka, harnessing big data provides new opportunities for differentiation as it allows for new waves of productivity growth and innovation.

"A lot of data is being generated from different sources, but is not being put to good use. Managers only consider the finance data as the only important data because it speaks directly to the profitability of any business. They are ignoring other data which can inform the planning process for business sustainability," Niyitegeka said.

WHAT'S ALTERNATIVE DATA?

Alternative/big data or big volume of information refers to user information, generated from platforms, including social media and mobile phones that can be used by service providers to design appropriate products that suit the users' unique needs.

Niyitegeka, who was speaking on the sidelines of the IIU chief executive officers' meeting in Kampala added: "Big data allows institutions to analyse the collected data to inform decisions.

"When one is buying insurance, they ask for the next of kin, but they never bother to find out whether he is also insured or not. You have to pay attention to things that move your bottom line.

During the launch of the Financial Inclusion Week recently, Herman Smith, the Centre for Financial Regulation and Inclusion Technical Director, also said despite a wealth of data being generated daily on the different electronic platforms, financial service providers are yet to leverage it to facilitate greater financial inclusion.

Need for more data

He noted that financial services providers need to leverage data-driven innovations to improve business operations and reach the country's poor people.

Data helps businesses verify customer identity and analyse customer behaviour to develop personalised products and to improve customer service.

The executive director of Financial Sector Deepening Uganda, Jacqueline Musiitwa, said using alternative data will enable financial service providers to design right financial products, in addition to offering flexible know-your-customer requirements.

The chief executive officer of IIU, Saul Sseremba, said only 10% of the generated data in the industry is being gainfully used currently.

"This is an opportunity for us get skills to improve the ICT skill sets in the industry to maximally use the data to increase insurance penetration," Sseremba said.

The Insurance Regulatory Authority assistant director of research and market development, Sande Protazio said the use of big data will enable the industry tackle some of its pressing issues, such as cyber crime.