

Mr. President, Ladies, Gentlemen,

Allow me before anything to thank the organizers for having invited me to this important meeting devoted to the theme: "Strengthening of capacities in the insurance sector."

This meeting is one privileged moment in the consolidation of the relations between the African Insurance Organization and the United Nations Conference on Trade and Development.

In my capacity as President of the African Insurance Organization I would like to also express my satisfaction to have this opportunity to present in front of this honourable audience, challenges and expectations of the African insurance industry in a world context characterized by a deep and multidimensional crisis.

I will first of all make a presentation of the African insurance market, then I will try present the challenges with which African insurance industry is faced, and then I will conclude by looking at the perspectives on how to address these challenges from the development point of view, counting on the greatly needed assistance of UNCTAD and the donor community.

Mr. President, Ladies, Gentlemen,

African continent is significantly lagging in the area of human development and economic and social infrastructure. In addition to endemic illnesses, poor social and unfavourable climatic condition, we can also add a lack of internal resources indispensable to ensure a minimum standard for the populations.

Certain efforts were made by the continental authorities in the framework of NEPAD Programme, for overcoming the state of poverty and under-development. However, this collective effort, oriented towards sustainable development and for the benefit of African populations, needs time and funding.

In this difficult context, African insurance sector can not achieve the level required for effective participation in the financing of the economy of our continent, because of the lack of technical, financial and managerial skills.

To explain this situation, allow me to review briefly the state of the African insurance market. The African market in its diversity, presents different levels of development. This configuration is explained namely by the combination of several factors including: market size, volume of investment and insurance culture.

African insurance market in the world

African insurance market represented in 2007, only 1.31% of world premiums with sales volume of 53 USD billion although the continent makes up 14% of the world population.

The rate of penetration does not exceed 4.3% while the world average is greater than 7.5%. In addition, the rate of 4.3% is a relative measure because it includes South Africa which with its 15.3% is among the highest in the world.

The insurance density is weak with 55.3 USD per inhabitant, divided as follows:

- life premiums 39,6 USD
- non-life premiums 15,8 USD

In addition, it should be noted that the insurance industry is often in disaccord with the social realities of Africa, deeply filled with socio-economic factors. The economic under-development in agriculture, industry and technology explains the increasing poverty and embryonic insurance culture.

Also, weak purchasing power and lack of knowledge about the benefits and role of insurance, together limit the development of demand for insurance.

These challenges are as follows:

- weak capitalization and high cession rates
- modest assets of insurance enterprises which transfer their foreign exchange by way of external placements
- inappropriate products and prices
- lack of technical expertise
- insufficient training and supervision

The structure of the market

In terms of structure, the configuration of African markets is often characterized by coexistence of numerous companies, with limited capital, next to affiliates of large regional and international companies.

Insurance industry in Africa is a reflection of the economic and social situation in the continent.

World economic crisis did not spare African economy which has already seen:

- reduction in investments
- reduction in exports of primary commodities
- increase in unemployment

African Development Bank (ADB), estimates that economic growth in 2009 should fall as a result of this crisis.

African economies will have to endure longer the downward tendencies recorded in developed economies, which will affect insurance volume, as it is well known that there exists a direct link between insurance and economic activity.

The consequences of the global economic crisis are understood like another risk bearing on the demand for insurance in the form of a bundle of unfavourable factors because of the world economic circumstances including:

- slowing down of investment, reduction of assurable risk
- decrease of assets made available on the world market for coverage of risks
- difficulty in the renewal of treaties, amplified by the tendency to increase reinsurance rates

There is therefore everything going on to seriously threaten a recession which should be kept in mind.

However, despite consequences of the world economic crisis, Africa offers significant insurance potentials. Also, it would not be advisable to reduce capital flows to Africa at this time. These conclusions proceed from an analysis made by a number of African managers during the last Davos Economic Forum.

Mr. President, Ladies, Gentlemen,

The lines of thinking for a better contribution of insurance to the financing and growth of economic development in the continent, focus mainly around the search for instruments and mechanisms, and less on attempts to improve management.

In this line of thinking, measures can be proposed at the national, regional and international level. These can be presented as follows:

#### Financial

- mobilization of internal resources
- consolidation of social capital

#### Technical

- improvement of reliability of operations and benefits of service
- diversification of the insurance offering (micro-insurance...)

#### Management

- modernization of methods and management tools
- intensive programme of training to improve and develop competencies

These improvements should be accompanied by the changes to the organizational plan to put in practice the policy of mergers and reorganization of the insurance and reinsurance companies.

In addition, the creating of the African Reinsurance Companies (AFRICA RE, Tunis RE and CICA RE), and reinsurance pools placed under the supervision of African Insurance Organization promote business exchanges in reinsurance all over Africa.

The purpose of these reorganizations is in:

- enlargement of available subscription capacities
- strengthening of the premiums retention in the continent

The creation at the level of each sub-region in Africa of a reinsurance company common to markets belonging to the sub-region will be an additional lever for strengthening the risk retention and will be a factor of complementarity and equilibrium for results of markets concerned.

It is true that these measures and attitudes are first of all the responsibility of African insurers and reinsurers with the support of our organization. However, the success of this initiative, because of the size and complexity of challenges, necessitates also involvement of States for adoption of legislation and promotion of:

- management transparency
- respect for rules of good governance
- strengthening of supervision

In this perspective, the support of donors is also strongly needed.

In this connection, allow me to highlight the exemplary relation between AIO and UNCTAD in terms of cooperation and assistance. In effect, UNCTAD gives its support to AIO for the implementation of projects scoped aimed at strengthening of African insurance industry capacities.

In this vein, I would also like to underline the role of UNCTAD in the creation of the African Centre for Catastrophe Risks on 11 April 2004 (in the presence of representatives of the World Bank and UNCTAD).

Mr. President, Ladies, Gentlemen,

This presentation of the African insurance market should by no means provoke a pessimistic vision. In fact, African continent is rich in natural resources, both ores and energy and its perspectives for agricultural development are more significant than those of Europe or Asia.

With 874 million hectares of agrarian land available, Africa is best suited to become the leading agricultural continent. Its population of one billion inhabitants and its geo-strategic position are other objective factors which make Africa an important player in the international economic exchange.

The attention which it receives from economic powers like USA, Europe or emerging powers like China, India and Brazil are particularly important indicators of the place the continent occupies in the globalization of the world economy.

Also, it is necessary to improve the overall cooperation because African economy is connected to the economies of the rest of the world. These economies share in the interdependence, and make a community of shared interest and destiny.

Allow me to refer to the report by the Secretary-General of United Nations which mentions that "the sustainable development remains outside of reach for most of

African countries, unless there is stabilization of the economic growth and strategic investment in infrastructure, skills and research."

The major challenge of the African insurance industry rests in making the deep change which will enable the integration of the continental economy into that of the world. The themes, chosen for the work of this Ad-hoc commission, invite us to deepen our understanding of the ways and means which would allow us to strengthen the capacities in the African insurance sector.

Mr. President, Ladies, Gentlemen,

Allow me at the end to give my sincere thanks to UNCTAD for the support of our organization. Many thanks also for the honourable assistance forthcoming to our organization.

I would like to express my sincere wishes to see our continent benefit from the valuable contribution of donors for assistance of our African insurance industry.

The utilization of funds that are mobilized in this respect, will be characterized by the principles of transparency, rationality, based on the programme of action and timetable clearly indicated.

In conclusion, I would like to say the following: "with the globalization of the crisis, it is important to globalize the cooperation."

Thank you.