

Ad-Hoc Expert Meeting on
CAPACITY-BUILDING
FOR THE INSURANCE SECTOR IN AFRICA

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African Insurance Organisation

An Introduction

by

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD



African Insurance Organisation – An Introduction

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Outline



What is the AIO?

- Objectives
- Membership
- AIO Activities
- Challenges
- AIO/UNCTAD Projects
- Current trends
- Way Forward



What is the AIO?

- Established in 1972
- Not-for-profit organisation (funded by membership subscriptions/sponsorship)
- Non- governmental organisation but recognised by many African governments
- Permanent Secretariat in Cameroon

AIO STRUCTURE





What is the AIO?

Structure

- Secretariat
- Executive Committee
- President
- General Assembly: Appoints President, Vice President & Executive Committee

Membership



Membership open to:

- Insurance and Reinsurance companies (public & private)
 - Insurance broking companies
 - Insurance Institutes
 - National and Regional Insurance Associations
 - Insurance Supervisory Authorities
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- Currently 272 members from 49 African countries
 - 5 Associate members from Australia, Bahrain, India, and UK



Objectives

- Promote and develop healthy insurance and reinsurance industry in Africa
- Promote inter-African co-operation

Objectives



Activities of the AIO

- Annual Conference
- Annual Life Seminar
- Annual African Reinsurance Forum for exchange of business Publication
- African Insurance Organisation Annual Review: directory of members, insurance associations, institutions and supervisory authorities and statistics of member companies
- AIO Website
- AIO magazine (to be published from April 2009)

AIO Activities



1. A number of specialized bodies have been established under the auspices of the AIO.
 - Association of African Insurance Brokers
 - Association of African Insurance Educators and Trainers
 - Association of African Insurance Supervisory Authorities
 - AIO Life Committee
 - African Centre for Catastrophe Risks (ACCR)
- Each has its own executive which reports to the General Assembly.

AIO Activities (contd.)



2. Given the near absence of capacity in some classes of business, Pools were set up to promote exchange of insurance and reinsurance business:

- The African Aviation Pool
- The African Oil and Energy Pool.

The pools are managed by Africa Re; the managers report to the General Assembly.

Each pool has a technical board.

- The African Catastrophe Risks Pool (on the drawing board)

AIO Activities: African Aviation Pool



US\$ M

Year	Subscribed Capacity	Earned Premium
1984	2.83	0.36
1985	2.30	0.46
1986	2.40	0.98



AIO Activities: African Aviation Pool

	2007	2006	2005	2004	2003
Subscribed capacity	\$6,460,000	\$4,145,000	\$4,046,000	\$3,896,000	\$3,671,000
Gross Premium	4,512,436	4,419,280	4,163,026	4,158,853	4,023,866
Underwriting Profit/Loss	1,128,287	1,996,215	2,137,641	852,872	1,749,000
Profit/ (Loss) for the year	1,098,133	2,095,413	1,634,898	739,516	1,865,982

AIO Activities: African Oil & Energy Insurance Pool (AOEIP)



US\$ M

Year	Subscribed Capacity	Earned Premium
1989	3.05	0.74
1990	3.39	0.28
1991	3.58	0.26

AIO Activities: AOEIP



	2007	2006	2005	2004	2003
Subscribed Capacity	\$6,060,000	\$3,325,000	\$3,225,000	\$3,075,000	\$3,025,000
Gross Premium	14,158,624	14,038,684	10,867,817	8,786,287	5,937,661
Underwriting Profit/Loss	5,107,163	4,483,491	2,456,955	3,620,461	1,980,316
Profit/(Loss) for the Year	5,484,369	4,450,511	1,930,237	3,244,845	1,779,302



Total insurance growth, penetration and density by region

	Premiums (in USDmn)	Real growth	Share of world market (in %)	Premiums in % of GDP	Premiums per capita (in USD)
	2007	2007	2007	2007	2007
America	1,417,463	2.5	34.91	7.58	1,573.3
North America	1,330,066	2.1	32.75	8.71	3,984.8
Latin America and Caribbean	87,397	9.6	2.15	2.54	154.1
Europe	1,680,693	3.4	41.39	8.03	1,962.4
Western Europe	1,606,324	3.0	39.56	8.85	3,138.1
Central and Eastern Europe	74,369	12.9	1.83	2.78	228.6
Asia	840,601	4.5	20.70	6.20	210.7
Japan and newly industrialised Asian economies	640,754	1.9	15.78	10.38	3,018.1
South and East Asia	176,654	15.9	4.35	3.05	51.0
Middle East and Central Asia	23,193	9.3	0.57	1.45	75.4
Africa	68,818	3.9	1.69	6.58	2,059.5
Oceania	53,294	2.8	1.31	4.31	55.3
World	4,060,870	3.3	100.00	7.49	607.7
Industrialised countries	3,646,523	2.5	89.80	9.05	3,577.2
Emerging markets	414,347	11.8	10.20	2.75	72.8
OECD	3,586,703	2.2	88.32	8.65	2,948.1
G7	2,852,637	1.7	70.25	9.22	3,860.5
EU, 15 countries	1,527,535	3.1	37.62	9.16	3,668.0
NAFTA	1,347,482	2.2	33.18	8.34	3,060.2
ASEAN	41,358	12.7	1.02	3.17	78.7

Source: Swiss Re, Economic Research & Consulting, sigma No. 4/2007

Challenges



- Giant strides have been made in the development of insurance in Africa but contribution to GDP in various countries extremely low (with the exception of Gabon, South Africa and Lesotho)
- Inadequacy of infrastructure in ICT
- Inadequate financial capacity & need to embrace financial rating. AIO has attempted to tackle this with the AIO Credit Assessment Scheme in collaboration with Standard & Poor's
- Need for expertise, capacity building for human resources
- Insurance Institutions in Africa need to be developed and their curricula streamlined

Challenges (contd.)



- Urgent need to strengthen insurance regulatory structures and harmonize laws in the face of cross-border investments/transactions. (Countries operating under the CIMA Code have structures which appear to be satisfactory).
- Dearth of specialised insurance products (agricultural, catastrophe risks)
- Lack of reliable mortality tables and proper framework for life insurance products

Challenges



AIO in collaboration with UNCTAD developed five projects and established appropriate budgets in 2005:

- Development of affordable Software for African Insurance Authorities and Markets – \$541,270
- African Centre for Catastrophe Risks – \$3,203,550
- African Governments' Insurance Regulatory Capacity Building - \$544,660
- Managing Life and Pensions Funds for Development – \$1,925,520
- African Training Institutes' Capacity Building - \$357,080



AIO/UNCTAD Projects:

Development of Affordable Insurance Software

Workshops hosted by AIO & UNCTAD in the mid-1990's identified certain needs in the area of computerisation. The project designed was to:

- Address the need for provision of software tools to enable insurance supervisors to capture information in a standard format and produce market statistics
- Provide affordable software to small and medium size insurance companies. Commercial solutions outstripped the annual income of some of them.

The software was to be distributed on a not-for-profit basis

AIO/UNCTAD Projects: African Centre for Catastrophe Risks



In April 2004, UNCTAD and AIO organised a conference on Africa's catastrophe exposure.

Aims:

- Explore available technical and scientific data and their applicability to Africa
- Review potential natural catastrophes to which African countries are exposed
- Assess locally available resources which could be mobilized should an event occur

AIO/UNCTAD Projects: African Centre for catastrophe Risks (contd.)



Conference Findings & Conclusion:

- No valuable resource or expertise
- Only one country in Africa with any form of functional structure: South Africa
- Many countries had experienced floods, drought and earthquakes but there were no long term plans to deal with future occurrences
- Conference agreed on importance of creating database of major catastrophe risks in Africa and establishing a continental catastrophe management centre that will compile information and advise countries on catastrophe covers

AIO/UNCTAD Projects: African Centre for Catastrophe Risks (contd.)



- 34th AIO General Assembly in May 2004 adopted a resolution to create African Centre for Catastrophe Risks in Morocco and seek support for its development
- Government of Morocco agreed to fund part of the running costs of the centre which is hosted by Société Centrale de Réassurance, Morocco

AIO/UNCTAD Projects: Insurance Supervisory capacity Building



Many African countries, with past assistance from UNCTAD, developed healthy regulatory framework but available capacity in most countries is inadequate, especially in the face of globalization. The project was developed to:

- Set supervisory standards in line with international standards
- Review and harmonize the laws
- Establish good governance standards
- Seek independent operation of supervisory authorities



AIO/UNCTAD Projects: Promoting Life & Pensions to mobilize funds for Development

- Life and Pensions are not well developed in Africa except in South Africa
- Majority of the populace do not have the means to purchase policies
- Lack of knowledge; there is need for training of insurance personnel
- Dearth of reliable mortality tables
- Challenges in distribution and marketing of Life insurance products

AIO/UNCTAD Projects: Promoting Life & Pensions to mobilize funds for Development (contd.)



This project was designed to:

- Develop mortality tables
- Compile and publish Life insurance statistics
- Review Life insurance taxation laws in Africa

It is aimed at assisting:

- Governments to promote the development of Life and Pensions
- Supervisory Authorities to promote the necessary consumer protection

AIO/UNCTAD Projects: Capacity Building for African Insurance Training Institutes



- There are about 18 Insurance Institutes in Africa. Many were set up in the 1970's and 1980's.
- Most do not measure up to international standards
- Human resources and equipment are generally not up to date

This project is meant to:

- Train the trainers
- Harmonize curricula
- Harmonize textbooks
- Harmonize certification standards



Current trends

- Microinsurance – means of reaching the informal sector and area of potential growth
- Takaful Insurance – already popular in North Africa, with growing interest in other parts of Africa
- Agricultural Insurance – Senegal recently set up a company
- Consolidation – some countries are taking measures to re-capitalise and strengthen their insurance companies, e.g. Tanzania, Madagascar, Nigeria, Ghana

Way forward



- There is urgent need for human capital development through seminars, courses and exchange programmes
- There is need to increase the capital base of companies to enhance underwriting capacity
- Urgent attention needs to be paid to catastrophe risks
- African Insurance Institutes need to be upgraded to international standards



Way forward (contd.)

- Regulatory framework must be strengthened and brought in line with international standards and laws harmonised
- Promote Life Insurance products which are essential for development of our economies as they provide investable funds

Way forward (contd.)



- The realisation of AIO/UNCTAD projects must be pursued with vigour
 - Implementation of the software project began with AIO funding but has now been suspended. Why?
 - Other projects are still relevant. (Budgets may need to be reviewed)
 - Funding is urgently required to actualise the other projects
 - Joint effort through the AIO is expedient. Most markets are too small and weak to act individually



Thank you