African Insurance Organisation

Annual Report 2021

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For more information about the report, please contact:

African Insurance Organisation

African Insurance Organisation
30, Avenue de Gaulle
P. O. Box 5860
Douala, Cameroon
Telephone: (237) 233 42 01 63
E-mail: aio@africaninsurance.net
Website: http://www.african-insurance.org

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Contents

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Foreword

It gives me great pleasure to present to you the first annual report of the African Insurance Organisation (AIO). We have introduced this report to regularly inform valued members and supporters about the state of the African insurance markets, changing topical issues and, last but not least, to outline our achievements and upcoming activities.

In 2021, we continued to realise our vision without abandoning our original strategic goals first introduced in 2019. This edition of the report highlights the great strides the AIO made in providing services to our growing membership base and how we responded to the unprecedented challenges of the COVID-19 pandemic by introducing digital solutions to streamline our operations.

The world is currently experiencing a global health crisis, the likes of which we have not seen in our lifetime. Although the insurance sector in Africa is not out of the woods yet, as you will read in this report, there are good reasons for optimism. The insurance sector remained resilient and worked closely with governments and regulators to cope with the pandemic's dramatic financial shock. Throughout the pandemic, re/insurance players maintained their operations and deployed their full range of risk solutions, expertise and capital to support African policyholders.

Continued dialogue and cooperation with governments, regulators and supervisors is crucial in the aftermath of this crisis, as their legislative and regulatory decisions will shape the future of our insurance industry in Africa. The final chapter of this report looks at how African regulators have dealt with the pandemic and what they will focus on in the future.

Finally, I would like to take this opportunity to thank the AIO Executive Committee and the AIO Management team. They have shown extraordinary resourcefulness and energy in supporting the AIO's mission in the face of COVID-19 challenges. Their efforts and adaptability have made the successes described in this report possible.

At the same time, I wanted to inform you that my term as the President of the AIO is coming to an end. I am truly honoured and humbled to have held this office since June 2019 and proud of all we have accomplished together during this time. It is now time for me to pass the baton to my successor, Tope Smart, who was elected new president of the AIO in September 2021. I wish Tope and all our loyal AIO members all the best for the future.

Yours,

Delphine Traoré
President of the African Insurance Organisation (2019–2021)

I am deeply honoured and at the same time delighted to take on the new role as President of the African Insurance Organisation at a time when the African Continental Free Trade Agreement (AfCFTA), an excellent initiative of the African Union, has come into force. I see this as a turning point for the entire insurance sector in Africa. This is because the insurance sector plays an important role in the economic development of the continent. The expected increase in intra-African trade through the AfCFTA will lead to higher insurance penetration across the region. To achieve this goal, the African Insurance Organisation and I will work closely with governments and regulators in the region.

Tope Smart
New President of the African Insurance Organisation (2021)

Executive summary

A new strategic framework guides all AIO activities

Members uniformly view the African Insurance Organisation (AIO) as the natural body to represent the interests of the African insurance sector. Based on this vote of confidence, the AIO put in place a new and comprehensive strategic plan for 2019–2024, which positions the AIO as a centre of excellence and advocate for the African insurance industry. Despite the pandemic crisis, the AIO actively supported its members with many activities in 2020 and 2021 and held the 47th AIO Conference and Annual General Meeting in September 2021 under the theme «Rebuilding the African economy, an insurance perspective» with the full support of the Nigerian government.

Africa's decline in GDP was less severe than the global contraction

The past 18 months have been heavily impacted by the COVID-19 health and economic crisis. Africa's second wave of COVID-19 significantly surpassed the first in pace and scale. The continent's access to vaccines remains limited. As a result, Africa's prospects for rapid economic recovery from 2021 remain uncertain. Although Africa's economic decline in GDP of 2.1% in 2020 was not as severe as the world's contraction of 3.3% and that of the advanced markets at 4.7%, it is still the worst recession in more than half a century for the continent.

Africa's insurance premiums lagged GDP growth in 2020

Global insurance markets were less severely affected by the COVID-19 pandemic than initially feared. While the global economy contracted by 3.3%, direct insurance premiums dropped by just 2.1%, which boosted the world's insurance penetration slightly from 7.2% in 2019 to 7.4% in 2020. Similarly to 2019, Africa's insurance premiums grew slower than GDP in 2020 and contracted by 2.9% while the economy shrunk by 2.1%, which reduced Africa's insurance penetration further from 2.78% in 2019 to 2.6% in 2020. In US dollar terms, premiums on the continent dropped from USD 67.2 billion to USD 60.2 billion, which is almost entirely due to the depreciation of the South African rand against the US dollar. Africa's reinsurance market has traditionally outperformed the region's primary insurance markets as reinsurance capacity remained relatively competitive.

Training institutions and the talent gap

The insurance industry in African countries suffers from a skills shortage, and even top companies struggle to attract and retain talent. This shortage is exacerbated by several factors, such as talent opting for more attractive industries. But also digitisation is fundamentally changing the way the insurance industry works, putting greater pressure on the need for digital as well as traditional skills. The leading insurance education and training institutions are gearing their programmes to the changing needs of the insurance industry, but also recommending that re/insurers invest more in training their employees.

Re/insurance brokers in Africa prove relevance during the crisis

The COVID-19 pandemic also had a far-reaching impact on insurance brokers who kept their operations open to help clients. A broker's core duty, to understand their clients' business and find suitable insurance cover, became even more relevant during the pandemic, when brokers were overwhelmed with queries from their clients about the impact of COVID-19.

Regulatory trends – a balancing act in a pandemic

During the pandemic crisis, insurance regulators refocused on their core mandate of market stability and consumer protection, contrary to the trend of the last decade to broaden regulatory mandates. Insurance regulators in Sub-Saharan Africa as well as their global counterparts balanced regulatory relief to regulated entities with close monitoring of market vulnerabilities to ensure that consumers remained protected. Different regulators chose to prioritise various aspects of this trade-off. Some insurance regulators relaxed their usual regulatory requirements to help regulated entities respond better to COVID-19, while others were more concerned with protecting the lives and livelihoods of policyholders.

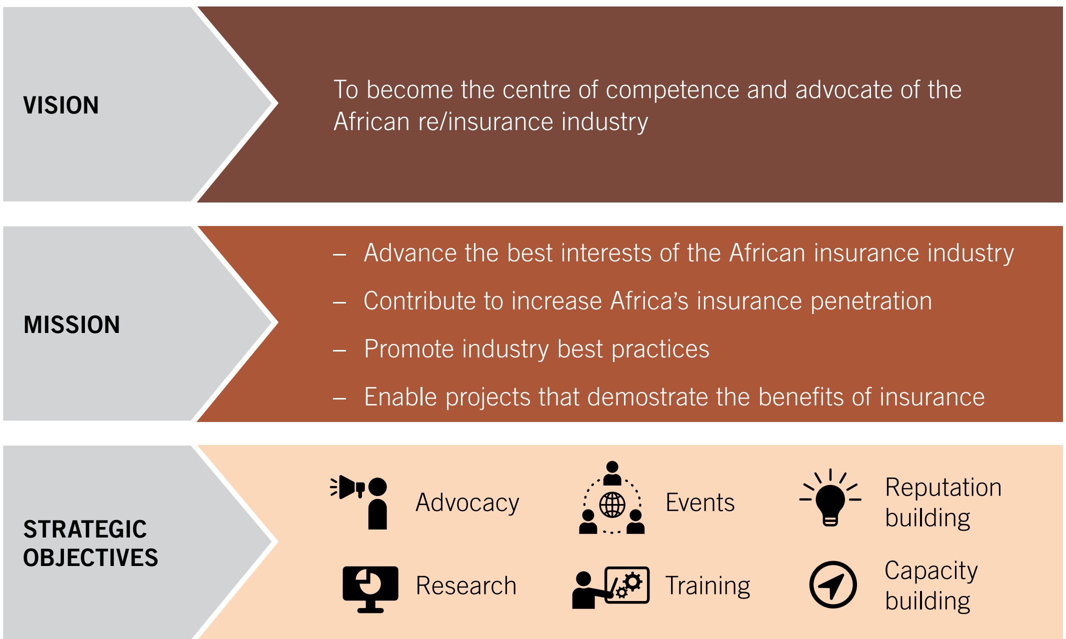
AIO’s highlights in 2021

A new strategic framework guides all activities of the AIO to promote the African insurance sector

The African Insurance Organisation (AIO) was founded in 1972 to support the development of a healthy insurance industry and promote inter-African cooperation in the sector. In 2019, AIO conducted a comprehensive survey to better understand and meet the needs of its members. One key finding of the survey was that members uniformly view the AIO as the natural body to represent the interests of the African insurance sector.

Based on this vote of confidence, the AIO set out a new and comprehensive strategic plan for 2019–2024 to become the centre of excellence and advocacy for the African insurance industry. To achieve this, the AIO must advance the industry’s interests, help increase insurance penetration, promote best practices and initiate projects that demonstrate the benefits of insurance to policy-holders, policymakers and regulators. The AIO’s vision, mission and six strategic objectives will guide the organisation’s priorities and activities.

Chart 1: AIO’s strategic plan 2019–2024: Vision, mission and strategic objectives



Source: African Insurance Organisation

Advocacy

The AIO promotes the policy interests of the African insurance industry. Key objectives:

– The AIO will become the primary point of contact for governments and other stakeholders to learn about the benefits of insurance in Africa

– The AIO will establish a roadmap to advance the positions of its members

– The AIO will advocate for the common position of its members

In 2021, AIO published a position paper on the African Continental Free Trade Area (AfCFTA) and a market analysis on how to best support the development of microinsurance in Africa.

Based on a survey of its members, the paper sets out the AIO's stance on the integration of the African insurance industry into the AfCFTA. The opportunities and growth potential for the African economy offered by the AfCFTA require financial stability and security. The African insurance sector is ideally positioned to play a leading role in supporting the implementation of the AfCFTA. However, for Africa's insurance players to assume this role the continent's insurance regulations require further integration and even harmonisation.

Microinsurance solutions have the potential to increase insurance penetration in Africa. However, its expansion across the continent has been constrained by high administrative costs relative to its transactional value. The value proposition of microinsurance largely depends on the introduction of supportive regulation, appropriate technology, the bundling of microinsurance with other financial services and/or mobile distribution networks as well as awareness building and education. The paper assesses the market potential, transactional costs and regulatory landscape and forms the basis for discussions with regulators about the possible launch of a strategic microinsurance initiative to help AIO members develop additional revenue streams.

Capacity building

The AIO facilitates solutions that meet the needs of the underinsured segments of societies, thus promoting greater insurance penetration. Key objectives:

– AIO will evaluate its existing pools and discuss the need for new solutions with its members

– AIO may test the viability of new insurance solutions through lighthouse projects

To help members build insurance market capacity, the AIO has established several insurance pools and associations since its foundation in 1972 – including the African Aviation Insurance Pool and the African Oil and Energy Insurance Pool – to build capacity and support the growth of these lines of business. In addition, the AIO has established several groups and associations to provide more resources for strategically essential matters, including the AIO Life Insurance Committee, the African Insurance Brokers Association, the Association of African Insurance Supervisory Authority, the Association of African Insurance Educators and Trainers and the African Centre for Catastrophe Risks.

This critical work continued in 2021 when the AIO management team advanced several initiatives and organised events to promote insurance capacity in Africa:

- **A comprehensive African insurance data warehouse.** The AIO has worked with the African College of Insurance and Social Protection (ACISP) in Tanzania and other partners to build a comprehensive insurance data warehouse. In a second step, the AIO will collaborate with the African Risk Capacity to populate the data warehouse with weather-related data and, in the future, feed additional data on primary insurance lines of business based on information provided by African regulators.
- **Education at the service of market capacity.** At the recent 47th AIO AGM, a Memorandum of Understanding was signed with ACISP on different issues facing the re/insurance industry. In addition to establishing the data warehouse, other objectives of this partnership include the establishment of the AIO Chartered Programme (an integrated certification programme in insurance, social protection, pensions, actuarial and risk management); the launch of specific leadership and talent development programmes; and the implementation of priority projects with other third parties on such topics as mortality tables, insurance-linked securities, microinsurance strategy and regulations for Africa.
- **Building broker capacity in Africa.** The AIO, in collaboration with the AIBA, organised a webinar on «Repositioning insurance broking operations after COVID-19». Over 260 representatives of African and international brokers used this platform to discuss how to transform broking to stay relevant in the future.

Bodies established by the AIO

1. The African Aviation Insurance Pool, managed by African Re, provides insurance capacity to the African aviation industry and underwrites business from several African and international airlines. The pool has faced challenges in recent years, reflecting the issues in the global aviation insurance industry. Membership remained stable at 52 in 2020, with an underwritten capacity of USD 8.11 million, and gross underwriting capacity was maintained at USD 17.5 million. Operating profit improved by 54.86% to a loss of USD 2.09 million in 2020 compared to USD 4.63 million in 2019. The pool's results are expected to improve going forward due to the underwriting actions taken and recent improvements in market conditions.

2. The African Oil and Energy Insurance Pool, also managed by Africa Re, provides capacity mainly for African markets and some international markets. Membership remained stable at 51 in 2020, with an underwritten capacity of USD 8.86 million and gross underwritten capacity of USD 90 million. Due to the economic slowdown following the COVID 19 pandemic and a slump in oil prices, premium income decreased by 7.68% to USD 28.25 million in 2020 and the operating income improved by 9.59% to a loss of USD 10.09 million in 2020. As of 31 December 2020, the members' account stands at USD 24.31 million.

3. The African Insurance Brokers Association (AIBA) is one of the first organs established by AIO. The Association and its Executive Committee are headed by an appointed Chairman, while the Secretary General of the AIO runs the secretariat of the Association. The AIBA Executive Committee is composed of members elected by the regional groups of West Africa, North Africa, Central and East Africa and South Africa. The Association operates through the Executive Committee and other working committees established by AIBA. The main objectives of AIBA are:

- To protect the welfare and interests of re/insurance brokers and their associations in Africa.
- To promote the exchange of re/insurance business between members.
- Promote insurance pools in Africa.
- Promote insurance education and exchange of technical information between members and other insurance markets.

4. The AIO Life Committee is one of the Committees of the African Insurance Organisation with the objective to «promote the development of Life and Pensions Industry in Africa.»

The Life Seminar was held during the AIO Annual Conference and General Assembly and provided a platform for delegates from Life Companies to exchange ideas and experiences.

The Life Seminar is the flagship event of the Life Committee. Before 2019, it was held annually in November. Henceforth, the Life Seminar is held alongside the AIO Conference and Annual General Assembly.

5. The Association of African Insurance Supervisors (AAISA) was founded in 1989 and is the umbrella organisation for insurance supervisors in Africa.

Its main objectives are to promote cooperation among supervisors, assist countries in human resource development and provide a forum for the standardisation of insurance laws and supervisory structures on the continent.

The AAISA currently consists of 24 insurance supervisory authorities and has conducted several workshops and seminars with the support of UNCTAD.

6. The Association of African Insurance Educators and Trainers (AAIET) was established to operate under the auspices of the AIO as an association with full legal personality and financial authority.

Main Objectives:

- Advance insurance education in Africa through various educational institutions in each member country, at sub-regional and at the pan-African level.
- Support African insurance trainers to continuously research the training and development requirements of the sector and recommend programmes to promote the training level of staff in sufficient numbers.
- Promote research to develop appropriate teaching methods and aids for the education and training of African insurance and related personnel.
- To foster the teaching of insurance and related areas and, within this objective, to support all existing training institutions and encourage the establishment of new training and education centres.
- Encourage exchange programmes for African insurance trainers and the establishment of a pan-African insurance training and research centre within a reasonable period, to the highest possible standard.
- Promote the writing of articles, monographs, books and other study materials on insurance and related topics particularly relevant to the education and training of African insurance personnel and their exchange among member institutions.
- Foster the establishment of insurance libraries and documentation centres for the benefit of the African insurance industry.
- Harmonise the content of insurance courses and curricula as far as possible of insurance education in Africa.
- Promote learning about insurance practices, laws and controls or regulations of other African countries and sub-regions in each country and sub-region.
- To achieve these goals, the Federation, with the support of the AIO Secretariat, is engaged in capacity building activities in the priority areas of the AIO. Future activities include:
- Partnering with other organisations, notably the World Bank, UNCTAD, ILO and Access to Insurance Initiative in various capacity building programs.
- Advance African Regulatory Capacity Building.
- Stimulate the capacity building of African Training Institutes.
- Encouraging scholarly research.
- Promoting insurance education and training.
- Strengthening the African Training Institutes.

7. The African Centre for Catastrophe Risks (ACCR), managed by the Société Centrale de Réassurance (SCR), has the task of developing re/insurance capacities for catastrophe risks in Africa and promoting prevention and protection against these risks. Specifically, ACCR is working on various projects:

- Building a database to better identify and assess vulnerability to disaster risks in Africa and producing disaster risk maps.
- Elaboration of a pricing model for disaster risks and development of insurance and reinsurance programmes covering disaster risks
- Managing drought risk and developing re/insurance policies and index hedges covering this type of risk
- The organisation of regular international conferences on catastrophe risks
- Organising the set-up of relief to the most affected victims

Recently, the ACCR, in collaboration with UNCTAD, the World Bank, AIO and SCR, organised three regional conferences in Casablanca and published a book entitled «Catastrophe risks: management and coverage in re/insurance».

Events

AIO provides its members with renowned networking platforms such as the General Assembly and the Reinsurance Forum. Key objectives:

- AIO will continue to provide high-quality networking events
- AIO aims to strengthen the relevance of the events as platforms to inform about market trends
- AIO will also use the events to inform and report back to its members on progress toward its goals

Throughout the year, AIO has brought together insurance leaders, regulators, technology providers, academics and other experts at its events, meetings, and, most recently, webinars to discuss the changes and challenges facing our industry. AIO’s flagship industry events provide insurance industry executives and experts with the perfect platform to meet like-minded people and foster productive professional relationships. The year 2021 was marked by three noteworthy events.

The year began with the **AIO Virtual Summit** on Leadership in Turbulent Times. The webinar focused on the impact of leadership in unprecedented and uncertain times. Prominent speakers from insurers, reinsurers, regulators and academia sparked the interest of over 430 participants.

The 47th AIO Conference and Annual General Meeting, initially scheduled for June 2020, took place in Lagos from 4 to 8 September 2021, thanks to the approval of the Nigerian government. The central theme of this event was «Rebuilding the African Economy, An Insurance Perspective».
About 710 members participated, 580 on-site and 130 virtually, making the conference a great success, crowned by the participation of the President of the Federal Republic of Nigeria and many other high-ranking officials and experts in the industry.

2021 will end with **the 25th AIO Reinsurance Forum** on Insurance Integration in the Context of the AfCFTA. The Forum explores the new distribution channels that will create further opportunities to serve African economies against the backdrop of the AfCFTA. As economies continue to develop and competition in the insurance industry increases, the sector needs to look at ways insurance can grow in importance through new business models.

Reputation building

The AIO strengthens the positive perception of the industry as a facilitator of economic and societal progress. Key objective:

- Although the AIO believes awareness building for the benefits of the insurance sector is a task best served by national institutions, the AIO will provide support by developing an online repository of articles and publications that members may use for their purposes

AIO Hall Of Fame Award – the winner for 2021 is Hassan El Sayed Mohamed Ali

This year, the jury selected a winner from seven nominees with very distinct profiles. Mr Hassan El Sayed Mohamed Ali, Managing Director of the Sudanese Insurance and Reinsurance Company Limited, was announced as the winner of the African Insurance Hall of Fame Award 2021 for his strong personal dedication, leadership, mentorship and innovative practices that helped shape the African insurance market as well as his significant support for the AIO.

Hassan El Sayed Mohamed Ali has played an essential role in strengthening and promoting cooperation in the Sudanese insurance and reinsurance industry worldwide and has always worked to better the African insurance industry. As a past president of the AIO, he was the longest-serving member of the organisation's Executive Committee. The Hall of Fame Award honours an individual who has achieved so much for the African insurance industry.

The final list of nominees

1	Hassan El Sayed Mohamed Ali	Managing Director of the Sudanese Insurance and Reinsurance Company	Sudan
2	Fassi Fihri Youssef	CEO of the Société Centrale de Réassurance	Morocco
3	Dr. Chief Nduka Ogbuleke Anyaso	Group MD/CEO International Insurance Company Limited	Sierra Leone
4	Dr. Baghayo Abdallah Saqware	Founder and Chairperson of Africa College of Insurance and Social Protection	Tanzania
5	Varghese Thambi	Managing Director of Diamond Trust Bank	Uganda
6	Hazel Izileni Milambo	Board Member of ZSIC General Insurance Company Ltd	Zambia
7	Omar Gouda	Chairman of the International Federation of Takaful and Islamic Insurance Companies	Egypt

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AIO has modernised its communication platforms and boosted its social media influence

A lot has been achieved over the past year to modernise the AIO's communications. We created a digital platform to efficiently manage all aspects of member administration, from joining the organisation to updating member details and invoicing. We also created a new, modern website and updated our content. We also introduced an event management platform and developed a mobile application for events to digitise the management of our major events.

Over the past two years, the AIO management team has promoted the organisation's presence on social media. Today, anyone interested can follow the AIO's activities and news on our website, in the news, and on dedicated social media channels such as Twitter, Facebook and LinkedIn. The number of followers on all platforms continues to grow and indicates the interest in the AIO and the insurance sector.

Research

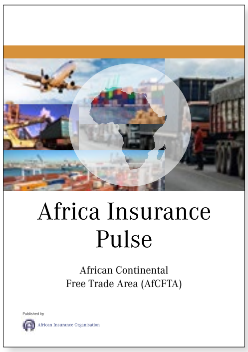
The AIO contributes to decision-making and industry recognition by providing thought leadership and market insights. Key objectives:

- The AIO will offer and develop a collection of data on African insurance markets
- AIO will analyse the data, identify trends and translate these into key themes and thought leadership contributions
- AIO will use the issues and thought leadership for agenda-setting in advocacy

Africa Insurance Pulse – insights into African re/insurance markets since 2016

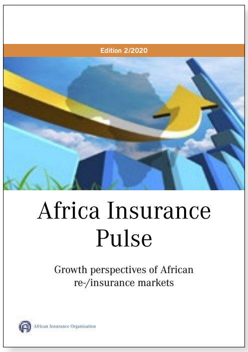
As part of our efforts to advance the African re/insurance markets, we regularly publish our renowned research reports, Africa Insurance Pulse, in English and French. The feedback we have received since 2016 is very encouraging and shows that these publications are relevant to our members and other interested parties.

In 2020 and 2021, despite the COVID-19 pandemic, we continued to invest in our research activities and published three topical issues of Africa Insurance Pulse in collaboration with Faber Consulting, a Swiss consulting firm specialising in re/insurance.



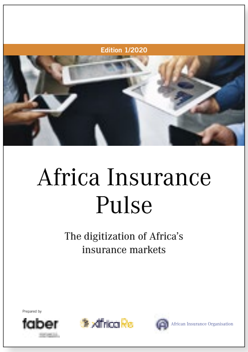
Africa Insurance Pulse on the «African Continental Free Trade Area (AfCFTA)»

The AfCFTA will create a single market covering more than 1.2 billion people, with a current gross domestic product of more than USD 2.5 trillion. The free flow of goods, services, people and capital under the AfCFTA is expected to boost intra-African trade and strengthen the competitiveness of African companies. According to the report, Africa's insurance market participants are optimistic about the AfCFTA but hope for better regulatory cooperation.



Africa Insurance Pulse 2/2020 «Growth perspectives of African re/insurance markets»

The COVID-19 pandemic posed severe challenges to Africa's insurers. In response to the African governments' lockdowns and social distancing measures, the insurance sector had to assure continued customer service, staff health, adequate liquidity management and operational resilience. Insurers and reinsurers expect further uncertainty until the pandemic is under control. «Growth perspectives of African re-/insurance markets», launched on 25 November 2020, investigates the main trends and developments at play in advancing Africa's insurance industry.



Africa Insurance Pulse 1/2020 «The digitisation of Africa's insurance markets»

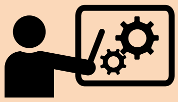
Digitisation will transform Africa's insurance industry. Digital technology is expected to affect all insurance functions, enhancing the appeal and affordability of products and ultimately increasing insurance penetration. The Africa Insurance Pulse «The digitisation of Africa's insurance markets», launched on 1 October 2020, identified pronounced differences in the degree of digitisation across Africa's insurance markets and players.

2021 AIO Book Award – promoting scientific research in Africa

The AIO promotes scientific research among its members and recognises an outstanding contribution each year by awarding the AIO Book Prize. In 2021, the committee, chaired by Eddie Efekoha alongside members Dr Yeside Oyetayo and Saul Sseremba, met in Lagos on 8 September to judge the three finalists. The committee noted that all three books were very well written and recommended that the prize money be shared among all three authors to reward their exceptional efforts and outstanding contributions to the advancement of insurance.

- Winner: Layinka Akintola with «Fundamentals of Insurance Claims», 2019
- Jason Atike with «The Insurance Broker's Passport: A Manual of Insurance Broking Practices in Ghana», 2020
- Aaron Issa Anafure with «Practice of Life Assurance in Perspective», 2021

Training



AIO sets standards and highlights best practices by providing insurance knowledge. Key objectives:

- The AIO shall analyse and define the training needs of its members
- The AIO shall select providers and courses that meet the training needs of the African insurance industry
- If necessary, the AIO will not only set standards but also develop new training courses for its members

Laying the foundation for the African continent's current and future workforce requires the insurance sectors to invest in building skills and establishing a sustainable pipeline of talent to meet future skills requirements. The AIO, based on the needs of its members, supports this effort and offered training sessions on two critical topics:

- **The application of bond insurance in the construction industry.** The focus of this session was on risk assessment and risk management in construction projects and decision-making to ensure timely project completion. Construction project risks can be transferred to insurers through surety insurance, a line of business that requires a high degree of specialist knowledge to find better ways to mitigate and contain those risks.
- **Dealing with difficult customers/conflict management.** Consumers today have broad choices and a wealth of information. Some of these customers can be very demanding and difficult to handle. The ability to deal with challenging customers is, therefore, a critical factor in the success of a business. This programme focused on improving customer skills in the insurance business.

The training days, conducted by certified trainers in English and French, were a great success. A total of 840 people attended, evenly distributed over two days.

Harmonisation of education based on the AIO Chartered Programme

The AIO has met with several educational institutions over the past two years to learn about their offerings and promote successful collaboration. We are in the process of creating a harmonised curriculum based on the needs of our members. We aim to develop an AIO certified programme to ensure a high level of education and training across Africa. Specifically, we are in the process of formalising our collaboration with two educational institutions, the African College of Insurance and Social Protection in Tanzania and the Centre de Formation Professionnelle en Assurance in Morocco, to develop certified executive and talent training programmes for the French and English speaking markets.

Interview with Jean Baptiste Ntukamazina, Secretary General of the African Insurance Organisation

You were appointed Secretary General in the summer of 2019. How have you found your experience so far?

My main task has been to implement the AIO's new strategic framework. With the support of the Executive Committee and the AIO team, I set out a roadmap to implement the strategy and started travelling to different countries to explain the new direction to our members and other stakeholders, starting with Senegal, Gabon, Cameroon, Botswana and Rwanda. But with the outbreak of COVID-19, we had to focus first on the safety of our team, then on maintaining our operations before we could turn back to implementing the strategy. During this time, despite the many challenges, we modernised the AIO by introducing several digital platforms to continue to provide services to our members and take advantage of the opportunity to manage certain services more professionally.

What were the main resolutions taken at the 47th AIO Annual General Assembly?

There were nine resolutions, which we will translate into concrete measures, prioritise and then work on their implementation in the coming years:

1. Strengthening cooperation with governments to ensure the direct and effective contribution of the insurance sector to the growth of national economies.
2. Developing new insurance solutions to support African governments in reducing the insurance coverage gap.
3. Investing in data and new technologies with a focus on artificial intelligence through partnerships with FinTech organisations to improve the effectiveness of the insurance sector.
4. Promoting cross-border cooperation to improve insurance penetration while engaging proactively and in a coordinated manner with the AfCFTA.
5. Investing in quality education for both professionals and the general population (here with a focus on financial literacy).
6. Investing in sustainable projects and funding capacity building.
7. Transition to risk-based supervision in line with current global best practices.
8. Creating a thriving entrepreneurial environment for all economic actors.
9. Encouraging the active participation of women insurance professionals in the Professional Insurance Ladies Association (PILA) Africa activities to promote networking and growth of the African insurance industry.

Can you give us an outlook on upcoming initiatives?

We have a series of projects in the pipeline that will ultimately benefit our members. By December 2021, we hope to have a revised Headquarters Agreement in place with the government of Cameroon to benefit from financial and other advantages resulting from a change in the governing laws.

We want to build a comprehensive African insurance data warehouse with the help of qualified partners. Members and non-members of the AIO will have access to this unique data warehouse against a fee to advance their market strategies. The platform has been set up with the African College of Insurance and Social Protection while the African Risk Capacity will provide data on weather-related risk and their expertise on climate change. Finally, we will work with Africa's insurance regulators to add more data on the main lines of business. We are signing a memorandum of understanding to formalise these essential partnerships.

Investing in better insurance know-how and training is another focus for us. We are in the process of formalising our collaboration with two educational institutions, the African College of Insurance and Social Protection in Tanzania and the Centre de Formation Professionnelle en Assurance in Morocco, to develop certified executive and talent training programmes for the French and English-speaking members. In addition, the Sudanese government has offered us the facility to set up an African Insurance Institute in Khartoum. We have commissioned a feasibility study and will await the outcome to decide how to proceed.

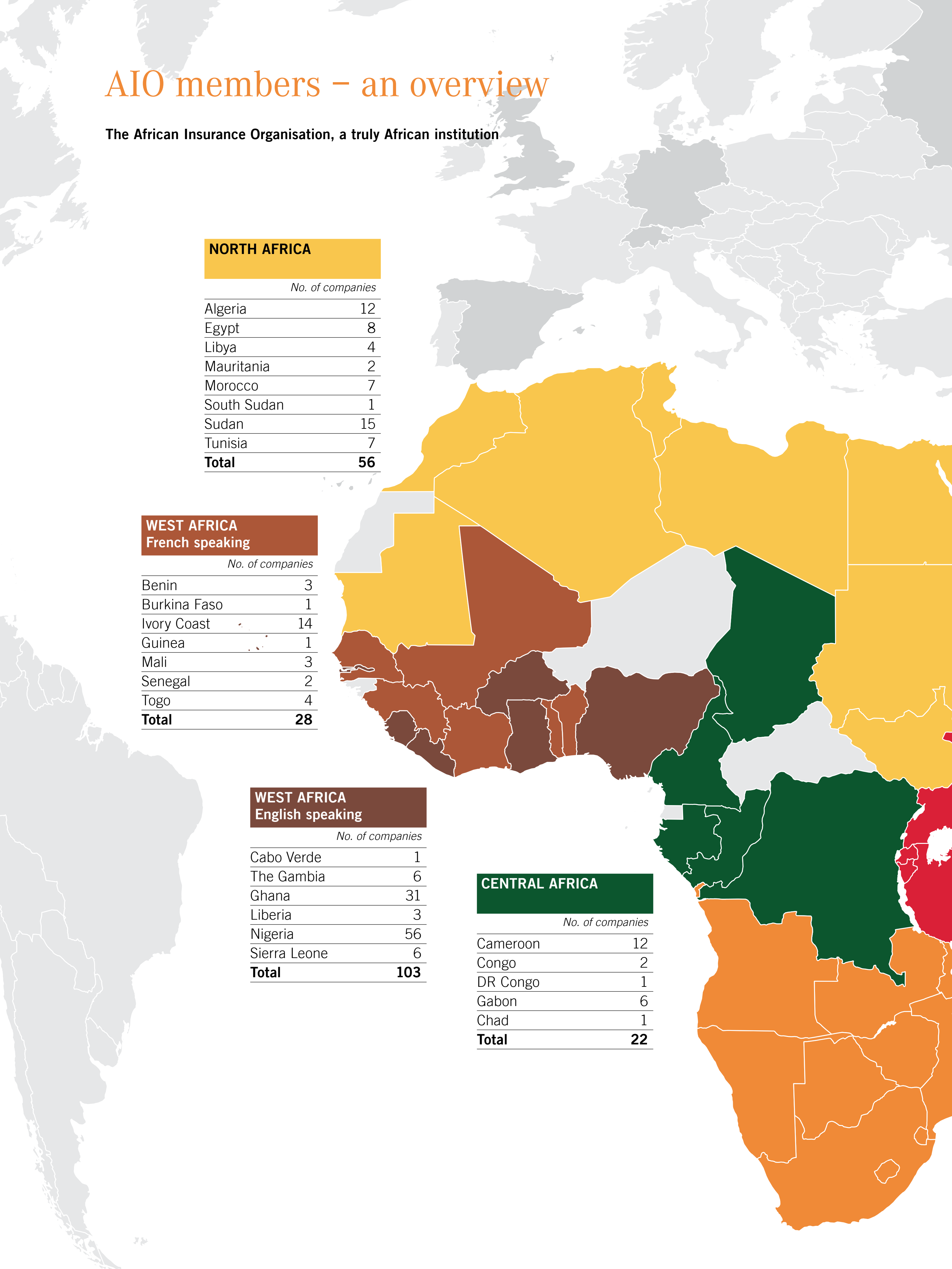
More short-term, we are developing a new virtual training programme for spring 2022 with the Insurance Training Centre in Uganda. This new training facility will look at how new technologies can address various issues in the African insurance sector, such as high transaction costs and accessibility for remote and low-income populations. Finally, a new AIO mobile app is also in the pipeline to disseminate the latest news on the African insurance industry.

What are the most imminent benefits for African insurers to join the AIO?

The AIO has strategically realigned itself to focus on the specific needs and expectations of its members. Our main objective is to become the centre of excellence and advocacy for the African insurance industry. With each new member that joins, the AIO gains authority and financial resources to proactively support our members. It is worth noting that in 2021 alone, an impressive number of 45 new members joined the AIO. This fact speaks for itself and shows that we are on the right path. In summary, there are many good reasons to join the AIO. If interested, give us a call!

AIO members – an overview

The African Insurance Organisation, a truly African institution



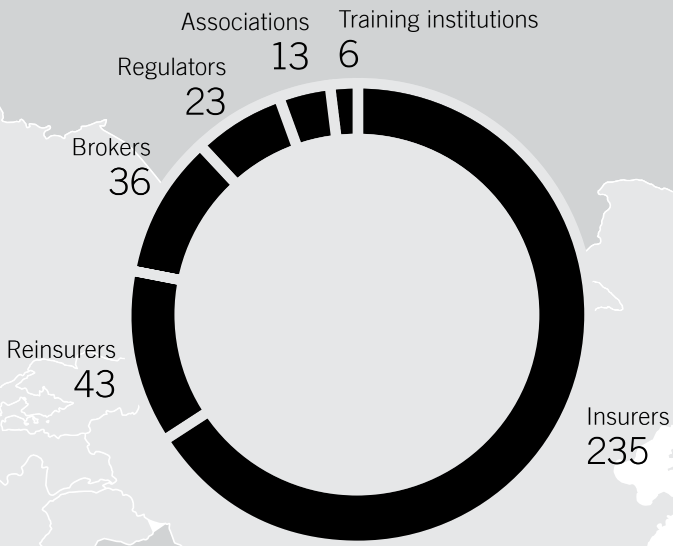
NORTH AFRICA	*No. of companies*
Algeria	12
Egypt	8
Libya	4
Mauritania	2
Morocco	7
South Sudan	1
Sudan	15
Tunisia	7
Total	**56**

WEST AFRICA French speaking	*No. of companies*
Benin	3
Burkina Faso	1
Ivory Coast	14
Guinea	1
Mali	3
Senegal	2
Togo	4
Total	**28**

WEST AFRICA English speaking	*No. of companies*
Cabo Verde	1
The Gambia	6
Ghana	31
Liberia	3
Nigeria	56
Sierra Leone	6
Total	**103**

CENTRAL AFRICA	*No. of companies*
Cameroon	12
Congo	2
DR Congo	1
Gabon	6
Chad	1
Total	**22**

Published by African Insurance Organisation



EAST AFRICA

	No. of companies
Burundi	3
Djibouti	1
Eritrea	2
Ethiopia	14
Kenya	19
Madagascar	2
Mauritius	7
Rwanda	9
Seychelles	2
Tanzania	8
Uganda	7
Total	**74**

SOUTHERN AFRICA

	No. of companies
Angola	2
Botswana	3
Lesotho	1
Malawi	5
Mozambique	4
Namibia	2
South Africa	15
Swaziland	1
Zambia	11
Zimbabwe	12
Total	**56**

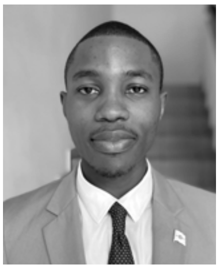
INTERNATIONAL ASSOCIATES

	No. of companies
Australia	1
Bahrain	1
Germany	1
India	3
Jordan	1
Oman	1
Russia	1
United Kingdom	5
Switzerland	2
Spain	1
Total	**17**

AIO's Management & Executive Committee

African Insurance Organisation Management

Jean Baptiste Ntukamazina
Secretary General



Tala Ndze
Technical Manager, Head of Operations

Moki Charles Linonge
Head of Communication and General Affairs

Marie-Florence Ndok
Administrative Assistant

Nathalie Kamga
Finance and Accounting Officer

Lisette Din
Events, Membership and Procurement Officer

Madeleine Edimo
Assistant Accounting Officer

Executive Committee of the African Insurance Organisation January 2020–September 2021

Delphine Traoré
Current President

Chief Executive Officer, Allianz Africa

Côte d'Ivoire

Aretha Duku
Previous President

Managing Director, Ghana Union Assurance Company Ltd.

Ghana

Lamia Ben Mahmoud
Member

Chief Executive Officer, Tunis Re

Tunisia

Hassan El Sayed Mohamed Ali
Member

Managing Director, The Sudanese Insurance and Reinsurance Company

Sudan

Georges Léopold Kagou
Member

Managing Director, Société Africaine d'Assurances et de Réassurances (SAAR)

Cameroon

Tope Smart
Vice President

Group Managing Director, NEM Insurance Plc.

Nigeria

Alhaj Kaddunabbi Ibrahim Lubega
Member

Chief Executive Officer, Insurance Regulatory Authority

Uganda

Dr. Corneille Karekezi
Member

Managing Director/CEO, African Reinsurance Corporation (Africa Re)

Nigeria

Hadj Mohamed Seba
Member

Chief Executive Officer, Compagnie Centrale de Réassurance (CCR)

Algeria

Sam O. Mintah
Member

Senior Vice President and Deputy General Manager, Insurance Company of Africa

Liberia

Executive Committee of the African Insurance Organisation January 2020–September 2021 (continued)

Bachir Baddou
Member

Chief Executive Officer, Compagnie d'Assurance Transport (CAT)

Morocco

Steven O. Oluoch
Member

Former Managing Director, ICEA LION

Kenya

Patty Karuaihe-Martin
Member

Managing Director, Namibia National Reinsurance Corporation (NamibRe)

Namibia

Chabala Lumbwe
Member

Managing Director, Madison General Insurance Company

Zambia

Dr. Andrew Crépin Gwodog
Member

Managing Director, Gabonese Commercial Reinsurance Companie (SCG-Re)

Gabon

El Haji A.W. Seybatou
Member

Chairman and CEO, AVENI-RE

Ivory Coast

Léopold Keita
Member

Managing Director, Les Assurances Bleues (CNAR)

Mali

Thomas Olorundare Sunday
Member

Commissioner for Insurance, National Insurance Commission

Nigeria

After the General Assembly in September 2021, the African Insurance Organisation welcomes the following new members to the Executive Committee:

Benhabiles Cherif

Member

Managing Director, Caisse Nationale de Mutualité Agricole (CNMA)

Algeria

Omar Gouda

Member

Managing Director, Misr Insurance Company

Egypt

Dr. Ben Kajwang

Member

Vice President, CEO, College of Insurance Nairobi

Kenya

Thusang Mahlangu

Member

Chief Executive Officer, Allianz Global Corporate & Specialty Africa (AGCS)

South Africa

David Nyabadza

Member

CEO, NicozDiamond Insurance

Zimbabwe

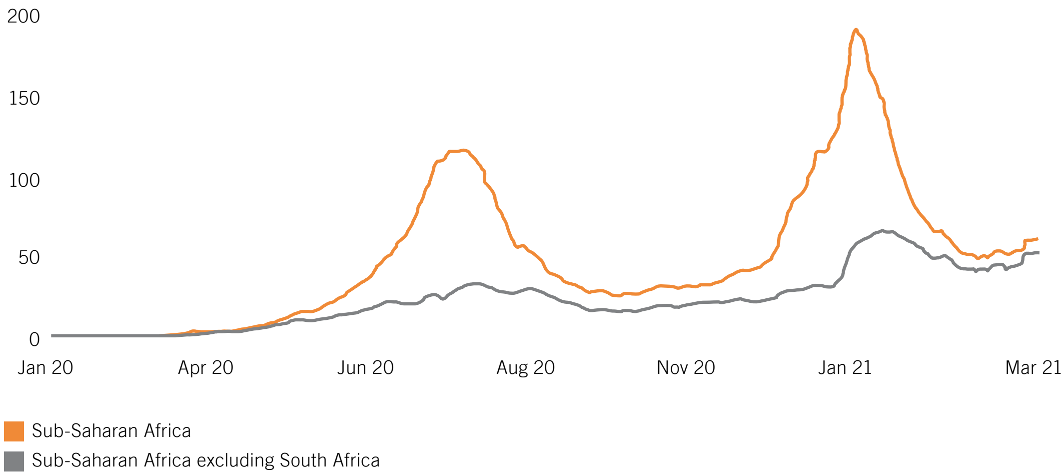
Africa's insurance sector in figures

Economic overview

Sustainable high GDP growth in major East and West African economies

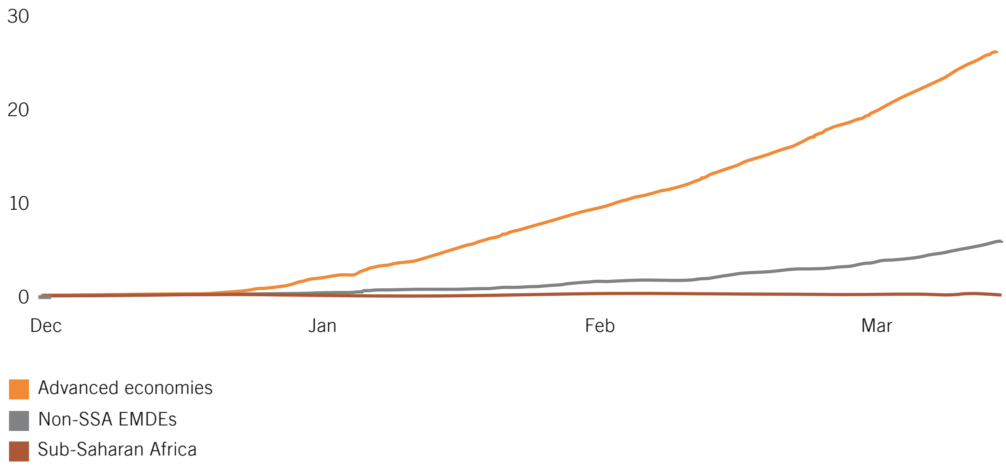
The past 18 months have been heavily impacted by the COVID-19 health and economic crisis. Africa has been hit particularly hard by two successive waves of the pandemic, with the second wave significantly surpassing the first in pace and scale. The continent's access to vaccines remains limited as it lacks sufficient production facilities and the financial resources to vaccinate the majority of its 1.2 billion people. As a result, Africa's prospects for a swift economic recovery in 2021 remain uncertain.

Chart 2: Sub-Saharan Africa: new confirmed COVID-19 cases, January 2020 to March 2021
(New cases per week, thousands)



Source: Johns Hopkins Univerity, Center for Systems Science and Engineering, COVID Tracking Project.
Note: SSA = sub-Saharan Africa

Chart 3: Selected regions: vaccine doses administered, December 2020 to March 2021
(per 100 people)



Note: Non-SSA EMDE = Non-sub-Saharan African emerging market and developing economies

Sources: Our World In Data; and World Bank, World Development Indicators.

Africa’s insurance sector in figures

Africa’s economic decline of 2.1% in GDP in 2020 compared well with the global contraction of 3.3% and 4.7% for advanced markets but it is still the continent’s worst recession in more than half a century. Due to the slow pace of vaccination and the lack of fiscal support, Africa’s recovery remains fragile. The continent is expected to grow by 3.4% in 2021, weaker than the global economy's projected growth of 4.4%. Stakes are high that Africa’s recovery – although timid already – could be derailed.

Firstly, the recovery in advanced markets was delayed in the first half of 2021 due to the third wave of COVID-19, which is expected to impact investments and consumption in Africa too. Secondly, due to slow vaccination rates, Africa’s economies are vulnerable to further waves of COVID-19 that could force leading African economies to reinstate or maintain lockdown measures. And finally, Africa’s financial capacity to stimulate and support a recovery of its economies is relatively modest and mostly exhausted after the first wave of COVID-19 in 2020.

On the positive side, Africa is expected to benefit from improved commodity prices and growing exports. Furthermore, in light of the pandemic, healthcare systems have been improved through increased investments in many African countries, digitisation has been ramped up and social protection schemes have been strengthened in line with concerns about social unrest. According to the IMF, employment dropped by 8.5% in 2020 across Sub-Saharan Africa and 32 million people slipped into extreme poverty in 2020, pushing up the total to 460 million people, or 34% of Africa’s population.

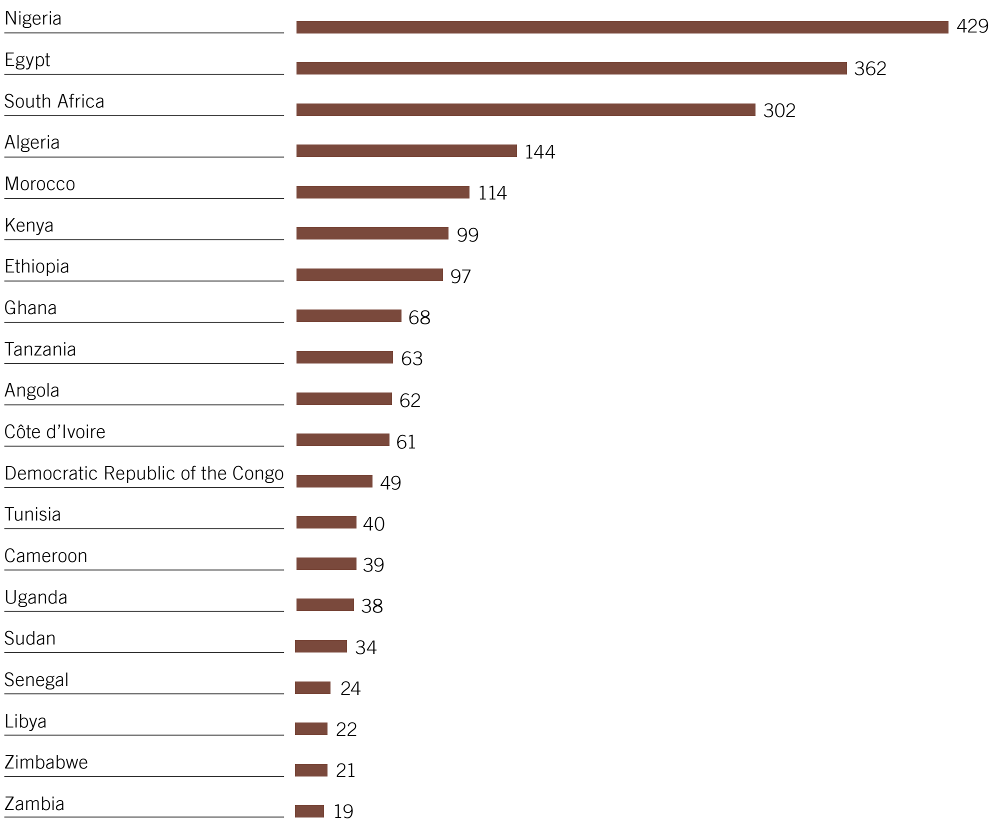
Differences between the African regions and major markets were substantial in 2020. According to the African Development Bank, East Africa is the only region in Africa that, after considerable growth of 5.3% in 2019, still recorded growth of 0.7% in 2020. For the current year, East Africa is expected to return growth of 3.0%. The region’s strong performance is mainly attributed to its low dependence on commodities and broad diversification of its economy.

Southern Africa, by contrast, recorded the strongest decline in 2020, having contracted by 7.0%. Growth is expected to return to 3.2% in 2021, benefiting from a strong recovery of the tourism industry and rising commodity prices. West Africa is expected to have declined by 1.5% in 2020, less than initially feared as the spread of COVID-19 remained relatively low and containment measures were not as restrictive. For 2021, West Africa is expected to return to growth of 2.8%. Central Africa is likely to have contracted by 2.7% in 2020, mainly due to a steep decline in oil producing countries like Equatorial Guinea but also a 2.4% contraction in Cameroon. For 2021, the region is expected to return to growth in the range of 3.2%. Finally, North Africa performed second best with a decline of 1.1% in 2020, benefiting from continued growth in Egypt, while Tunisia, Morocco and particularly Libya contracted sharply due to a drop in tourism and – for the latter – due to internal conflicts and lower oil prices. North Africa is likely to see a robust return with growth of 4.0% in 2021.

In terms of industry sectors, economies with a strong dependency on tourism were the hardest hit in 2020, recording a steep decline of more than 11%, but hopefully rebounding quite forcefully in 2021 and 2022. Oil-exporting countries contracted by 1.5%, but should benefit from rising hydrocarbon prices in 2021. Markets heavily dependent on exports of ores and minerals contracted even more forcefully by 4.7% as these commodities were hard hit by low demand and should benefit this year from its resurgence. Economies with a developed and strong services sector saw the lowest levels of contraction, thanks to better diversification. These countries are also expected to experience a swift recovery of 4.1% in 2021.

In 2020, Nigeria's GDP contracted by 3.0% as oil prices declined and the Nigerian naira depreciated against the US dollar. Egypt – categorised as an oil exporting African country just like Nigeria – grew by 3.6% in 2020. The country was one of the few African economies to escape a recession in 2020 and to appreciate slightly against the US dollar. South Africa, which until recently was the continent's largest economy but ranked third in 2020, continued its downward trend and recorded a decline of 8.2% in GDP in 2020, as prices for metals and minerals dropped and the South African rand further depreciated against the US dollar[1].

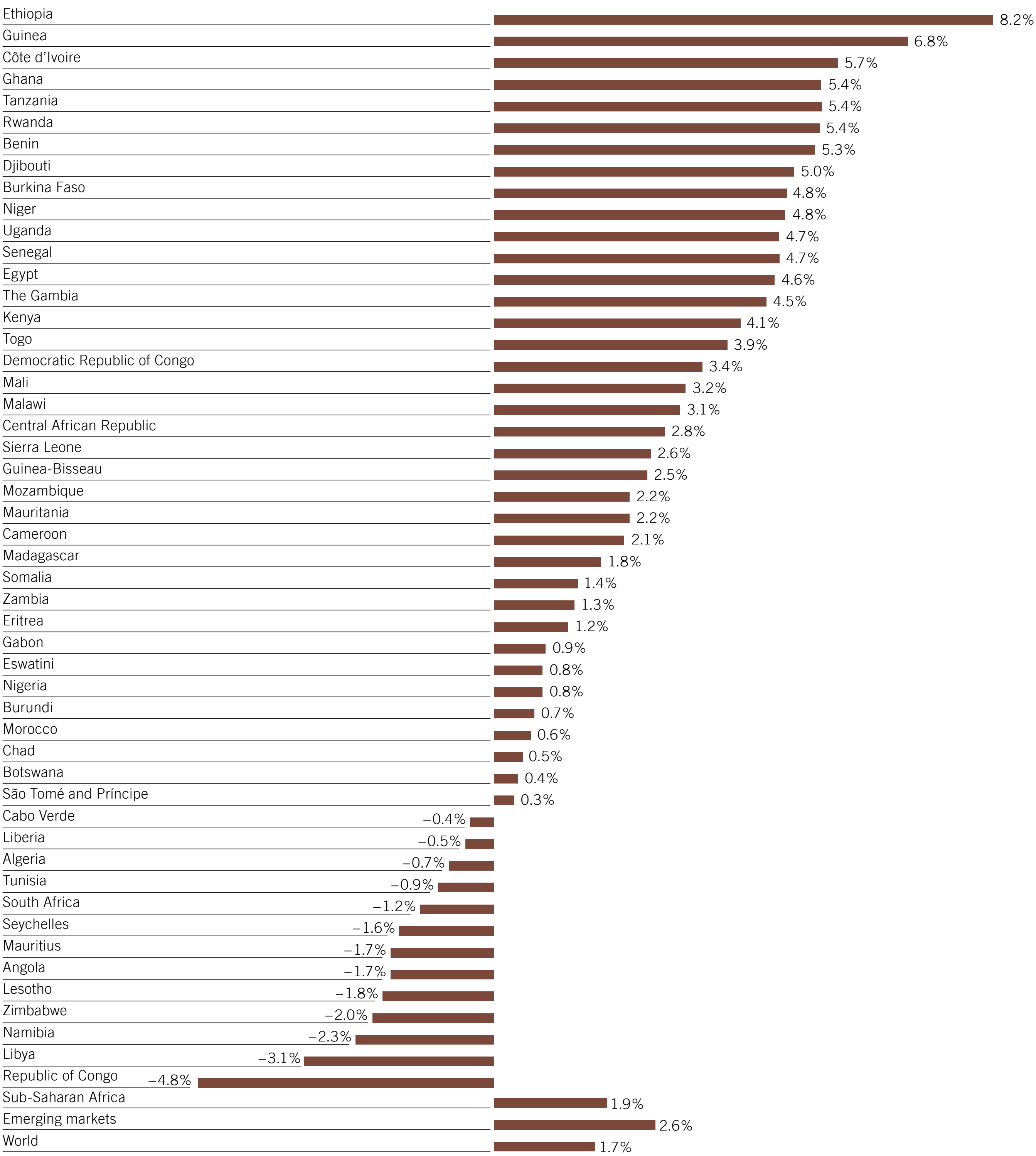
Chart 4: 2020 GDP, current prices, largest 20 African economies (in USD billion)



Source: IMF, World Economic Outlook, April 2021. Estimates start after 2017 (Côte d'Ivoire, Libya), 2020 (Egypt, Ethiopia, South Africa) and 2019 (for all other countries).

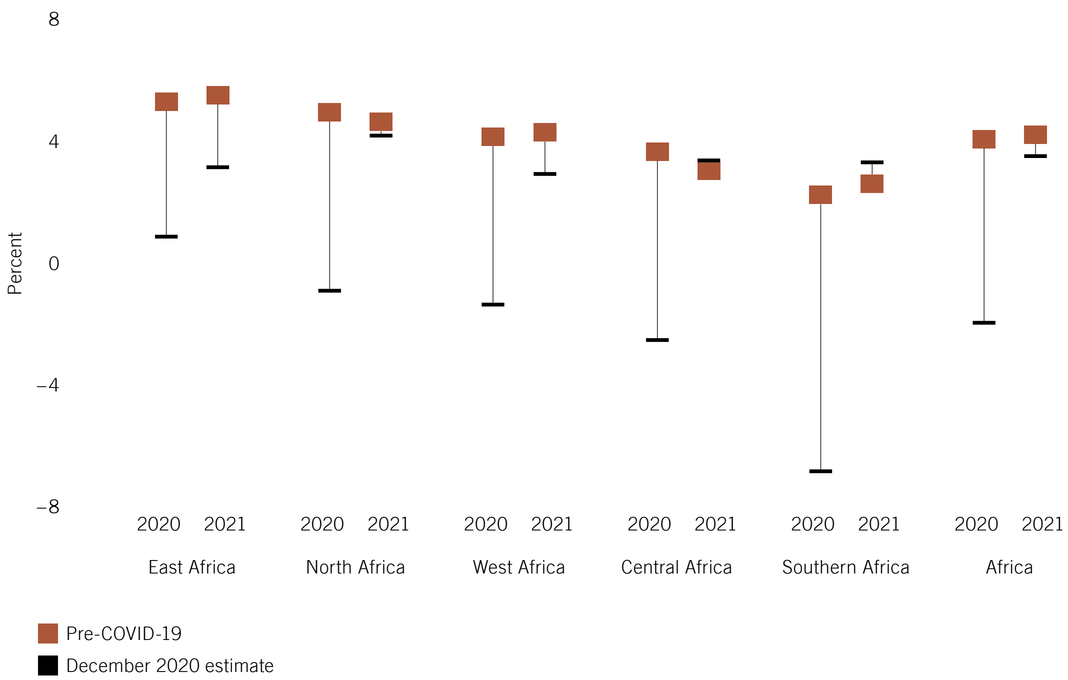
[1] Source: African Development Bank Group, African Economic Outlook 2021

Chart 5: Real GDP growth (2016–2020, compound annual growth rates, in %)



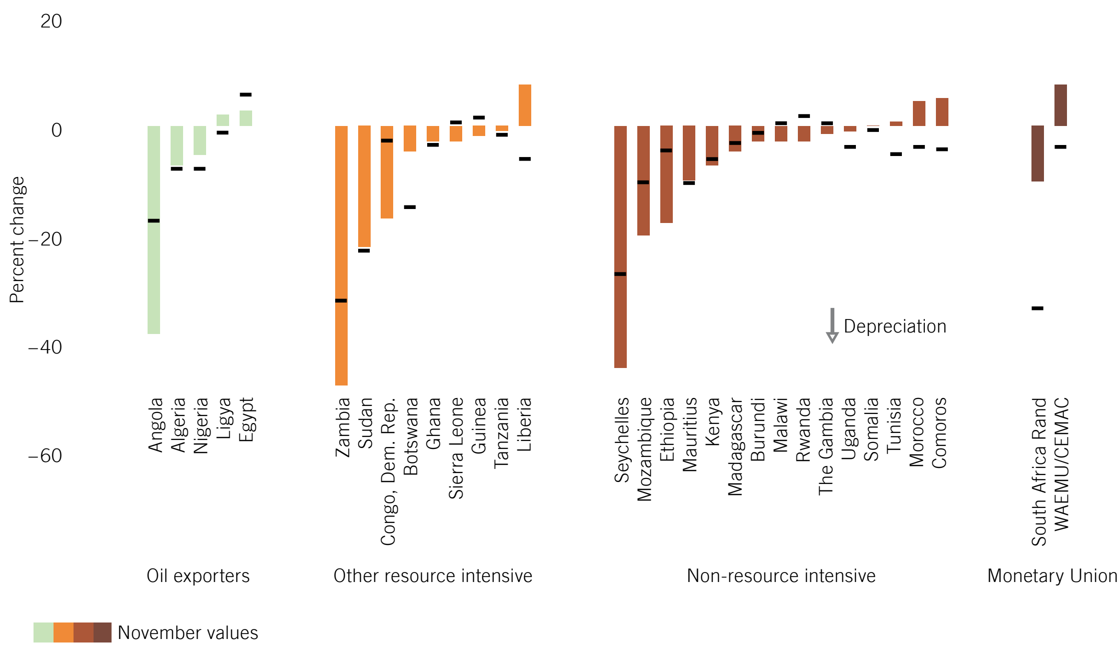
Source: IMF, World Economic Outlook April 2021. Estimates start after 2016 (Togo, Liberia), 2017 (Central African Republic, Chad, Côte d'Ivoire, Equatorial Guinea, Libya), 2018 (Burkina Faso, Comoros, Republic of Congo, Djibouti, Eritrea, The Gambia, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritius, Mauritania, Rwanda, Sierra Leone), 2020 (Egypt, Ethiopia, Namibia, South Africa) and 2019 (all other countries).

Chart 6: GDP growth's decline was the steepest in Southern Africa, 2020–2021



Source: African Development Bank statistics.

Chart 7: Exchange rates moves: January – November vs January – April in 2020



Source: African Development Bank statistics.

Re/insurance market overview

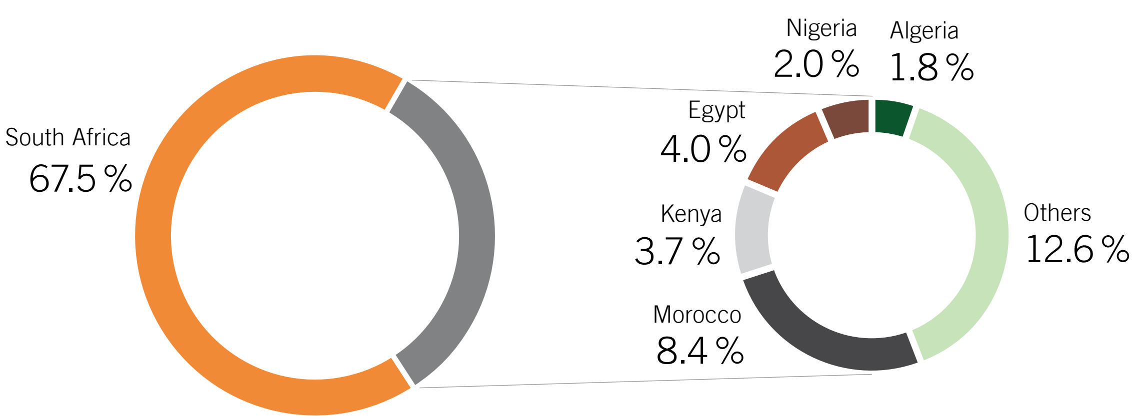
Global insurance markets were less severely affected by the COVID-19 pandemic than initially feared. Direct insurance premiums dropped by just 2.1%. As a result, the world's insurance penetration increased slightly from 7.2% in 2019 to 7.4% in 2020. Last year's decline in premium volume amounted to USD 92.5 billion but property and casualty lines in fact registered a small increase of 1.1% compared to the previous year, while life insurance shrunk by 4.1%[2].

The resilience of non-life business was primarily attributed to the digitisation of the industry, which enabled insurers to continue their operations while in lockdown. Life insurance business requires a higher level of advice while it is generally understood that many consumers were hesitant to lock into long-term financial commitments, while the world was facing severe uncertainties.

Africa's insurance markets continued the trend started in 2019 when insurance premium growth lagged GDP. In 2020, insurance premiums contracted by 2.9% while the economy shrunk by 2.1%. As a result, Africa's insurance penetration declined further from 2.78% in 2019 to 2.6% in 2020 (adjusted for inflation). In US dollar terms, premiums on the continent dropped from USD 67.2 billion to USD 60.2 billion, which is almost entirely due to the decline of the South African rand against the US dollar. South African premiums remained almost flat in rand, while in US dollars premiums declined from USD 46 billion in 2019 to USD 40 billion in 2020.

In Africa, non-life insurance contracted slightly more than life insurance, which is the continent's largest market. Premiums were down by 3.1% in property and casualty, while in life insurance volume declined by 2.9%. According to Allianz, going forward, Africa's non-life market (including the Middle East) is expected to only return to pre-pandemic growth after 2022. In life insurance, the recovery is expected to be slightly faster, although growth rates stagnate at around 2%.

Chart 8: Geographical split of total African insurance premiums in 2020* (excluding South Africa)



*Libya: 2019 insurance premiums

Source: Faber Consulting AG, based on Swiss Re institute, sigma 3/2021, sigma-explorer.com

[2] Source: Allianz Insurance Report 2021, Bruised but not broken, May 2021

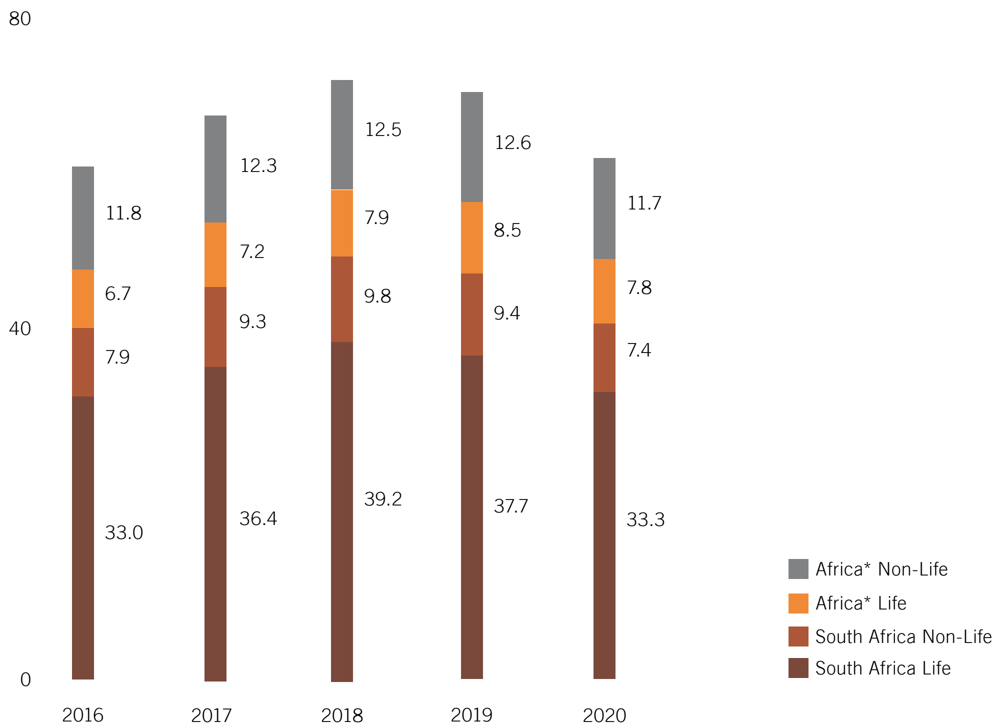
Africa's insurance markets recorded varied premium volumes in 2020. The continent's largest insurance market, South Africa, which still accounts for almost 68% [3] of total premiums, saw premium volumes fall 3.4% in US dollars, adjusted for inflation, as the market contracted and the rand depreciated considerably. By contrast, Africa's second largest insurance market Morocco increased its premiums by 7.3%. Nigeria – the continent's fifth largest market – experienced the most dramatic contraction in 2020 with total premiums down by 14.8%. Kenya declined by 2.5%, while Egypt registered one of the most phenomenal performances of the continent, with growth of close to 9%, adjusted for inflation.

Life insurance

In 2020, global life insurance premiums slumped by 4.1% to USD 2.6 trillion, primarily due to the COVID-19 pandemic and the challenges of writing new business during lockdown and financial uncertainty. Life insurance had already suffered from low investment returns and interest rates tending towards zero.

In Africa, life insurance contracted by 2.9% (adjusted for inflation), declining from USD 45 billion to USD 41 billion. The decline was primarily due to the depreciation of the South African rand against the US dollar.

Chart 9: African insurance premiums by type (2016–2020, life versus non-life, in USD billion)



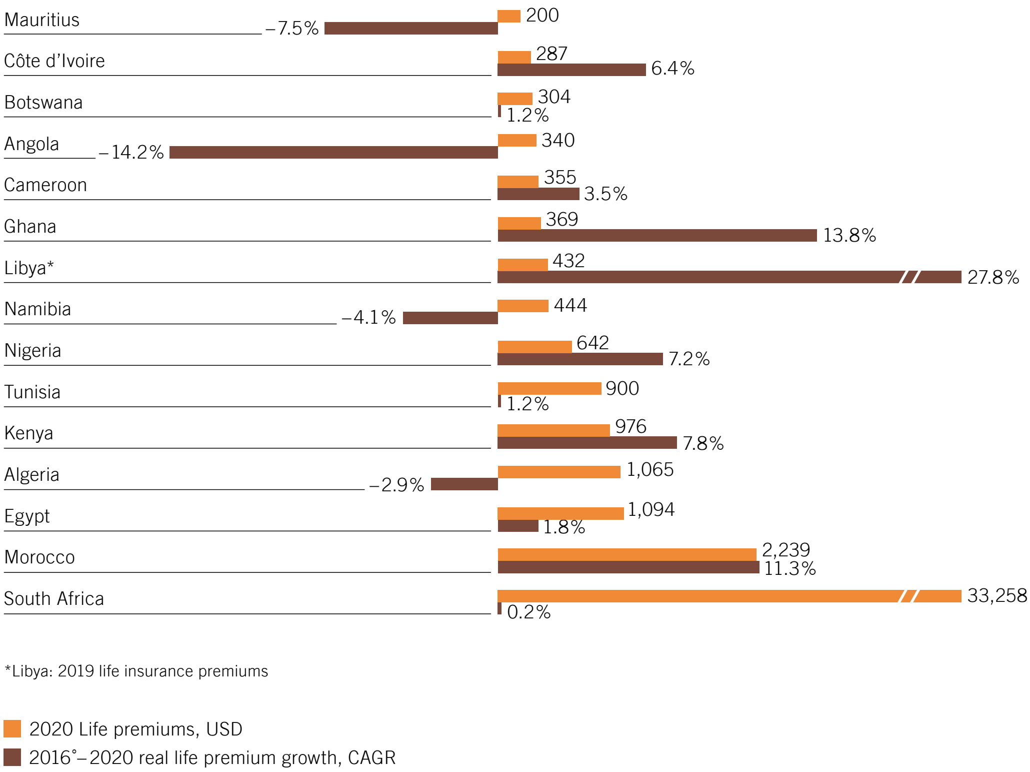
* Excl. South Africa

Source: Faber Consulting AG, based on Swiss Re Institute, sigma No 3/2021, sigma-explorer.com

[3] 67.5% (Total premiums Africa 2020: USD 60,190 million/South Africa: USD 40,635 million)

Morocco, Africa's second largest life insurance market, saw premiums rise 3.3% (inflation adjusted). Egypt recorded growth of 8.8% in local currency while Kenya expanded its life business by 1.2% in US dollars, adjusted for inflation. Nigeria, by contrast, saw a decline of 2.7%, adjusted for inflation.

Chart 10: Life premiums 2020 (in USD million) and life premium compound annual growth rate 2016–2020* (in %), top 15 markets



Source: Faber Consulting AG, based on Swiss Re institute, sigma 3/2021, sigma-explorer.com

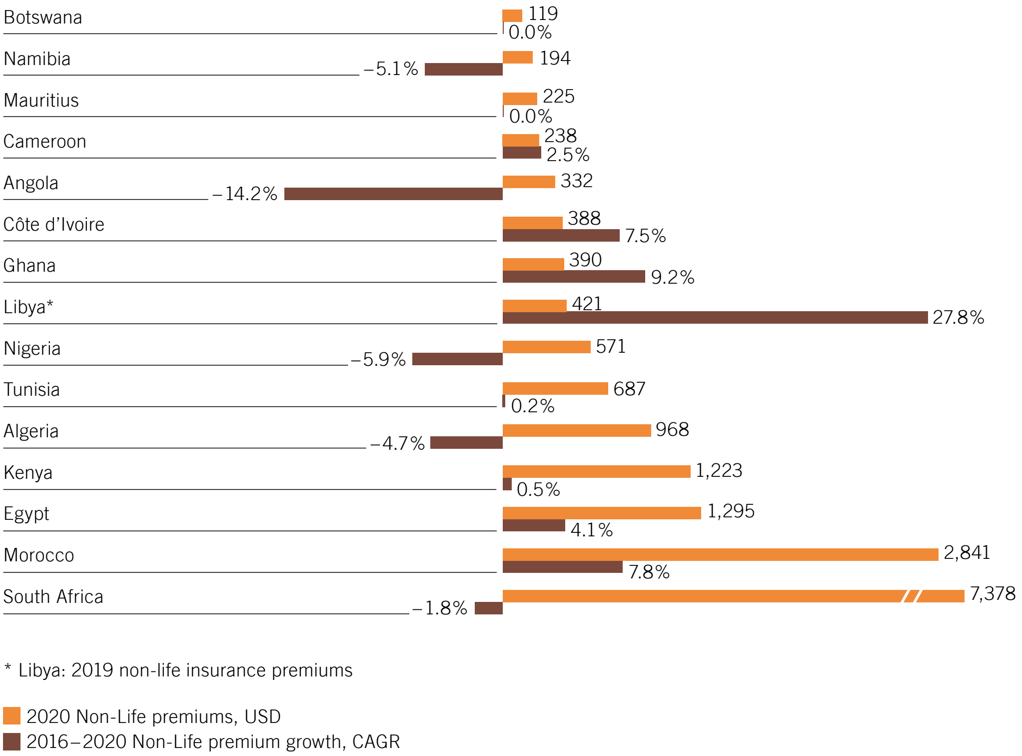
Non-life insurance

In 2020, according to Allianz, global non-life insurance premiums increased by 1.1%, driven by digitisation and harder commercial lines rates in advanced markets. Digitisation helped insurers to continue operations for clients throughout the pandemic and subsequent containment measures. Harder commercial rates helped non-life insurance growth in advanced markets outpace emerging markets (excluding China) for the first time in decades.

Emerging markets, where personal lines have a larger share than in advanced markets, saw premium volume in non-life affected by lower sales in motor insurance driven by stiff competition, de-tariffication and also a slump in vehicle sales.

Africa recorded a 3.1% reduction in non-life premiums. Worst performers were South Africa with a decline of 6.1% in US dollars, adjusted for inflation, and Nigeria with a fall of over 25%. North African markets Morocco and Egypt each recorded positive growth of 10.7% and 8.8%, respectively, while Tunisia stagnated in US dollar terms, adjusted for inflation. Kenya declined by 5.3% while Algeria dropped by almost 11%.

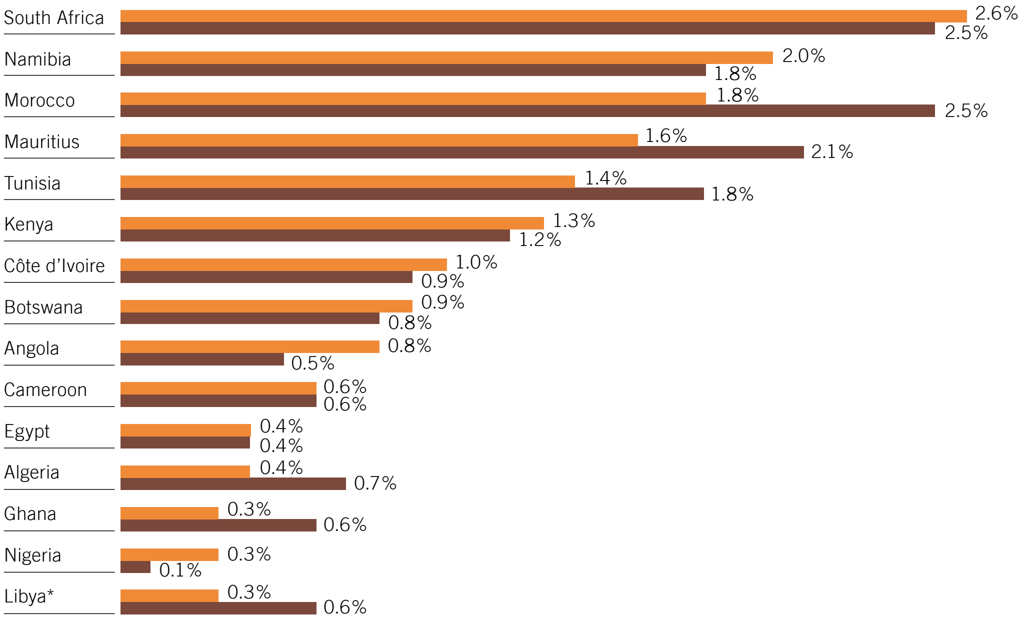
Chart 11: Non-life premiums 2020 (in USD million) and non-life premium compound annual growth rate (in %) 2016 – 2020*



Source: Faber Consulting AG, based on Swiss Re institute, sigma 3/2021, sigma-explorer.com

The past two decades have recorded disappointing levels of insurance penetration in Africa's non-life insurance. Of the 15 markets analysed in our research, only six markets – Ghana, Mauritius and all North African markets – have been able to increase their penetration rates since 2016. All others saw a decline or at best a stagnation. South Africa, Namibia, Kenya and Côte d'Ivoire saw slight declines, while Morocco, Tunisia, Algeria as well as Ghana and Mauritius improved their penetration rates substantially.

Chart 12: Non-Life insurance penetration (in %), 2020



* Libya: 2019 figures

Non-Life insurance penetration 2000, %
Non-Life insurance penetration 2020, %

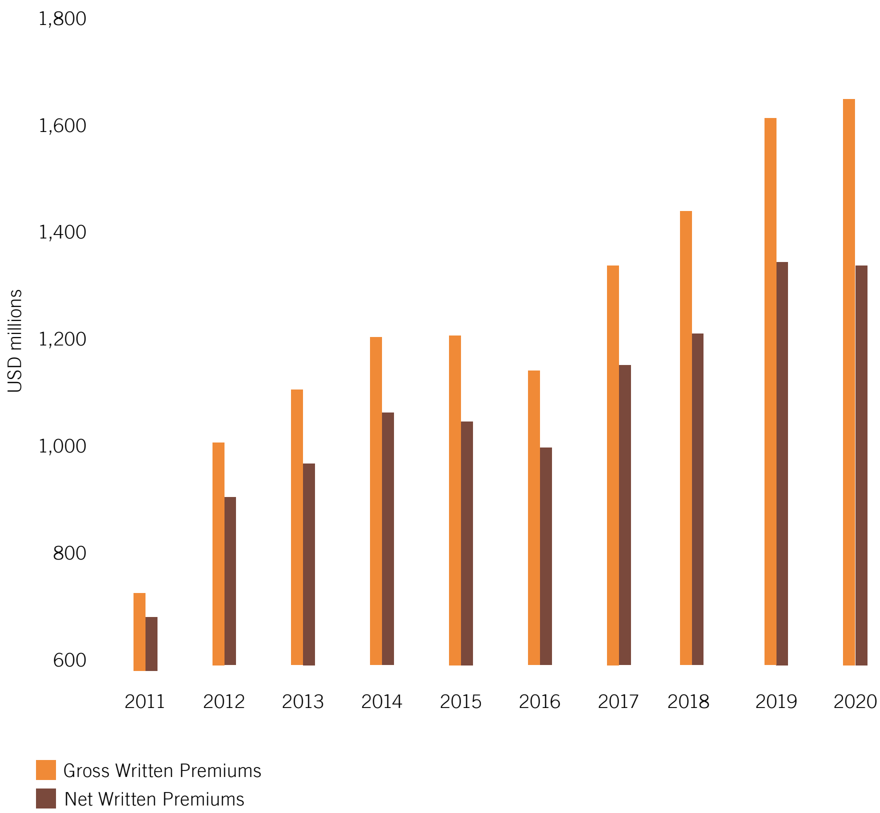
Source: Swiss Re Sigma Explorer

Reinsurance

According to Willis Re's Reinsurance Market Report, global net premiums in reinsurance increased by 9% to USD 330 billion in 2020, compared to USD 302 billion in 2019. This performance is well in excess of the 1.1% growth in the primary markets. The global reinsurance sector benefited largely from robust pricing improvements in property and casualty, which accounts for about 80% of reinsurance premiums with the rest in life and health. Largely due to the impact of the COVID-19 pandemic, the industry's combined ratio deteriorated to 104.1%. Despite the disappointing underwriting performance, the industry further bolstered its capital position to USD 658 billion, an increase of 7%, stemming almost exclusively from traditional reinsurance as alternative capital remained unchanged at USD 90 billion.

Africa's reinsurance market, which largely mirrors the global split in life and non-life premiums, has outperformed the region's primary insurance markets in recent years, as reinsurance capacity remained relatively competitive compared with other forms of capital, such as debt or equity. In addition, primary insurance markets have been more competitive, due to their focus on personal lines, while the reinsurance segment is able to charge a surplus for their highly specialised expertise in commercial lines. Furthermore, in Africa as in the rest of the world, rates in commercial lines increased, which led to higher reinsurance growth. Finally, Africa's regulators continued to introduce risk-based capital regimes, which often require either higher equity or higher reinsurance cessions.

Chart 13: Sub-Saharan Africa, AM Best rated reinsurers, premiums from 2011 to 2020



Sources: Best's Financial Suite - Global, AM Best data and research

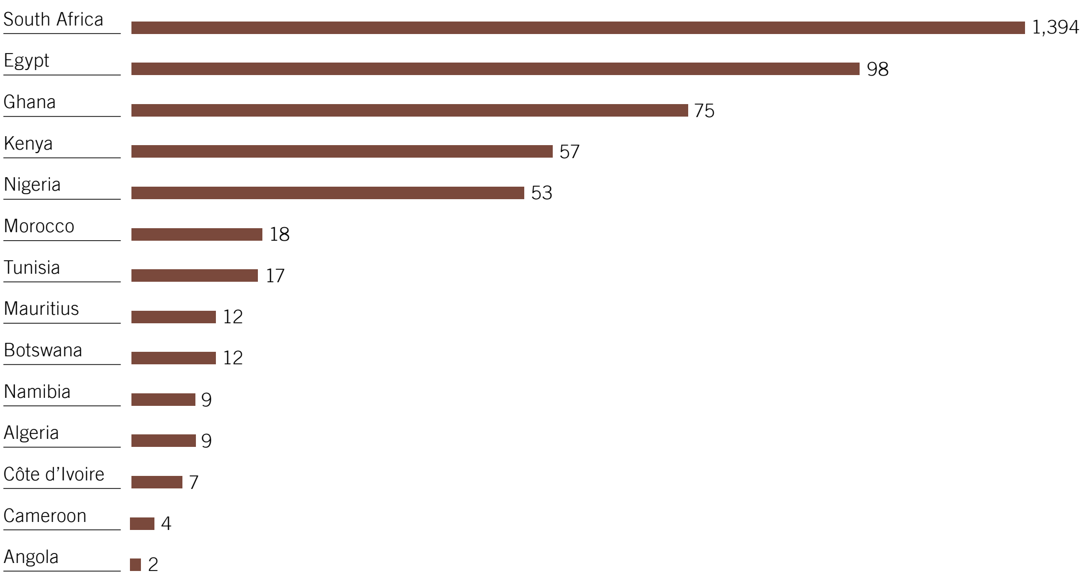
According to AM Best, its rated reinsurers in Sub-Saharan Africa have grown at a compound annual growth rate of 5.8% over the past 10 years, which is especially remarkable given that reinsurance suffers greater from the depreciation of Africa's key currencies than primary markets. Over the past 10 years, the South African rand and the Nigerian naira depreciated against the US dollar by 63.5% and 54.8%, respectively. In the past four years gross written reinsurance premiums increased by a remarkable 8.9%, but slowed down to growth of 2.1% in 2020.

Africa's reinsurers have been affected by the COVID-19 crisis in several ways. Firstly, the pandemic and its ongoing containment measures have led to an increase in social inequality and rising unrest in several countries, the brunt of which is likely to be borne by the reinsurance sector. Secondly, Africa's leading insurance market, South Africa, has experienced relatively high losses from business interruption triggered by losses in events, hospitality and tourism. According to AM Best's assessment, these losses may exceed USD 1 billion, the majority of which will be picked up by reinsurers.

African life reinsurance premiums decline due to lower cessions in South Africa

Africa's life reinsurance market is likely to have declined by approximately USD 150 million in 2020, following a decrease in South Africa's life reinsurance premiums from USD 1,557 million in 2019 to USD 1,394 million in 2020. All other smaller markets, which accounted for less than 25% of Africa's total, remained largely unchanged. The decline of life reinsurance premiums written in South Africa reflects the 12% drop in primary life insurance premiums in USD terms.

Chart 14: Estimated size of life reinsurance in selected African markets 2019/2020* (in USD million)**



* 2020 figures for South Africa, Kenya, all other countries 2019 figures

** Includes Health/Medical reinsurance in some markets

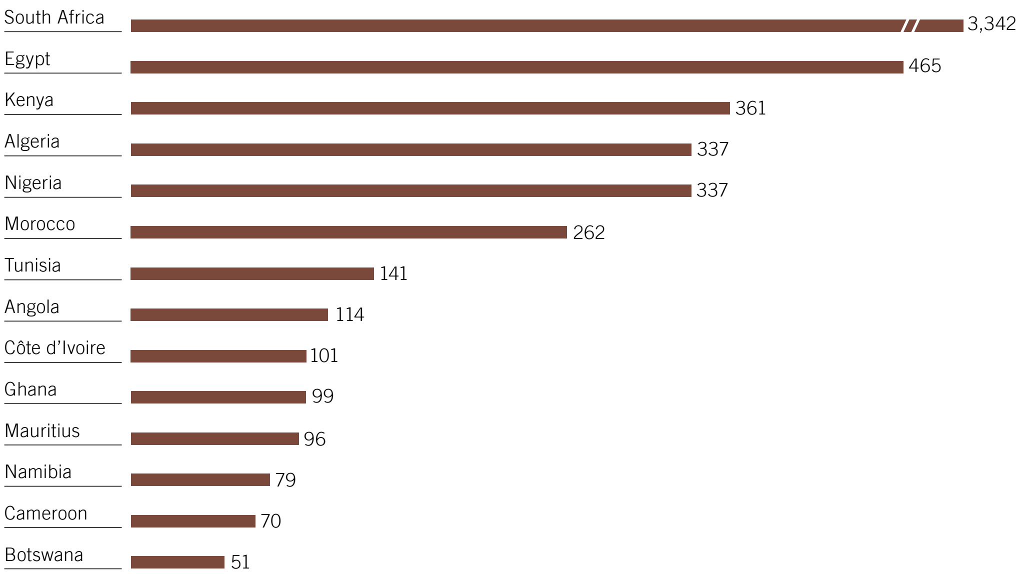
Sources: Regulatory authorities, industry research and own calculations

African non-life reinsurance premiums exceed USD 6.5 billion in 2020

Africa's non-life reinsurance market is worth roughly USD 6.5 billion in premiums, according to Africa's supervisory authorities. In 2019, about 54% of total non-life reinsurance premiums were written in South Africa.

South Africa's reinsurance premiums fell by USD 150 million in 2020, again due to currency effects in combination with a further economic contraction following the COVID-19 pandemic. The country's primary non-life market declined by 15% in US dollar terms.

Chart 15: Estimated size of non-life reinsurance in selected African markets 2019/2020* (in USD million)**



* 2020 figures for South Africa, Kenya and Namibia, all other countries 2019 figures

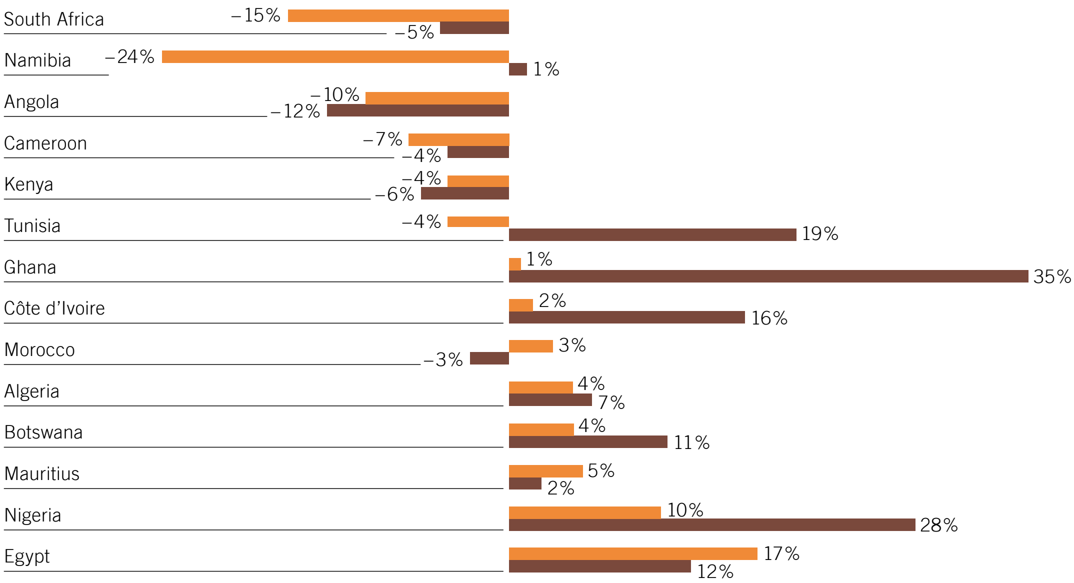
** Includes Health/Medical reinsurance in some markets

Sources: Regulatory authorities, industry research and own calculations

Kenya recorded a slight reduction in reinsurance premiums down 7% in 2020. In contrast, Nigeria saw reinsurance premiums rise 20%, indicating a substantially higher cession rate as non-life primary insurance premiums shrunk by 32% in US dollars. The increase in reinsurance premiums might be a reflection of the tighter capital requirements for Nigeria's primary insurers recently introduced by the country's insurance regulator.

Nigeria also recorded substantially faster growth in its non-life reinsurance premiums over its primary premiums in 2019 in local currency. This also applies to Botswana, Algeria, Ivory Coast, Ghana, Tunisia, Namibia and South Africa. The more favourable development of reinsurance over primary insurance is due to rate hardening in commercial lines as well as tighter regulatory requirements. By contrast, Kenya, Morocco, Egypt and Mauritius saw non-life insurance premiums outgrow reinsurance, although this is partly due to larger growth in personal lines, which requires less reinsurance capacity and greater risk bearing capability.

Chart 16: Local currency nominal non-life insurance and reinsurance premium growth rates 2019/2020*



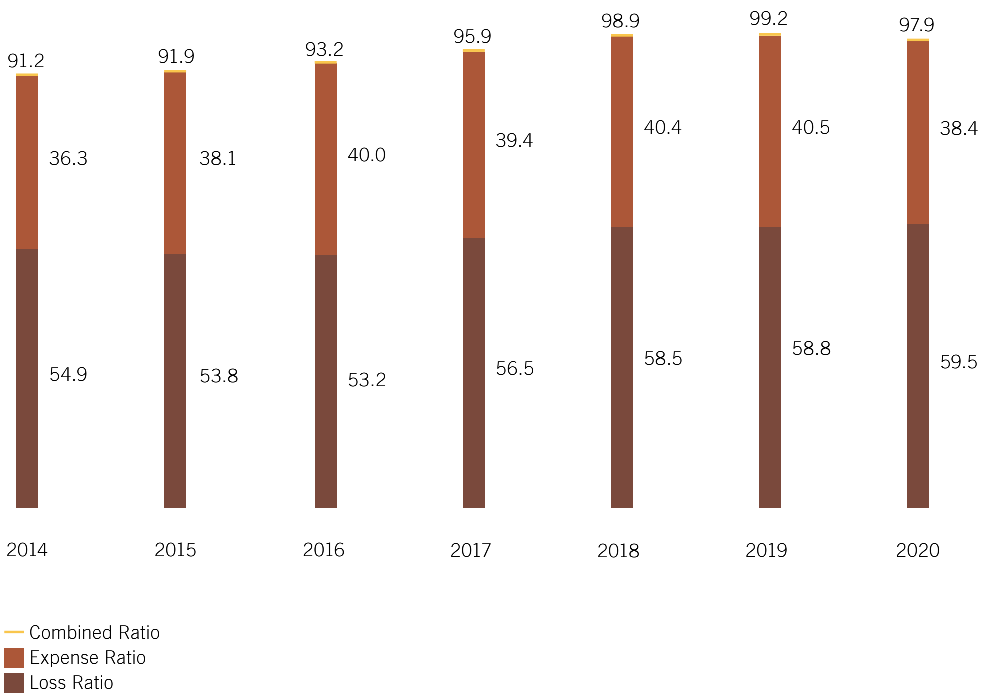
Nominal non-life insurance premium growth
Nominal non-life reinsurance premium growth

* 2020 figures for South Africa, Kenya and Namibia, all other countries 2019 figures

Source: Regulatory authorities; Swiss Re Sigma Explorer

According to Willis Re, global reinsurance markets saw their combined ratio deteriorate from 100.7% in 2019 to 104.1% in 2020. The increase is almost entirely due to losses from COVID-19, which added on average four to nine percentage points to reinsurers’ combined ratios. In Africa, the underwriting performance of Sub-Saharan reinsurers was, according to AM Best, more comfortable as the continent’s reinsurers averaged a combined ratio of 97.9%, slightly lower than 99.2% in 2019.

Chart 17: Sub-Saharan Africa: AM Best rated reinsurers, combined ratio 2014–2020



Sources: Best’s Financial Suite - Global, AM Best data and research

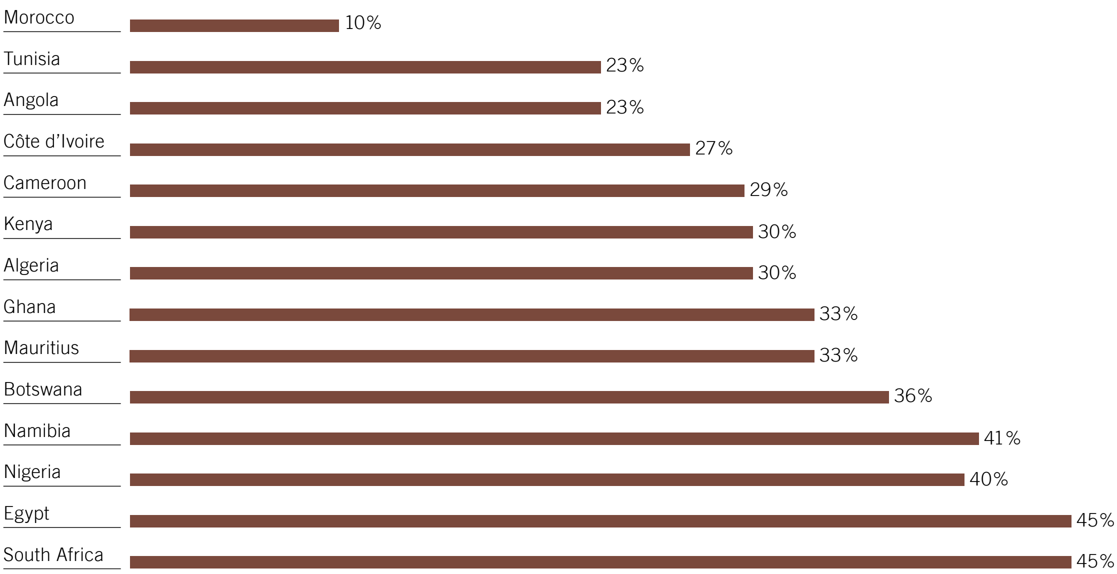
Rising cession rates in many African countries contribute to steep reinsurance growth

According to Swiss Re, in 2019, insurers ceded on average 8.4% of their non-life premiums to reinsurers. In life insurance, cession rates were just 2%. In Africa, cession rates are substantially higher, as is customary in emerging markets where the net risk bearing capacity of primary insurers is below that of stronger capitalised and more broadly diversified counterparts in advanced markets.

In 2019/2020, cession rates in non-life reinsurance increased in about 50% of all African markets compared to the previous year. One of the main reasons was the depreciation of local currencies against the US dollar, as reinsurance contracts are often paid in US dollars while primary insurance is mainly collected in local currencies. The introduction of risk-based solvency regimes has also contributed to an increase in cession rates.

Compared to 2019, cession rates substantially increased in South Africa, Egypt and Namibia, partly due to devaluation of local currencies. In Egypt's case though the rapid growth of the country's insurers in the past years might also require higher cessions, as the capitalisation might not have expanded as fast as premiums. Kenya, Morocco and Mauritius by contrast saw a slight reduction in cession rates, indicating an increasing risk bearing capability in these markets.

Chart 18: Estimated non-life reinsurance cession rates of selected African markets 2019/2020*



* 2020 figures for South Africa, Kenya and Namibia, all other countries 2019 figures

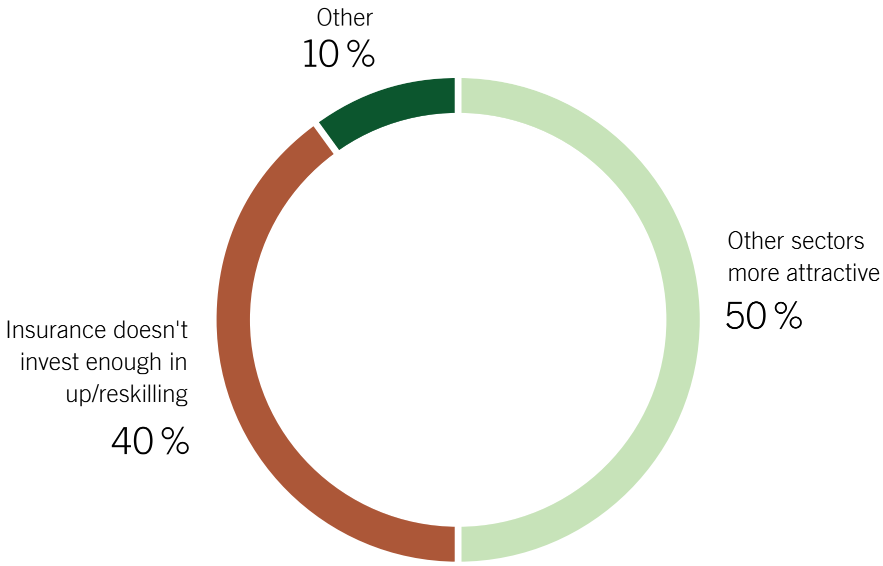
Sources: Regulatory authorities, Swiss Re sigma Explorer and own calculations

Training institutions help to close the talent gap

The insurance industry in African countries suffers from a skills shortage, and even top companies struggle to attract and retain talent. This shortage is exacerbated by several factors, such as talent opting for more attractive industries or opting to work for disruptors, such as InsurTech companies. But the fact that digitisation is also fundamentally changing the way the insurance industry operates means that the need for digital and traditional skills is more significant than ever.

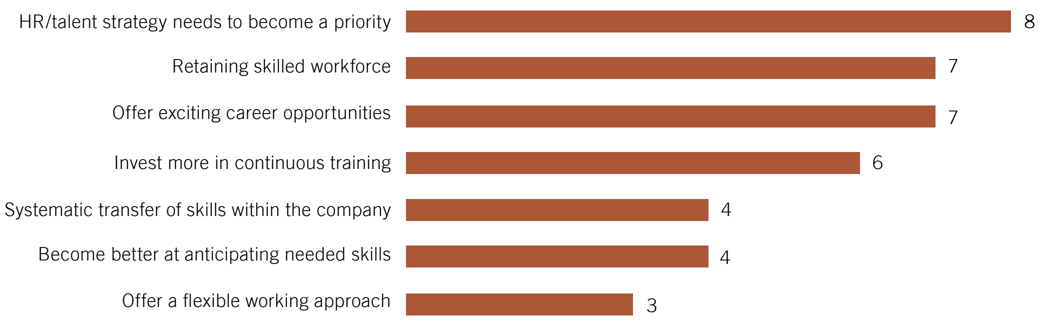
The AIO consulted a group of 10 insurance education and training experts from different African countries. When asked the main reason for the skills gap in African insurance markets, half of the respondents said the insurance sector needed to invest more in training its employees. Some 40% of respondents acknowledged that the insurance sector faces stiff competition from other industries such as technology.

Chart 19: What is the main reason for the shortage of skilled insurance professionals? (One answer possible)



Half of respondents said that the talent gap in their country is narrowing, albeit slowly. About a third of respondents noted that the gap is widening in their region because the insurance sector is not modernising at the same pace as other industries, which give them the edge in attracting IT experts. Also demand for insurance is generally growing faster than companies are hiring. 20% said that the situation is currently stable, but this could change quickly if new trends emerge. One possible trend that will affect today's equilibrium is the change in customer expectations and demand for tailor-made solutions offered on-demand and at a lower price.

Chart 20: The insurance sector has been struggling in the war for talent. What can the individual company do to change the odds? (Multiple answers possible)



Asked how individual companies can win the war for talent, eight respondents said human resources strategy needs to become a priority for re/insurance companies. Coming in second, with seven mentions each, was both retaining qualified staff and offering exciting career opportunities. In fourth place, six experts agreed that more should be invested in internal and external training.

If required for strategic or economic reasons, a re/insurance company can organise customised training programmes internally. However, it is strongly recommended to work with an external training provider specialising in insurance when setting up training to achieve a better outcome.

The training experts also agreed that more harmonisation among external training offers is needed. An expert said that one way to close the skills gap quickly would be to introduce sector-wide continuous professional development programmes that provide access to harmonised learning and skills validation models while leveraging the best expertise in the sector. In Nigeria, good progress is being made with the certification of training by the Chartered Insurance Institute of Nigeria.

Education and training institutions are expanding to include courses on all aspects of digitisation to support the sector in its transformation. At the same time, they are investing in their own online training platforms. One of the participants urged caution: it is also essential to find the right balance between teacher-led training and self-organised online courses. Many digital learning solutions are already being used, but their effectiveness has yet to be objectively determined.

Other institutions agree that traditional insurance skills should not be forgotten and they are investing in specialised courses on financial inclusion, new and complex risks (e.g. climate change, oil and gas, mega-projects), investments and life and health insurance.

Further recommendations from education and training experts

«The workforce skills are the only tool that can be used to realise the continent's insurance potential and solve existing and new problems. Without the empowerment of staff, the growth of companies and the sector will remain restrained.»
Ancellmi Anselmi, Director of International Relations, Research & Consultancy, Africa College of Insurance & Social Protection

«The insurance industry must relentlessly seek to break the status quo and develop a new approach to adapt to the ever-changing needs of consumers. Training is going to support this adaptation.»
Saul Seremba, CEO and Principal at The Insurance Training College, Uganda

«Whether it is regulatory, technical, business, commercial or other soft skills training, outcome-based learning is the model to strive for. Finding the right balance between instructor-led training and self-organised online courses is also paramount.»
Driss Rhafes, Insurance School in Morocco, a member of Edukateam, Global Learning Partners

«Insurance education is now becoming more hands-on, and at the same time, more technology is now being used more.»
Kehinde Omotowa, Director of Studies West African Insurance Institute

«In addition to the need for actuarial knowledge, IT skills are particularly in demand. Educational institutions are working closely with IT experts to provide the skills needed for digital transformation.»
Dr Yeside Oyetayo, Rector of the College of Insurance and Financial Management, Nigeria

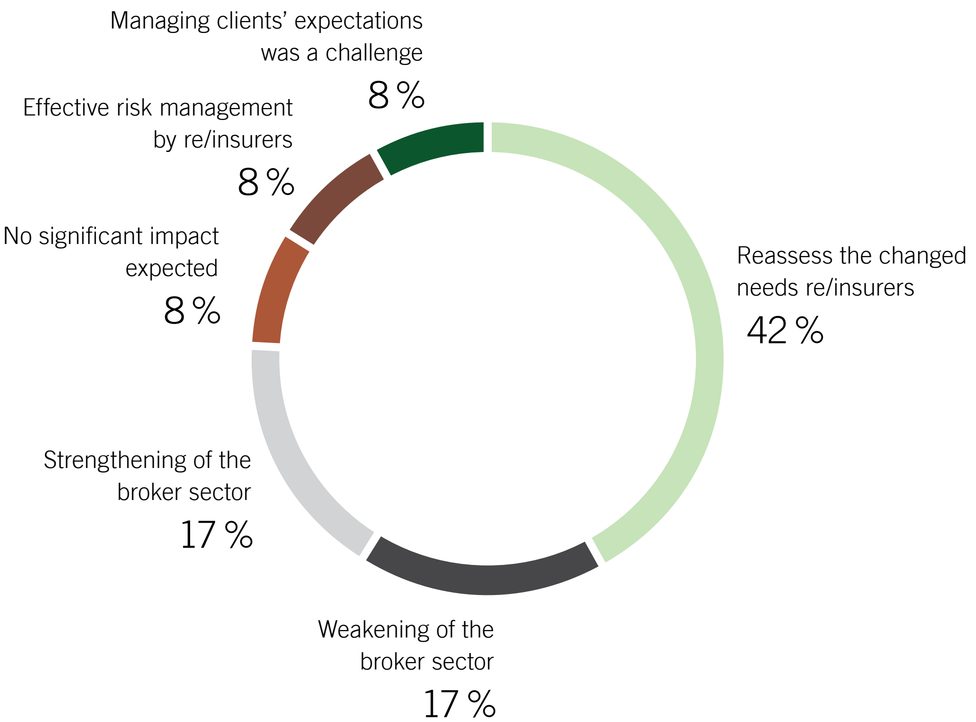
«Leadership and management skills are especially needed for digital transformation. These skills will lead to a cross-disciplinary approach that will bring a customer-centric approach to selling insurance to the forefront.»
Frederick Bowen-John, Director-General at the West African Insurance Institute, The Gambia

«Many young professionals are getting certified today, but the insurance industry still follows traditional working patterns and is not ready to fully embrace change. The insurance industry has yet to arrive in the 21st century.»
Ayodile William Babajide, Team Leader at the Branch Claims Cornerstone Insurance Plc.

Roles of re/insurance brokers in Africa during the COVID-19 pandemic

The COVID-19 pandemic also had a far-reaching impact on insurance brokers who kept their operations open to help their clients. A broker's core duty – to understand their clients' business and find suitable insurance cover – became even more relevant during the pandemic. Brokers were overwhelmed with queries from their clients about the impact of COVID-19. Some 42% of the brokers said that in the middle of the pandemic they had to reassess the changed needs of re/insurers. Some 17% said the crisis has strengthened the broking sector as it has accelerated the implementation of digitisation. But the same amount of respondents indicated that it had weakened the broking industry in Africa given fierce competition.

Chart 21: How did the COVID-19 pandemic impact the insurance brokerage industry in African countries? (One answer possible)



Accelerated digitisation promotes growth, while intensified competition inhibits it

The main tailwind promoting growth of the African insurance brokerage market is the increased use of technology to improve analytics and service chain efficiency. All but one of the participants said that digital transformation in their companies has been accelerated thanks to the pandemic. COVID-19 has further promoted the importance of brokers, as clients more often than not seek advice from intermediaries. However, this argument was also perceived as a negative, given brokers had to spend much more time advising clients than actually closing deals.

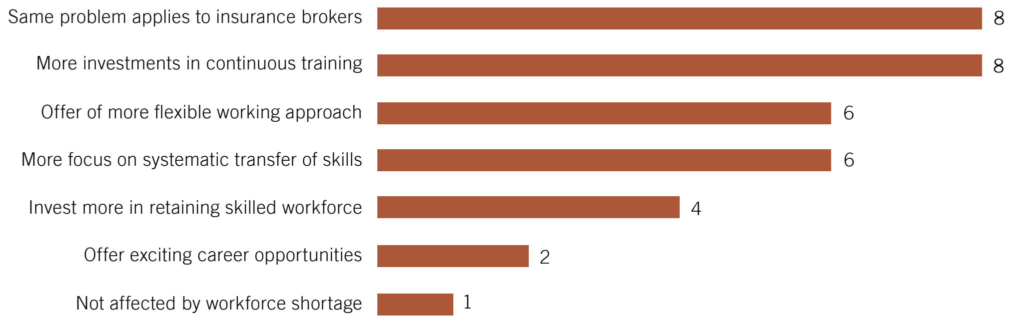
The factors dampening the growth of the African insurance brokerage market are much more prevalent in the current environment. Increased competition was the most frequently cited by respondents. This competition takes place on several fronts: between brokers, with fintech companies as distribution channels, with bancassurance companies and even by their clients sometimes taking the broker out of the equation.

Another factor negatively impacting the broker business was the lower purchasing power of buyers of insurance due to the pandemic and political instability. Furthermore, the brokerage sector generally struggles with low awareness of the benefits of insurance among the general public and specifically with insufficient understanding of the role of brokers and their importance to clients. Also mentioned several times were the problems of over-regulation, high taxation and closing access to foreign markets through registration fees by regulators, and finally, the lack of enforcement of compulsory insurance.

Brokers are also affected by the lack of trained professionals

Most brokers agree that the same problem applies to insurance brokers, only one person stated that there is no labour shortage in their company. Most companies deal with this problem by investing more in continuous training. Other widely used tactics include a more flexible approach to work and a greater focus on systematic skills transfer.

Chart 22: Do brokers also struggle in the war for talent? If yes, how do they deal with it? Does this also affect the insurance broker markets? (Multiple answers possible)



How can regulators encourage digitisation in the African brokerage sector?

Participants had a clear idea of how regulators can promote digitisation in the African brokerage sector. In summary, they recommend creating awareness of the importance of digitisation, regulators should introduce specific rules promoting digitisation, supervisors should sanction those who do not comply and reward those who do and, finally, regulators need to lead by example.

«First, adopting regulations that address digital marketing and insurtechs; second, requiring brokers to demonstrate implementation of digital technologies in their business processes; and third, requiring brokers to complete a minimum number of training hours on these topics.»
Udai R. Patel, Chief Executive Officer, Afro-Asian Insurance Services Ltd.

«Create incentives to encourage investment in digitisation and require regulated entities to report online.»
Larry Kwesi Jiagge, CEO of Risk Management & Advisory Services Ltd.

«Establish a dedicated and appropriate regulatory framework, sound supervisory policies and customer-friendly interfaces.»
Francis Nwokonko, Assistant General Manager, Crystal Trust Insurance Brokers

«Regulators can support brokers by making digitisation mandatory, imposing sanctions for non-compliance, while rewarding best practice.»
Yasmin Essilfie-Mensah, Director of Finance and Administration at Edward Mensah, Wood & Associates Ltd.

«By promoting affordable digital transformation that groups of brokers can use. Furthermore by subsidising the cost of digitisation for brokers and finally by addressing the issue in their interactions with brokers.»
Shaibu Ali, Managing Director at KEK Insurance Brokers

«First, incentivise brokers who embrace digitisation. Second, encourage and lead partnerships with other service providers to secure digitisation business and third, actively participate in the operation.»
Joshua Bonney at KEKSL

«Raising awareness of the possibilities and opportunities of digitisation and facilitating through an introduction to technology providers and training.»
Des Braithwaite, Director at T.A. Braithwaites

«Firstly, accept documents issued by brokers and not insist on seeing insurer-issued documentation. Secondly, lead the discussion and implementation of the digitisation of co-insurance and co-brokerage contracts to increase efficiency. Third, be a pioneer by having sound, modern, digitised processes that ensure all insurers/brokers operate at a minimum standard to meet the updated processes of regulators.»
Omowale Olatunde-Agbeja, Regional Head of Operations at Boff & Co. Insurance Brokers

«Establishing a platform for online filing of returns and processing of licence renewal applications.»
Herbert Tonderai Chikomwe, Reinsurance Broker at Equity Reinsurance Brokers Ltd.

«Firstly, train the sector on the importance of digitisation. Secondly, ensure that reports and applications are made exclusively online. And finally, put in place regulations that promote digitisation.»
Boniface Chiwota, Manager – Market Development and Strategy Africa at Lloyd's

Significant regulatory trends influencing the African insurance market

1. COVID-19 – recent regulatory trends in context

The COVID-19 pandemic and government measures to contain its spread continue to have far-reaching consequences for the insurance industry. Overall, the industry worldwide has demonstrated its resilience by supporting its customers during a time of great financial difficulty, aided by regulatory measures to provide operational relief and, in some markets, even monetary and fiscal support measures.

During the pandemic crisis, insurance regulators refocused on their core mandate of market stability and consumer protection after spending the last decade broadening regulatory mandates from market stability and consumer protection to financial inclusion, insurance market development and even to contribute to overall economic development.

According to the IAIS's Global Insurance Market Report 2020, insurance supervisors took various steps to ensure operational continuity in the insurance sector in response to COVID-19, such as:

- Operational relief to insurers so they could focus on customer servicing;
- Enhanced supervisory reporting on solvency, liquidity and profitability to assure insurers' financial stability;
- Scenario analysis and stress testing while requesting updates from insurers on their risk and solvency;
- Measures to limit or delay dividend payments and variable remuneration;
- The fair treatment of customers through interventions relating to product design, remote distribution and expedited COVID-19-related claims settlement; and
- Analysis of exclusion clauses on pandemic-related losses to assess the possible financial impact on insurers as well as the protection gap.

Insurance regulators in Sub-Saharan Africa as well as their global counterparts had to perform a balancing act, offering regulatory relief to regulated entities while closely monitoring market vulnerabilities to ensure that consumers remained protected. Different regulators have chosen to prioritise various aspects of this trade-off. Some insurance regulators have relaxed their usual regulatory requirements to help regulated entities respond better to COVID-19, while others were more concerned with protecting the lives and livelihoods of policyholders.

2. Ensuring financial resilience – risk-based capital regulation trends

The COVID-19 pandemic has highlighted the importance of a resilient insurance sector. The global regulatory trend to move insurance markets to risk-based capital (RBC) regimes to ensure that insurers have sound financial positions and maintain adequate capital levels has certainly helped. This has allowed the sector to better withstand shocks while continuing to meet the needs of policyholders. However, instead of prescriptive rules under a compliance-based approach, RBC regimes require regulators to review systemic and individual business risks, as well as how insurers identify and control risks and respond to valuation accordingly. This extra work has challenged supervisors in times of crisis.

What are the benefits of RBC?

Research has shown that moving from compliance-based rules to RBC rules benefits everyone; consumers, the industry and regulators/supervisors. RBC rules:

- Promote professionalism in managing the sophisticated risk management framework, investments, pricing, capital management and various other essential elements of insurance operations;
- Incentivise sound risk-taking by enabling investment in better control and analytical systems;
- Allocate capital more effectively to risk, reducing the amount of dormant capital;
- Encourage innovation by reducing or, at best, eliminating low profitability due to aggressive competition;
- Are more effective in rationalising fragmented markets and reducing fierce competition; and
- Give regulators better tools to measure financial soundness, improve the comparability and proportionality of intervention and ultimately promote better supervision.

What are the challenges of RBC?

Transition to RBC means more complexity, higher demands on skills (in particular actuaries) and technical resources, both within the industry and at the regulator. Regulators need technical expertise and data to understand the risk profile of the insurer and the insurance sector to make a judgment about the appropriate level or type of supervisory response or requirement. However, this investment in increased professionalism may catalyse the development of technical capacity in the insurance sector.

In Kenya, the transition to a risk-based solvency regime resulted in the Kenya Insurance Regulatory Authority training more than 50 actuaries for the industry over the past decade. The targeted efforts of Ghana's National Insurance Commission to build internal actuarial capacity have been cited as a factor in the adoption of recent InsurTech innovations (for more on this, see the section «Fostering Innovation II – Regulatory Sandboxes in Africa»).

In contrast, it has been noted that just raising absolute minimum capital requirements does not necessarily lead to better business fundamentals. Some countries seek to improve industry soundness by raising absolute minimum capital requirements to force mergers or exits of underperforming insurers. Nigeria, for example, has increased capital requirements significantly over time. After an increase in 2007, the number of insurers fell from 117 to 49. However, the Nigeria case shows that the decline in the number of insurers has not been accompanied by improved expense ratios, net profit ratios, loss ratios or the introduction of innovative products or partnerships.[4]

The following chart illustrates how Sub-Saharan African supervisors are increasingly adopting risk-based supervision in line with global trends. The transition towards RBC regimes is happening at different paces, in different places and taking various forms:

[4] Insurance for inclusive and sustainable growth: Imperatives for action from a four-country synhesis, October 2019.

Chart 23: Types of insurance regulatory capital rules, 2020

Less — **RISK SENSITIVITY** — More

Flat Nominal	Index-based «greater of»	Index-based additive	Combinatorial	Model-based
– A fixed amount of local currency set out in the law – Now quite rare but some still exist	– A factor applied to premium, a factor applied to claims, etc. – Required capital is the greater of one or the other – Kenny Rules Solvency I	– More factors applied to premiums, claims, and usually asset side balance sheet items as well – Required capital is the sum of the results	– Risks measured and capital allocated on a risk-by-risk basis – Required capital is a statistical combination plus allowance for diversification/correlation, with a «square-root»	– Customised to each insurer through databased models reflect insurers' business – Leverages risk management of sophisticated insurers' internal models
– Eswatini	**– Ethiopia – Ghana – Kenya – Mozambique – Nigeria – Seychelles – Uganda – The Gambia – Zimbabwe**	**– Lesotho – Malawi – Rwanda**	**– Botswana – Namibia – Mauritius**	**– Rwanda – Mauritius – South Africa**

Less — **Technical management and supervisory skills, data needs, risk-based approach, granularity, cost, sophistication** — More

Source: World Bank and Access to Insurance Initiative (A2ii), 2020

South Africa – modelled on Solvency II: Over the past four years, the National Treasury (NT) and the Financial Services Board (FSB) have been working on a framework for the implementation of solvency assessment management (SAM) in South Africa, a new risk-based solvency regime for South African insurers. SAM is a principles-based regulation based on the economic balance sheet of an insurer and utilises three pillars. Pillar I deals with capital adequacy, Pillar II with governance systems, and Pillar III focuses on reporting requirements. Central to the adoption of SAM is the protection of policyholders.

In addition, SAM has several objectives:

- To align the South African insurance industry with international standards;
- To adjust capital requirements to the underlying risks of an insurer;
- The development of a proportionate, risk-based approach to supervision with appropriate treatment both for small insurers and large, cross-border groups;
- To provide incentives to insurers to adopt more sophisticated risk monitoring and risk management tools; and
- To maintain financial stability.

3. Promoting innovation in African countries

a. Accelerating digitisation in Africa

Government-imposed restrictions on face-to-face interactions during the COVID-19 pandemic meant that insurers needed to engage in remote sales, which brought new challenges for regulators and supervisors.

Certain regulators in Sub-Saharan Africa have identified digitisation and innovation as key to the recovery of their industry:

- For instance, the Pensions and Insurance Authority (PIA) in Zambia requires entities to provide e-platforms for selling, paying premiums and settling claims (PIA, 2020).
- The Financial Services Regulatory Authority (FSRA) in Eswatini encouraged digital tools and platforms, including the online submission of audited financial statements or renewal documents (FSRA, 2020).
- In Rwanda, the National Bank of Rwanda framed the crisis as an opportunity for providers to offer more services online and further advance their IT systems.
- The Insurance Regulatory Authority of Uganda reported that it had challenged the industry to embrace InsurTech in service delivery.
- In the CIMA region, draft regulation on digital and electronic insurance from 2017 is yet to be validated by the Council of Ministers.
- In April 2020, the Prudential Authority and the Financial Sector Conduct Authority in South Africa, in collaboration with other financial sector regulators, launched the Intergovernmental Fintech Working Group Innovation Hub (FSCA, 2020). As stated by the FSCA, innovation is needed for insurance to play a role in supporting recovery after COVID-19 and regulators need to consider how to enable innovation.
- Ghana's new insurance law aims to increase insurance penetration and allow for new innovative insurers (the National Insurance Commission, 2021). This is the latest development in the Ghanaian insurance market, after being one of the pioneering countries to introduce mobile insurance regulations in 2017.

b. Regulatory sandboxes in Africa

In a rapidly evolving world, regulators often struggle to keep up with the pace of business development and technological innovation. To enable innovation while protecting policyholders and clients, governments worldwide and in Africa have established «regulatory sandboxes».

The UK Financial Conduct Authority is credited with creating the first formal regulatory sandbox and propagating the concept throughout the world in 2016. According to the World Bank, there was an increased density of global fintech-related sandboxes, particularly from mid-2018 through 2020. More than half of all relevant sandboxes, or about 56%, were created between 2018 and 2019. Nearly a fifth were made in the first half of 2020 alone, suggesting rapid growth worldwide in the use of sandboxes to test fintech innovations and regulation.

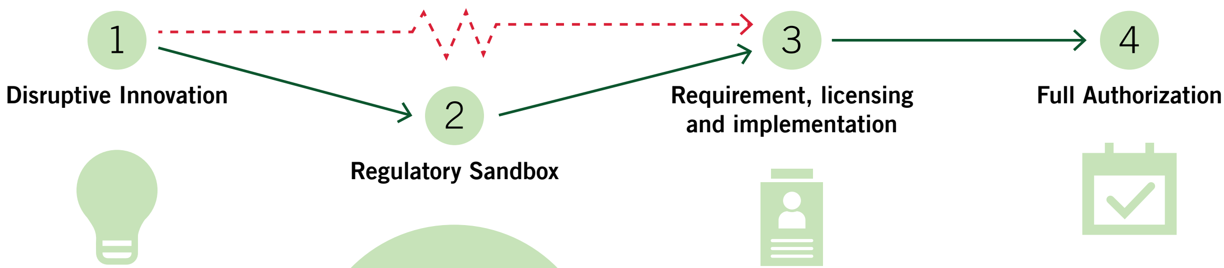
Ghana: The Bank of Ghana recently launched a regulatory sandbox pilot programme. The programme is geared towards financial service providers, with preference given to blockchain technology solutions, electronic KYC, remittances and crowdfunding. The regulatory sandbox will be committed to addressing the needs of underserved persons and businesses.

Kenya: The Regulatory Sandbox Policy Guidance Note defined by the Capital Markets Authority of Kenya (CMA) specifies the eligibility criteria and guides interested parties through the application. The sandbox is only open for companies incorporated in Kenya or those licensed by a securities market regulator in an equivalent jurisdiction. Once admitted, the company gets a 12-month period to run tests on the product or service, sending interim reports on the progress to the CMA.

Mauritius: In Mauritius, companies can apply for a Regulatory Sandbox License, permitting them to conduct business where there is no legal framework. This license is provided by the Economic Development Board (EDB) to eligible companies willing to invest in innovative projects. Both fintech and non-fintech companies can apply for the licenses.

Mozambique: Mozambique is still in the infancy stage when it comes to fintech solutions. In 2018, the Central Bank of Mozambique, together with the Financial Sector Deepening Mozambique, created the country's regulatory sandbox. The regulatory sandbox is under the Financial Inclusion Strategy that focuses on achieving financial inclusion in Mozambique.

Box: What is a regulatory sandbox? The regulatory sandbox scheme



– Sandbox is a laboratorium-like place where startups can tryout new innovations or business models in a safe environment that is monitored by regulators

– Regulators can use the sandbox to facilitate development, while at the same time test their business so as to adapt with apporpiate policies

Source: https://pharmaboardroom.com/articles/regulatory-science-struggling-to-keep-pace-with-innovation/

Published by African Insurance Organisation

The introduction of regulatory sandboxes since 2018 in various African countries is evidence of governments' efforts to encourage the development of new technologies:

Nigeria: The Central Bank of Nigeria released Nigeria's regulatory sandbox framework that targets fintech and telecom solutions and will start to approve solution providers who apply for it on a cohort-by-cohort basis.

Rwanda: Rwanda's government initiative to promote digital financial services led to the adoption of the regulatory sandbox in 2018. Since then, it has embarked on creating guidelines for the regulatory sandbox under the Rwanda Utilities Regulatory Authority, which are still in draft stage. Applicants need to have a ground-breaking innovation or products or services that differ significantly from existing products.

Sierra Leone: Sierra Leone's Sandbox Regulatory Framework was launched in 2018 by the Bank of Sierra Leone with the help of the Financial Sector Deepening Africa and the United Nations Capital Development Fund as part of the country's Fintech Initiative. To be eligible to participate in Sierra Leone's regulatory sandbox, the company must be registered with Sierra Leone, and a Sierra Leonean citizen needs to own at least 10% of the firm. Only fintech companies can apply.

South Africa: The sandbox was set up by the Intergovernmental Fintech Working Group (IFWG), which comprises several South African regulators. Regulatory sandboxes like this are used to test new technologies or business models against existing and developing regulatory frameworks.

Three other countries are developing their regulatory sandboxes, namely Egypt, Eswatini and Tunisia.

4. Protecting the poorest during COVID-19-inclusive insurance regulation landscape

The World Bank estimates that the COVID-19 crisis could lead to another 150 million people falling into extreme poverty worldwide. At the same time, the economic crisis is forcing governments to cut their aid budgets for the poorest. In times like these, inclusive insurance is an ideal solution to address the challenges exacerbated by the pandemic. So, what has happened on this front globally and in Africa?

Table 1: Inclusive insurance regulation landscape in African countries, October 2021

Country	Inclusive Insurance Regulation	Dedicated Licence for Micro-insurance	Other Supportive Regulation*	Index Insurance**	Status
CIMA countries***	X	X			Implemented
Congo (DRC)	X				In development
Egypt	X		X		Implemented
Eswatini	X	X	X		Implemented
Ethiopia	X		X		Implemented
Ghana	X		X		Implemented
Kenya	X			X	Implemented
Lesotho	X				In development
Liberia			X		n.a.
Madagascar	X				Implemented
Malawi	X				Implemented
Morocco	X		X		In development
Mozambique	X			X	Implemented
Namibia	X		X		In development
Nigeria	X	X			Implemented
Rwanda	X				Implemented
South Africa	X	X			Implemented
Tanzania	X				Implemented
Tunisia	X				In development
Uganda	X		X	X	In development
Zambia	X				In development
Zimbabwe	X	X			Implemented

* Other supportive regulation covers different approaches: enabling the use of remote means, digital models, and e-signatures in insurance operations, mobile insurance, regulatory sandboxes, insurance against climate risks and disasters, agriculture insurance, and index insurance, among other innovations and trends.

** Although it has not yet caught on, parametric insurance or index insurance, where the payout is linked to a predefined trigger, is gaining ground. Kenya was one of the first countries to include a definition of parametric insurance in its legislation.

*** CIMA regulated countries are Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Ivory Coast, Equatorial Guinea, Gabon, Guinea Bissau, Mali, Niger, Senegal and Togo.

Source: Access to Insurance Initiative (A2ii) – regulation map[5]

5 Caveat by A2ii: the map is by no means exhaustive and the information within is continuously updated to the best of A2ii's knowledge.

Inclusive insurance is a recent development, and India was the first country to adopt regulation on microinsurance in 2005. According to the Access to Insurance Initiative, today 72 markets have introduced some form of regulation to support inclusive insurance in its many forms. Amongst them are also 35 African countries (32 in Sub-Saharan Africa and three in North Africa) that have enacted or are passing regulations to support inclusive insurance (see table). CIMA was the first regulator to introduce a dedicated regulation for microinsurance in 2012.

African regulators play a critical role in motivating the insurance industry to serve middle-to-low income populations with affordable products. The value proposition of microinsurance largely depends on introducing supportive regulation, appropriate technology, possibly the bundling of microinsurance with other financial services and/or mobile distribution networks and educating the population on its benefits.

5. Outlook – what are global regulators focusing on?

Having looked at African regulators' priorities for their insurance markets, we now consider emerging global issues that have the potential to shape the future landscape of insurance regulation in African countries:

– **COVID-19 – lessons learned and fair treatment of policyholders.** Not only will companies review their operational resilience in light of COVID-19, but regulators will also draw the necessary conclusions and pay more attention to this issue. Insurers will likely face increased market conduct examinations by regulators to verify that consumers were treated fairly, as most customer contact during the pandemic was virtual.
– **IFRS 17 – is fast approaching.** Although the deadline for IFRS 17 has been pushed back to 1 January 2023, this will be one of the most drastic changes to accounting in the insurance industry in several decades. Insurance companies transitioning to this new accounting standard need to take the necessary steps on time to ensure that their internal systems are fully functional and tested before the first reports go to investors. An early start also offers the opportunity to improve the analysis and understanding of their data to make better decisions.
– **ESG – mounting pressure from regulators and investors.** With the EU, the UN, the G7, IOSCO and the OECD all integrating Environmental, Social and Governance (ESG) guidance into their long-term strategy planning, convergence between policymakers is taking place. Amidst this regulatory shift and a change in investor preferences, a simple risk-return approach to insurance portfolios is no longer sufficient. In June 2020, the UN Environment Programme's Principles for Sustainable Insurance Initiative developed the first ESG guidance for the global insurance industry. As a response, a group of the world's leading insurers and reinsurers have formed a «Net-Zero Insurance Alliance» in collaboration with the UN Environment Programme.
– **Reporting on climate change – making the risk transparent and comparable.** The 26th UN Climate Change Conference in November 2021 focussed on this vital issue for the insurance industry. Insurers need to be able to accurately assess the impact of climate change to price this risk appropriately. The Financial Stability Board has established the Task Force on Climate-related Financial Disclosures (TCFD) to improve the reporting of climate-related financial information. The TCFD report provides recommendations for disclosing transparent, comparable and consistent information on climate change risks and opportunities. Their general adoption will ensure that climate change impacts are routinely considered in business and investment decisions.

African Insurance Organisation