


African Insurance Organisation

Annual Report 2023

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Foreword

Dear Members,

I am pleased to present you with the latest edition of the African Insurance Organisation (AIO) Annual Report. This report serves as a vital link connecting our valued members and supporters to the dynamic landscape of Africa's insurance markets. It provides insights into the evolving challenges, the burgeoning opportunities, our achievements and the exciting initiatives on our horizon.

As we reflect on this year, it is clear that it has been an exceptionally dynamic and productive year for the AIO. The resounding success of the 49th AIO Conference and General Assembly was demonstrated by the record attendance of some 1600 delegates. The Assembly's central focus on food security reflected the urgency of its impact on Africa. The staggering statistic that 58 % of our population faces varying degrees of food insecurity places Africa at the epicentre of this global crisis. Tackling this crisis will require the combined efforts of international organisations, governments, civil society and the private sector. In particular, the insurance sector, with its ability to support increased agricultural productivity and resilience, has a critical role to play in this collective effort.

As we look ahead to the rest of 2023 and into 2024, we're pleased to announce a wealth of upcoming activities, educational programmes, capacity-building efforts, research endeavours and insightful publications in the works. And looking further ahead, our strategic plan for the next half-decade remains steadfast in its commitment to advocacy, education, capacity building, event organisation and networking. These pillars strengthen the position of the African insurance sector and contribute to its progress within the African Continental Free Trade Area (AfCFTA). Our advocacy extends to the promotion of regulatory frameworks that facilitate financial integration, support the free movement of labour, empower youth and promote overall continental development.

We hope that this Annual Report will serve as a catalyst for meaningful discussion, inspire collaboration and propel the African insurance industry to greater heights.

Finally, we thank all our members, partners and supporters for their unwavering commitment to the AIO's vision. Together, we will make 2023 and 2024 years of significant progress and prosperity for the African insurance industry.

Yours faithfully,

Benhabiles Chérif
President of the African Insurance Organisation (2023–2024)

Summary

THE AIO HAS A NUMBER OF PROMISING INITIATIVES PLANNED FOR 2023/2024

– October 2023 – 27th African Reinsurance Forum in Tunis, focusing on the role of the African re/insurance industry in supporting a self-financing Africa
– First half of 2024 – Launch of the first module of the Leadership in Insurance and Finance Certification programme
– May 2024 – 50th AIO Conference and Annual General Assembly
– October 2024 – 28th Reinsurance Forum
– Second half of 2024 – Agricultural insurance training
– During 2024 – The AIO and United Nations Development Programme will collaborate on capacity building for the new insurance regulatory framework under the AfCFTA
– Throughout 2024 – The AIO will continue to research key industry issues and share expertise through informative publications

ECONOMIC OVERVIEW – AFRICAN ECONOMIES FACE NEW CHALLENGES AFTER COVID-19

In 2022, African economies recovered from the effects of the COVID-19 pandemic. However, they faced new obstacles such as global financial volatility, geopolitical developments, climate change concerns and rising inflation. As a result, overall GDP growth remained relatively low at 3.8 %. In short: Central Africa received a boost from commodity prices; East Africa's growth slowed; North Africa faced inflation and a slow recovery; West Africa's growth declined due to various factors; Southern Africa experienced sluggish growth due to internal and external issues; Nigeria, Egypt and South Africa, Africa's largest economies, experienced mixed growth and inflation trends.

AFRICAN INSURANCE PREMIUMS DECLINE, MAINLY DUE TO A SHARP CONTRACTION IN THE SOUTH AFRICAN LIFE MARKET

In 2022, the global insurance sector showed resilience with nominal premium growth, but a decline in real premium growth due to rising inflation. Persistent inflation and economic slowdown are expected to have a negative impact on the global insurance market, with below-trend real growth rates for non-life and life premiums forecast for 2023 and 2024.

Meanwhile, the African insurance industry experienced a 2.6 % decline in inflation-adjusted premiums written, with total premiums falling to USD 70.2 billion in 2022 from USD 73.3 billion in the previous year. This decline resulted in Africa's share of global insurance premiums standing at 1 %, while the continent's insurance premiums accounted for 2.4 % of GDP, or USD 50 per capita. Notably, this decline in premium volume occurred against a backdrop of 3.8 % economic growth across the continent.

INFLATION TAKES ITS TOLL ON AFRICAN ECONOMIES AND THE RE/INSURANCE SECTOR

Global inflation rose after the initial pandemic-induced lows, driven mainly by food and energy prices. A global recovery is expected in 2023, but inflation remains high. In sub-Saharan Africa, inflation has spiked, affecting vulnerable populations, and is projected to remain elevated due to external factors and challenges.

Global insurance markets, including African markets, are currently experiencing the effects of a combination of economic slowdown and high inflation. Demand for insurance naturally falls during periods of economic contraction. In addition, insurers and reinsurers have obligations in the form of commitments to policyholders. In the event of inflationary pressures, the future cost of goods and services, such as medical care or property replacement costs, could increase. This potential increase could result in higher claims payments by re/insurers, thereby affecting the current valuation of their insurance liabilities.

The African Insurance Organisation's 2023 highlights

AIO BOARD TO APPROVE NEW FIVE-YEAR STRATEGIC PLAN IN AUTUMN 2023

The AIO serves as the representative body of the African insurance sector, having been established in 1972 with the aim of promoting a robust insurance industry and fostering cooperation between African countries in this field. In 2019, the AIO conducted an extensive survey to gain deeper insights into the evolving needs of its members. Notably, the survey revealed unanimous agreement among members that the AIO is the inherent body entrusted with representing the interests of the African insurance sector.

Based on this vote of confidence, the AIO formulated an ambitious strategic plan for the period 2019–2024. This plan aimed to develop the AIO into a preeminent centre of excellence and advocacy for the African insurance sector. To achieve this vision, the AIO proactively championed industry issues, promoted increased insurance penetration, supported best operational practices and initiated projects that demonstrate the benefits of insurance to policyholders, policymakers and regulators. The AIO's overarching vision, mission and six strategic objectives serve as a guiding framework for the organisation's priorities and efforts.

In 2023, the AIO Secretary General prepared a new five-year strategic plan to be approved by the Board of Directors in October 2023. The central focus of this plan remains firmly rooted in the core areas of advocacy, events, reputation building, research, training and capacity building. Together, these efforts aim to strengthen the standing and reputation of the African insurance sector across the continent.

Chart 1: AIO strategic plan, including the vision, mission and strategic objectives

ADVOCACY

The AIO promotes the policy interests of the African insurance sector. 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.

Over the years, the AIO has developed new partnerships or consolidated existing collaborations with international and regional organisations such as the African Development Bank (AfDB), the African Continental Free Trade Area (AfCFTA), the United Nations Development Programme (UNDP), the United Nations Environment Programme Finance Initiative Fund (UNEP FI), Africa Risk Capacity (ARC), the International Labour Organization (ILO), Impact Insurance Facility and the Access to Insurance Initiative (A2ii). These collaborations demonstrate our unwavering commitment to catalysing positive change and fostering innovation in the insurance sector across the continent.

In addition, our unwavering commitment to expanding our network is evidenced by the establishment of several Memoranda of Understanding with insurance associations and regulators. These agreements serve as conduits for the exchange of knowledge and resources, fostering a culture of cooperation and progress within the insurance sector.

In celebration of our continued progress, we are also pleased to announce the formal recognition of two new associations within the AIO, namely the African Insurance Women's Association (AIWA) and the African Network of Insurance Associations (ANIA). More information on these two organisations can be found in the next section, «Capacity building».

CAPACITY BUILDING

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

- The AIO will evaluate its existing pools and discuss the need for new solutions with its members.
- The AIO will aim to test the viability of new insurance solutions through lighthouse projects.

Since its establishment in 1972, the AIO has created various risk pools and associations to help members enhance their ability to effectively manage risks.

The AIO provides a concise overview of the efforts of the African Aviation Pool and the African Oil & Energy Pool for the financial year 2022. Against a backdrop of global recovery from the aftermath of the pandemic and the emergence of new hurdles, most notably the Russia/Ukraine conflict, both pools skilfully navigated the complexities while maintaining a commitment to sustainable profitability in the re/insurance space. The Management Committee and Annual General Meetings of both pools were held on 28 May with the following key achievements:

A. AFRICAN AVIATION POOL

The African Aviation Pool demonstrated its commitment to revitalising profitability in the midst of challenges stemming from unfavourable global market conditions. The pool's strategic shift, including a more stringent risk selection strategy, yielded positive results, as evidenced by the 2022 profit figures, but also led to a decline in premium income. Given the current modest level of premiums, member support remains essential to promote profitable growth.

- The membership base remained stable at 52 companies in 2022, with a total subscribed capacity of USD 8.1 million.
- Gross underwriting capacity remained stable at USD 17.5 million.
- Strategic portfolio adjustments to improve profitability resulted in a reduction in premium income from USD 1.4 million in 2021 to USD 1.3 million in 2022.
- The operating result improved from USD 441 616 in 2021 to USD 576 574 in 2022.

B. AFRICAN OIL & ENERGY POOL

- In 2022, the African Oil & Energy Pool maintained a stable membership of 51 companies, representing a total subscribed capacity of USD 8.9 million.
- Gross underwriting capacity also remained stable at USD 90 million.
- Premium income increased slightly to USD 29.0 million in 2022, compared with USD 28.7 million in 2021.
- A notable improvement in the operating result was observed, from USD 2.9 million in 2021 to USD 3.8 million in 2022.
- The closing balance of the Members' Account at 31 December 2022 was USD 28.7 million, increasing from USD 24.9 million in 2021.

C. AIO LIFE INSURANCE COMMITTEE

The AIO Life Committee holds regular virtual meetings, the last of which was held in Algiers on 28 May 2023, to address life insurance issues and provide a platform for actively discussing all relevant matters.

D. ORGANISATION OF AFRICAN INSURANCE SUPERVISORY AUTHORITIES (OAISA)

The OAISA held meetings to align regulators' positions, support the AIO's objectives and strengthen cooperation. The AIO Secretariat's Memorandum of Understanding has been discussed in detail and regulators have agreed to sign it, thereby strengthening cooperation. Several regulators have already signed. The OAISA has grown and aims to enhance its cooperation with the AIO.

E. ASSOCIATION OF AFRICAN INSURANCE EDUCATORS AND TRAINERS (AAIET)

The AAIET held a meeting during the 49th AIO Conference on 30 May. The following key decisions were taken at the meeting and will be implemented by the Governing Council:

1. Establish a roadmap for curriculum harmonisation.
2. Conduct continent-wide training.
3. Organise a Trainer of Trainers (TOT) for insurance trainers.
4. Establish a framework for membership recruitment.
5. Actively participate in upcoming conferences.
6. Recognise members by waiving AIO fees.
7. Establish a direct link with the AIO Executive Committee for harmonisation.
8. Adopt the Constitution as is.

The AAIET Governing Council, in line with the constitution's stipulations, consists of the following ratified interim committee, each serving a 3-year term from 2022 or 2023.

AAIET Governing Council

Saul Sseremba	Chairman
Panganai Sanangurai	Vice Chairman
Ancellmi Anselmi	Executive Secretary
Rokhaya Kandji	Deputy Secretary
Richard Okyere	Ghana Insurance College, Ghana
Dr. Yeside Oyetayo	Member western bloc
Driss Rhafes	Member northern bloc
AIO representative	To be appointed

F. AFRICAN INSURANCE BROKERS ASSOCIATION (AIBA)

The AIBA is fully revitalised and growing in strength. The AIBA Executive Committee met virtually six times last year with good attendance. In keeping with its tradition, a webinar was held on 1 March 2023 on «Climate change and its potential impact on the insurance market». The webinar attracted 230 participants.

The AIBA participated in the 5th Annual Conference of the Insurance Brokers Association of Uganda on 18-19 May 2023, at which they invited Ugandan brokers to join the association. AIBA membership is likely to continue to grow during the coming years. During the 49th AIO Conference, the AIBA organised a seminar for its members on the topic of «Reinsurance and Insurance Company Capital Adequacy».

At this event, a new Executive Bureau was elected to manage the activities of the Association.

AIBA Executive Bureau

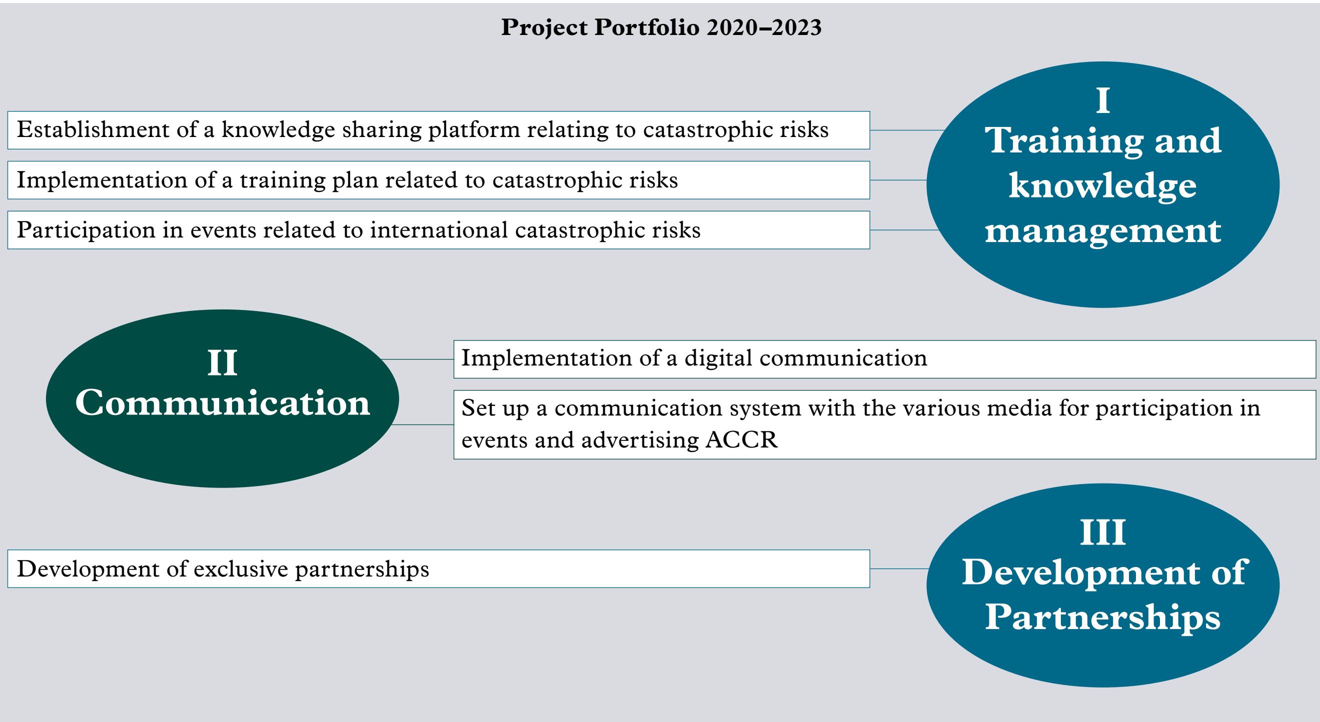
Shaibu Ali	Chairman
Shola Tinubu	Vice-Chairman
Ekeoma Ezeibe	Secretary
Yombo Bammeke	Treasurer
Nelson Omolo	Ex Officio 1
Lena Adu-Kofi	Ex Officio 2

G. AFRICAN CENTRE FOR CATASTROPHE RISKS (ACCR)

The ACCR's active involvement in studies, partnerships, training and strategic initiatives to improve disaster resilience and risk management in Africa resulted in many key highlights:

a. Strategic Plan: Based on learner feedback, a comprehensive strategic roadmap was developed outlining the ACCR's role for 2021–2023. Operational projects were implemented in phases due to resource constraints and the pandemic.

Chart 2: ACCR project portfolio 2020–2023, source: ACCR



b. Microinsurance study: A study on microinsurance and inclusive insurance was conducted in three phases, covering definitions, indicators, statistics, growth potential and development channels.

c. Launch of new website: A new, dynamic and user-friendly website was launched using a free editor, improving the ACCR's online presence.

d. Morocco Earthquake Loss Estimation: The ACCR contributed to the establishment of the catastrophe risk regime in Morocco and carried out a study on compensation for earthquake-related bodily injury under different scenarios.

e. Participation in disaster risk strategy: The ACCR participated in several workshops with the main authorities of the re/insurance ecosystem for the management of catastrophic risks. The ACCR's expertise contributed significantly to the realisation of this project and provided several comments and requests for amendments.

f. Initiating partnerships: Despite challenges, the ACCR explored partnerships with HD RAIN (flood prevention sensors installation) and African Risk Capacity for webinars and training.

g. Climate change impact study: This study by the ACCR aims to illustrate the global impact of climate change through recent high-impact natural disasters, highlighting their unpredictability and substantial damage, while proposing solutions and strategic initiatives to address the increasing frequency and severity of such events.

h. Systemic risk study: The ACCR conducted a study on the impact of systemic risks on the economy and financial sector.

i. Training collaboration with SCR Academy Re: Through collaboration with SCR Academy Re, ACCR conducted training programs covering security risks, political violence, terrorism, and Method of Evaluation of Business Interruption Losses (MEBIL) regarding natural disasters, aiming to enhance security risk management and disaster resilience, fostering a network of professionals focused on addressing African catastrophe risks.

j. Partnership with the Solidarity Fund against Catastrophic Events (FSEC): The ACCR's ongoing partnership with the FSEC aims to enhance preparedness and response capabilities through collaborative efforts in crisis communication management, emphasizing transparent communication, tailored messaging, and stakeholder coordination during catastrophic events.

k. The ACCR's ongoing partnership with SCR Academy Re to establish a natural catastrophe pool and share Morocco's successful risk management experience across Africa, is a critical step towards resilience, pooling resources to provide catastrophe insurance coverage and promoting adaptive risk strategies to empower African countries to manage catastrophic events and build resilience to disasters.

H. YOUNG INSURANCE PROFESSIONALS (YIPS) AFRICA

The association has achieved several milestones:

1. Increased country representation to 47 directors, with a target of 54 by the end of 2023.
2. Established chapters in Algeria, Liberia, Democratic Republic of Congo and Nigeria, each with local programmes aligned with the African mandate.
3. YIPs collaborated with Women Leadership in Insurance Africa for a successful International Women's Day webinar on gender barriers.

YIPs Africa has ambitious plans for future expansion and partnerships, while also acknowledging and seeking support from key players in the industry. The association plans to establish chapters in all 54 African countries and collaborate with multinational organizations, insurance industry players and governments to enhance insurance in Africa.

It also seeks support for expanding activities to secondary schools, sponsoring young professionals at conferences and gaining representation in African development committees to drive insurance growth.

I. PAN-AFRICAN INSURANCE AGENTS ASSOCIATION (PAIAA)

The PAIAA has achieved registration in Nigeria. Key challenges include agents feeling excluded from industry discussions and the need for their associations to better understand the challenges faced by their members. There is a call for support, including financial assistance and training, as well as cross-border partnerships to open trading licences across jurisdictions. Opportunities include the AIO's support for the inaugural meeting of the PAIAA and increased cooperation between intermediaries. Threats include intermediaries being tied to a small number of companies, which hinders their advisory role.

Open trading licences are called for to encourage creativity and insurance options. Training standards, subsidised rates and leadership support are crucial.

The PAIAA held three meetings, including a hybrid meeting during the 48th AIO General Assembly in Nairobi, an online meeting in December 2022 discussing PAIAA licensing with Clifford Ochieng, Olamerum Gbadebo, and Esther Mwamafupa, and a meeting on 3 June 2023 to adopt the recommendations.

J. AFRICAN NETWORK OF INSURERS ASSOCIATION (ANIA)

The ANIA was launched at the AIO General Assembly in Nairobi, Kenya, in June 2022. It aims to foster better collaboration between national associations to address common challenges and enhance contributions to insurance growth. This is exemplified by existing memorandums of understanding between the AIO and national associations. The first ANIA Executive Committee meeting, held in Mauritius in February 2023, resulted in the signing of a memorandum of understanding by associations from Uganda, Tanzania, Kenya, Ghana, Zambia and Mauritius.

The ANIA's objectives include to:

1. Participating in global insurance discussions in forums.
2. Coordinate and support each other in representing the insurance sector for greater effectiveness.
3. Share non-commercial information, ideas and knowledge.
4. Actively participate in AIO matters that affect the business of insurance.
5. Promote cross-border cooperation to create an enabling business environment.
6. Build partnerships and networks with African regulators and stakeholders.
7. Assist members in advocating for appropriate regulatory frameworks.
8. Uphold ethical conduct throughout the African insurance industry.
9. Strengthen national association initiatives.
10. Promote unity through regular conferences, workshops and publications.
11. Adopt a unified strategy to achieve these objectives.
12. Undertake related activities that facilitate the achievement of the objectives.

These objectives are implemented by the governing body:

ANIA Governing body

Jonan Kisakye	Chairman
Vasish Rwamkhalawon	Secretary

K. AFRICA INSURANCE WOMEN ASSOCIATION (AIWA)

The AIWA is dedicated to the empowerment of women in the African insurance industry. They are proposing a transformative initiative to improve the insurance profession, particularly for women, with the aim of increasing the uptake of insurance, providing mentorship to aspiring professionals and enhancing the role of women in the sector.

This initiative is in line with the AIO General Assembly conference theme, «The Contribution of Insurance to Food Security Challenges in Africa», as women play a vital role in food production and security. The AIWA's establishment dates back to an international training seminar organised by the Professional Insurance Ladies Association (PILA) Nigeria in 2023, which led to subsequent seminars and the formation of women's insurance associations across Africa.

The AIWA continues to evolve through collaborations with women's insurance associations in African countries.

An inaugural meeting was held on 28 February 2023 to change the name from the Association of Professional Insurance Ladies in Africa (PILA Africa) to the Africa Insurance Women Association (AIWA), followed by the nomination and election of officers as follows:

AIWA Executive

Margaret Nkechi Moore (Nigeria), West Africa Region	President
Catherine Wahome (Kenya), East Africa Region	Vice President
Maya Andre Nundloll (Mauritius), Southern Africa Region	Vice President
Jennifer Asare (Ghana), West Africa Region	Vice President
Evelyn Nkalubo-Muwemba (Uganda), Eastern Africa Region	Vice President
Lety Endeley - (Cameroon), Central Africa Region	Vice President
Vacant - North Africa Region	Vice President
Fikky Ntomola (Tanzania), Southern Africa Region	Secretary General
Christabel Michel (Zambia), Southern Africa Region	Financial Secretary
Not named in this report	Country Directors

EVENTS

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

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

The 49th Conference and General Assembly of the AIO

The 49th Conference and General Assembly of the AIO was held from 27 to 31 May 2023 in Algiers, Algeria, under the theme «Insurance’s contribution to the challenges of food security in Africa». The opening ceremony was chaired by His Excellency Aïmene Benabderrahmane, Prime Minister of Algeria, who stressed the importance of addressing the impact of climate change on food security, improving regulatory frameworks and enhancing the role of the insurance sector in supporting agriculture. The progress of the Algerian insurance industry was discussed, including market reforms since 1995 which will result in a tripling of the market size to USD 1.1 billion by 2022. The event aimed to strengthen cooperation, share risk management lessons and promote the African reinsurance market as a whole. Some 1600 participants attended the conference, including 1586 in person and 14 virtually, including notable figures such as Dr Ben Kajwang, President of the AIO, and Yousef Benmicia, President of the Union of Algerian Insurance Companies (UAR).

The conference focused on the theme «Insurance Contribution to Food Security Challenges in Africa» and featured a total of 31 speakers in eleven sessions over the three days. The keynote address was delivered by the UNDP Country Director in Algeria.

The 31 speakers, moderators and panellists included:

1. Blerta Aliko – UNDP Resident Representative in Algeria – Keynote presentation
2. Linet Odera – UNDP Insurance and Risk Finance Facility Programme Manager – UNDP panel on promoting agricultural insurance in Africa
3. Mathieu Dubreuil – Senior Programme Advisor for Climate and Disaster Risk Financing and Insurance at the World Food Programme, Climate and DRR Programmes Division – UNDP Panel on Promoting Agricultural Insurance in Africa
4. Ewan Wheeler – CEO, ACRE Africa – UNDP Panel on Promoting Agricultural Insurance in Africa
5. Thomas Dubecq – Managing Director, Guy Carpenter – UNDP Panel on Promoting Agricultural Insurance in Africa
6. Bhogal Tashia – Head of Property, Engineering and Agriculture Treaty, Munich Re – Tackling the risks of climate change on food security: The Insurance Factor
7. Chems Eddine Kassali – Regional Director, Middle East and North Africa, Gallagher Ré – Public-Private Catastrophe Risk Transfer Schemes: Bringing Resilience to Scale in Africa
8. Antoine Bavandi – Global Head of Public Sector, Parametric & Climate Resilience Solutions Practice, Gallagher Re – Public-Private Catastrophe Risk Transfer Schemes: Bringing resilience to scale in Africa
9. Elias Omondi – Principal, Innovation for Resilience, The Nairobi Declaration on Sustainable Insurance – Leadership for the long term: The insurance industry's role in driving a sustainable future
10. Eric Kiboi – Senior IT Consultant, SoftClans Technologies Limited – Panel on the rapid evolution of the insurance industry in Africa: The Rising Importance of Microinsurance and Insurtechs for Food Security Solutions
11. Prasanna Miapuram – Co-Founder, SwiftAnt FZ LLC – Panel on the Rapid Evolution of the Insurance Industry in Africa: The Rising Importance of Microinsurance and Insurtech for Food Security Solutions
12. SAIS Nacer – PDG de la CAAT – Panel on the rapid evolution of the insurance industry in Africa: The growing importance of microinsurance and insurtech for food security solutions
13. Najwa El Iraki – Business Development and Financial Expert for Africa, Lloyd's General Representative, North & West Africa – Panel on the rapid evolution of the insurance industry in Africa: The Rising Importance of Microinsurance and Insurtech for Food Security Solutions
14. Dr Grace Muradzikwa – Commissioner of Insurance Zimbabwe – Panel on «The Role of Regulation and Supervision in Supporting and Enabling Wider Access to Index-based Agricultural Insurance Products in Africa»
15. Margo Black – President, W-SAFE - Panel on «The Role of Regulation and Supervision in Supporting and Enabling Wider Access to Index-based Agricultural Insurance Products in Africa»
16. Chukwuemeka Akwiwu – Group Executive Director, Continental Re – Panel on «The Role of Regulation and Supervision in Supporting and Enabling Wider Access to Index-based Agricultural Insurance Products in Africa»
17. Yvonne Mujuru – Chief Consultant, Serala Risks – Panel on «The Role of Regulation and Supervision in Supporting and Enabling Wider Access to Index-based Agricultural Insurance Products in Africa»
18. Antoine Bavandi – Global Head of Public Sector, Parametric & Climate Resilience Solutions Practice at Gallagher Re – Developing Parametric Insurance Solutions to Improve Agricultural Production in Africa
19. Sylvia Mwangi – Drive Project Lead, ZEP-RE – The DRIVE Project: Innovating Pastoral Food Security
20. Jerry Gideon – Vice President & Senior Underwriter Agriculture, Swiss Re – The DRIVE Project: Innovating Pastoral Food Security
21. Benhabiles Cherif – Director General of the National Agricultural Mutual Fund – Microinsurance Workshop
22. Pranav Prashad – Technical Lead, ILO Impact Insurance Facility initiatives on climate change, disaster and climate risk and agricultural insurance, distribution and building scale and efficiency through the use of technology in insurance – Microinsurance Workshop
23. Stephanie Soedjede – Africa Regional Manager, Microinsurance Network – Microinsurance Workshop

24. Lulama Mafunda – Manager in the Prudential Authority of the South African Reserve Bank – Microinsurance Workshop
25. Abdul-Rasheed AKOLADE – Assistant Director, Underwriting and Marketing (Life Operations) – Life Seminar
26. Nkwenti Mbelli Njah – Group Head Life & Health Operations, Continental Re – Panel on the AIO Mortality Table Project
27. Laura Llewellyn-Jones – Director, Callund Consulting Limited – Panel on the AIO Mortality Table Project
28. Sahib Singh Khosla – President, The Actuarial Society of Kenya (TASK) – Panel on the AIO Mortality Table Project
29. Shafique Bhunnoo – Senior Actuary, QED Actuaries & Consultants, Mauritius and President of the Actuarial Society of Mauritius – Panel on the AIO Mortality Table Project
30. Dr Ben Kajwang – AIO President and CEO, College of Insurance, Nairobi – Round Table between the AIO Executive Committee and Supervisors
31. Lulama Mafunda – Manager in the Prudential Authority of the South African Reserve Bank – Round table between AIO Executive Committee and Supervisors

During the 49th AIO Conference, the 2023 AIO Life Seminar focused on the inclusion of life insurance as a protection mechanism for food producers, with Abdul-Rasheed AKOLADE as the AIO speaker. The AIO Mortality Table project was launched at the Life Seminar with speakers including Nkwenti Mbelli Njah, Laura Llewellyn-Jones, Sahib Singh Khosla and Shafique Bhunnoo.

The Microinsurance Workshop, a joint initiative of the AIO, the ILO and the Access to Insurance Initiative, was a key session of the conference, with speakers Benhabiles Cherif, Pranav Prashad, Stephanie Soedjede and Lulama Mafunda discussing various aspects of microinsurance.

Impressions of the 49th AIO Conference and General Assembly

AIO'S 26TH AFRICAN REINSURANCE FORUM

The 26th African Reinsurance Forum was held from 1 to 5 October 2022 in Lome, Togo. The theme of the event was «Sustainable Growth: The Role of African Reinsurers in Economic Growth and Development». The opening ceremony was chaired by Sani Yaya, Togo's Minister of Economy and Finance. Other dignitaries in attendance included Dr Ben Kajwang, President of the AIO, Jean Baptiste Ntukamazina, Secretary General of the AIO, and Gouem Simon Pierre, Chairman of the Local Organising Committee. Nearly 270 people attended the event.

In 1995, the AIO established the African Reinsurance Forum in response to the limited participation of African insurance stakeholders in global reinsurance events, such as the Rendez-Vous de Septembre in Monte Carlo and others. The Forum facilitates bilateral exchanges, networking, exhibitions and discussions on industry challenges and solutions. It addresses the historical absence of African insurance market issues in global discussions and encourages collaboration amongst industry leaders.

The event featured 10 speakers and one moderator:

1. Ken Aghoghovbia – Deputy Managing Director/Chief Operating Officer, Africa Re – Keynote speaker
2. Karim Diarassouba – Managing Director, CICA RE – Presenter on the role of reinsurers in stimulating industry growth and development
3. Richard Lowe – Chairman of ACTIVA Group - Panel on «General overview of global reinsurance trends»
4. Thomas Dubecq – Managing Director, Guy Carpenter – Panel on «General overview of global reinsurance trends»
5. Nkejane Mofokeng – Casualty Facultative Underwriter, Munich Re – Panel on «General overview of global reinsurance trends»
6. Phocas Nyandwi – Director, Central Operations & Special Risks,
   Africa Re – Panel on «General Overview of Global Reinsurance Trends»
7. Adama Ndiaye – Managing Director, Sen Re – Panel on «Mitigating externalisation of premiums: Challenges and opportunities»
8. Abiba Zakariah – Group Chief Operating Officer, WAICA Re – Panel on «Mitigating externalisation of premiums: Challenges and opportunities»
9. Martin Mati – Senior Manager, Research and Analytics, Kenya Re – Panel on «Mitigating externalisation of premiums: Challenges and opportunities»
10. Driss Rhafes – Chief Executive Officer, CFPA/Edukateam, Morocco – Moderator of the panels «General overview of global reinsurance trends» and «Mitigating externalisation of premiums: Challenges and opportunities»
11. Godfrey Chingono – Sector Head, GCR-Ratings – Presenter on
    «Improving the regulatory environment in Africa to support innovation and growth»

REPUTATION BUILDING

The AIO strengthens the positive perception of the insurance 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 for members to use.

During its 49th Conference in Algeria, the AIO organised a round table with the participation of regulators and its Executive Committee. The discussions resulted in a set of recommendations focusing on two key issues:

1. RECOMMENDATION TO REDUCE THE OUTFLOW OF INSURANCE PREMIUMS IN AFRICA

- Establish a regulatory framework that limits the externalisation of insurance premiums from Africa and encourages deliberate retention within the continent.
- Extend national and regional restrictions to a pan-continental approach, similar to the Conférence Interafricaine des Marchés d'Assurances (CIMA) case, recognising that the challenge extends beyond individual African states.
- Develop a dashboard to monitor externalised portfolios, with a concerted effort to retain them within Africa.
- Present a comprehensive report on this issue to the General Assembly by inviting the OAISA.
- Jointly formulate modern and harmonised regulatory frameworks to address continent-wide insurance issues.
- Facilitate the movement of capital through regulatory frameworks to develop an actionable implementation plan.

2. RECOMMENDATIONS TO PROMOTE INCLUSIVE INSURANCE GROWTH

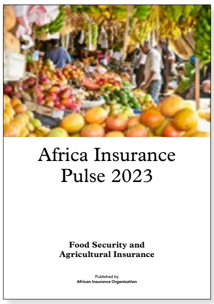
- Enable the creation of regulatory frameworks for inclusive insurance tailored to the specific needs of individual African countries.
- Ensure that regulatory measures and legislation support rather than hinder the development of inclusive insurance initiatives.

RESEARCH

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

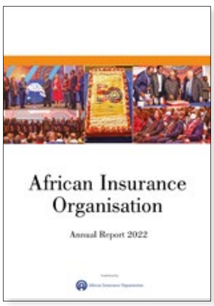
- The AIO will offer and develop a collection of data on African insurance markets.
- The AIO will analyse the data, identify trends and translate these into key themes and thought leadership contributions.
- The AIO will use the identified issues and thought leadership for agenda-setting in advocacy.

Since 2016, the AIO has published 14 research reports in English and French to strengthen Africa's re/insurance markets. From 2021, we have introduced the AIO Annual Report, which provides an overview of our activities and achievements, as well as an annual assessment of the insurance market. Each year it also addresses a current key issue in the insurance industry.



2023 Africa Insurance Pulse on «Food Security and Agricultural Insurance»

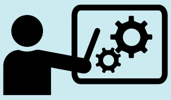
Despite the vital economic role of agriculture in Africa, the development of agricultural insurance, a key protection against disasters and risks for farmers, lags behind. The sector faces low coverage and a limited product range. The 2023 Africa Insurance Pulse, prepared by Faber Consulting for the African Insurance Organisation, highlights positive growth indicators due to rising farmer demand for weather-related risk management, advances in technology and better risk assessment.



2022 African Insurance Organisation Annual Report

This comprehensive document not only chronicles the AIO's notable achievements and future endeavours, but also serves as a platform to highlight recent developments and emerging patterns in the area of environmental, social and governance (ESG) considerations within the complex landscape of African insurance markets.

TRAINING



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

- The AIO will analyse and define the training needs of its members.
- The AIO will 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.

Through a series of webinars, including virtual training sessions, the AIO delivered effective knowledge sharing for industry development.

1. The AIO, in collaboration with W-SAFE Re, successfully conducted two virtual training sessions on agricultural insurance. These sessions brought together 367 English-speaking participants and 194 French-speaking participants in February 2023. The training sessions focused on the critical role of agricultural insurance in improving food security and strengthening farmers' resilience to climate change in Africa.
2. On 1 March 2023, the AIO and the African Insurance Brokers Association (AIBA) jointly hosted a webinar on the impact of climate change on the insurance market. The event attracted 230 participants and provided a platform for insightful discussions.
3. A significant milestone was reached on 10 May 2023 when the AIO Secretariat, in collaboration with the Association of African Women in Insurance (AIWA), co-hosted a webinar focused on the empowerment of women in the African insurance industry. The event facilitated meaningful conversations and initiatives to promote gender diversity and inclusivity in the sector.

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

Food security was the main theme of the 49th General Assembly of the African Insurance Organisation (AIO). Why was this?

Food security is a global emergency, but one that is most acute in Africa. As per the 2023 findings of the African Insurance Pulse published by the AIO, 58% of Africa's population is experiencing either moderate or severe food insecurity, the highest percentage of any world region. Achieving food security requires concerted and collective action by international organisations, governments, civil society and the private sector to ensure that everyone has access to nutritious and affordable food. The insurance sector can make an important contribution to food security by improving agricultural productivity and resilience.

How can the insurance sector help farmers to thrive in the face of climate change and potentially break the cycle of poverty?

Agricultural insurance, in particular, provides multiple benefits for sustainable farming and food security in the region. It acts as a safety net, preventing farmers from falling into poverty when crops fail or disasters strike. It reduces the vulnerability of smallholder farmers to climate change by providing financial resources for the adoption of new technologies. It also improves farmers' creditworthiness, facilitating access to capital for agricultural investment. By providing certainty to farmers and other investors, it attracts more investment in agriculture, leading to increased productivity. Finally, agricultural insurance encourages the adoption of innovative technologies and practices, improving food security by increasing yields and reducing risks.

What were the most salient resolutions and recommendations that emerged from the discussions amongst members on food security?

The discussions amongst the members resulted in several important resolutions and recommendations concerning food security. Two key points stand out.

Firstly, the rising threat posed by climate change and a more complex risk environment is already impacting Africa and its agricultural sector. To address this, urgent action and large-scale resilience plans are required. Public-private partnerships (PPP) were hailed as a crucial framework that can align the interests of all stakeholders and foster a sustainable ecosystem for resilience and growth.

Secondly, that achieving these goals necessitates the implementation of sound analytics and well-informed decision-making. Drawing on international experiences and the lessons learned from successful ex-ante risk financing schemes and PPP's of recent decades will be essential in this process.

What is the growth potential of the African insurance sector?

The potential for growth of the African insurance sector is huge. Although climate change and weather-based natural catastrophes are global challenges that some may shy away from, they also constitute opportunities for the industry to develop new products and increase income streams. As traditional insurance products show their limitations, the industry should leverage mass insurance, technology and innovative product solutions to support emerging risks.

What were further outcomes of the 49th General Assembly?

Numerous resolutions and recommendations were generated, with each session presenting its perspectives and suggestions for future deliberation. Here is an overview of the tasks that lie ahead based on the outcomes of the assembly.

Build resilience in an increasingly complex risk environment. The threat of climate change and an increasingly complex risk environment is already affecting Africa's agricultural sector. Prompt action and at-scale resilience plans are required. Public-private partnerships (PPP) offer a much-needed framework to align stakeholder interests and create a sustainable ecosystem where resilience can be strengthened, and re/insurance can thrive. This requires sound analytics and well-informed decision-making, leveraging international experience and lessons learnt from the past 20 or so years of success stories around ex-ante risk financing schemes and PPPs.

Promote sustainability, risk mitigation and the transition to a low-carbon economy. By incentivising environmentally friendly actions and investments, insurers can help to mitigate risk. Through trend analysis and future risk predictions, insurers can leverage their unique understanding of risk to help individuals and businesses make informed decisions that promote long-term sustainability. By investing in green bonds that finance environmentally friendly projects, insurers can help to drive the transition to a low-carbon economy and promote sustainable development. By adopting environmentally friendly practices in its own operations, the industry can lead by example, such as by reducing its own carbon footprint, investing in renewable energy and promoting sustainable practices among its employees and clients.

Enable innovation. By working more closely with insurance regulators, especially in product development, insurers can enhance and grow the agricultural space. Regulation can also help create opportunities for innovation by creating regulators' sandboxes or innovation hubs.

Maximise the benefits and capabilities of technology. Microinsurance and InsurTech – leveraging mobile technology, digital platforms, data analytics and artificial intelligence – can be used to develop customised insurance products and more accurately assess risk, while also building resilience against climate-related disruptions.

Help parametric solutions to thrive. These solutions offer simple, cost-efficient and highly customisable access to re/insurance – particularly where indemnity insurance would be unaffordable or too slow to pay claims. The insurance industry should be working hand in hand with the public sector (Ministries of Finance and/or Agriculture, Regulator) to design the financial ecosystem required for parametric agricultural insurance to thrive. This includes identifying strong alignments of interest between public and private partners to ensure that pricing, subsidies, triggers and scope of cover are sustainable and respond to the needs and requirements of all parties.

Accelerate market development and increase insurance penetration. Facilitating regulations can help build capacity amongst stakeholders, generate knowledge and help with peer-to-peer exchanges that can accelerate market development.

Strengthening of the African insurance sector and inclusive insurance through regulatory measures. Efforts should be made to create a robust insurance sector in Africa that minimises premium losses by implementing regulatory frameworks that restrict the externalisation of premiums. A continental approach is advocated, extending national/regional restrictions and promoting cooperation amongst African states to collectively strengthen the industry. In addition, regulators need to focus on developing inclusive insurance frameworks and ensure that regulations and legislation do not hinder the growth of inclusive insurance in different African countries.

As Secretary General of the AIO, you have recently drawn up a strategic plan for the next five years. What are the main areas of focus for the AIO?

The AIO has a strategic plan for the next five years that will be up for board approval shortly. The core focus of our organisation will remain on the key areas of advocacy, training, capacity building, events and networking, all aimed at enhancing market reputation.

With a particular focus on the African insurance sector, we are committed to contributing to the development of the industry within the African Continental Free Trade Area (AfCFTA). Our primary objective is to actively participate in the development of new regulatory frameworks that facilitate the integration of financial services.

We also believe strongly in promoting the free movement of labour across Africa. To achieve this, we will focus on harmonising education and training initiatives, bridging the gap between theoretical education and practical work skills. By equipping young people with vocational skills, we aim to increase their employability and professionalism, thereby contributing to the overall growth and progress of the continent.

The AIO’s key milestones since its beginnings in Mauritius

1972

Foundation of the AIO in Port Luis, Mauritius and first conference, an initiative of Robert Woorthorpe-Browne

1973

Opening of the AIO Annual General Meeting in Nairobi, Kenya

The Nairobi Conference was held from 25 to 29 June 1973, with the theme «Organisation and Operation of Insurance Companies»

1983

AIO establishes the first insurance pool – the African Aviation Pool in Libreville

1984

AIO moves to Cameroon after signing a Headquarters Agreement with the Government of the Republic of Cameroon

1995

The first AIO Reinsurance Forum is held

1997

AIO celebrates its 25th anniversary in Cairo, Egypt

2012

AIO celebrates its 40th anniversary in Mauritius

2016

Launch of the African Insurance Pulse, AIO’s first research publication

2019

Launch of the AIO Strategic Plan 2019–2024, including vision, mission and strategic objectives

2022

Celebration of the AIO’s 50th anniversary in Nairobi, Kenya, and signing of the Nairobi Declaration on Sustainable Insurance

2023

1600 delegates attend the 49th AIO Conference in Algeria, AIO membership reaches 400 and two new associations are accepted as AIO bodies – The African Insurance Women Association (AIWA) and the African Network of Insurers Association (ANIA)

Benhabiles Chérif, current President of the AIO, and Dr Ben Kajwang, former President of the AIO, at the 49th AIO Conference and General Assembly in Algeria.

The AIO's members – an overview

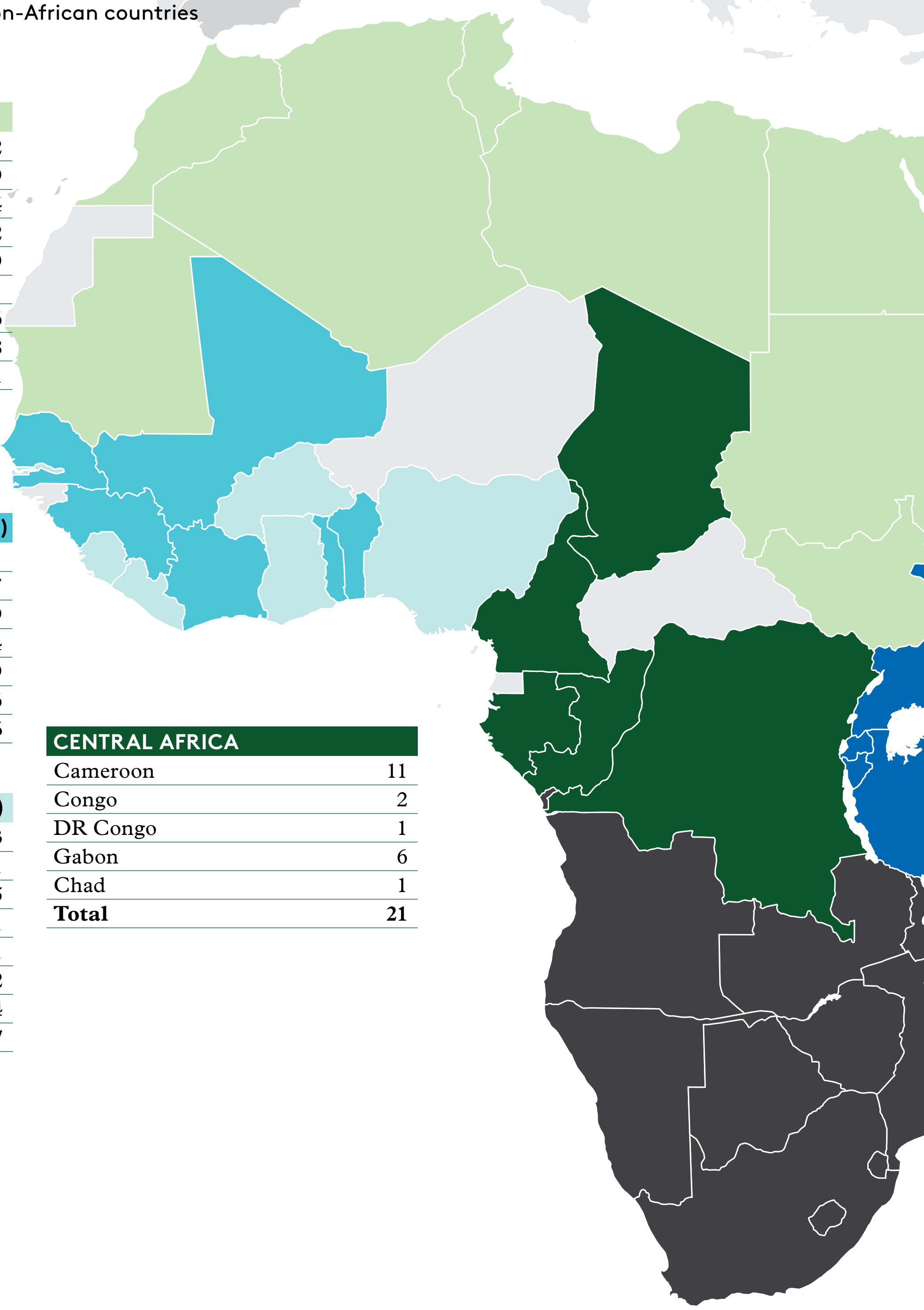
The AIO is a truly African institution with 400 members from 47 African countries and 12 non-African countries (June 2023).

NORTH AFRICA	
Algeria	12
Egypt	9
Libya	4
Mauritania	2
Morocco	9
South Sudan	1
Sudan	16
Tunisia	8
Total	**61**

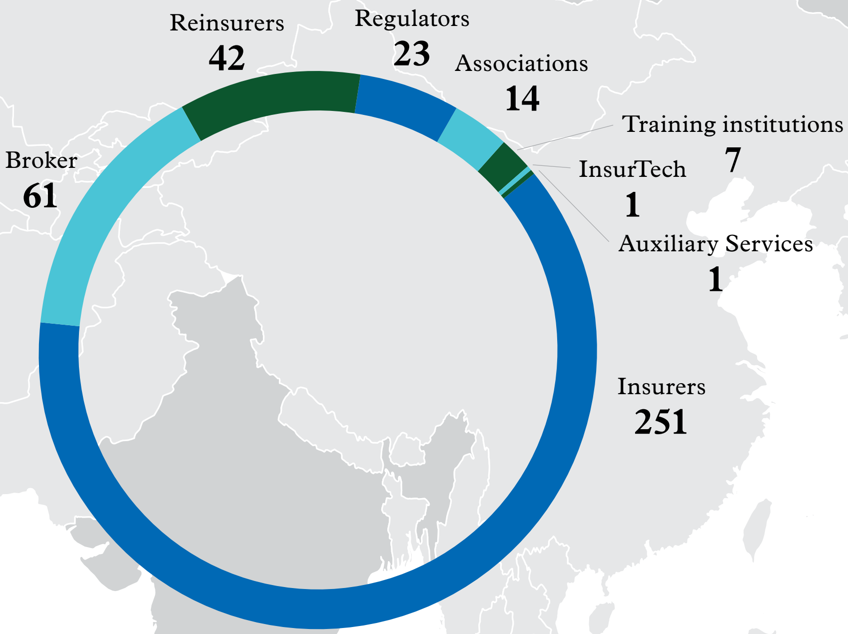
WEST AFRICA (ENGLISH SPEAKING)	
Cape Verde	1
The Gambia	7
Ghana	39
Liberia	4
Nigeria	69
Sierra Leone	6
Total	**126**

WEST AFRICA (FRENCH SPEAKING)	
Benin	3
Burkina Faso	1
Cote d'Ivoire	15
Guinea	1
Mali	1
Senegal	2
Togo	4
Total	**27**

CENTRAL AFRICA	
Cameroon	11
Congo	2
DR Congo	1
Gabon	6
Chad	1
Total	**21**



AIO’s membership structure by type



EAST AFRICA	
Burundi	4
Djibouti	1
Eritrea	2
Ethiopia	13
Kenya	21
Madagascar	2
Mauritius	9
Rwanda	10
Seychelles	2
Tanzania	9
Uganda	8
Total	**81**

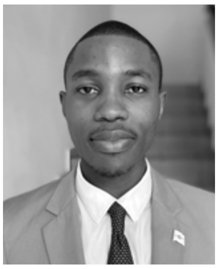
SOUTHERN AFRICA	
Angola	2
Botswana	4
Lesotho	1
Malawi	5
Mozambique	4
Namibia	4
South Africa	18
Swaziland	2
Zambia	11
Zimbabwe	13
Total	**64**

INTERNATIONAL ASSOCIATES	
Australia	1
Bahrain	1
Germany	1
India	3
Ireland	1
Jordan	1
Oman	1
Portugal	1
Russia	1
United Kingdom	9
Total	**20**

African Insurance Organisation's – Management & Executive Committee

AIO 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

Tchapet Olivia
Assistant Accounting Officer

Madeleine Edimo
Assistant Accounting Officer

EXECUTIVE COMMITTEE OF THE AIO FROM JUNE 2023 TO JUNE 2024

Benhabiles Cherif

Current President

Managing Director, Caisse Nationale de Mutualité Agricole

Algeria

Patty Karuaihe-Martin

Vice President

Managing Director, Namibia National Reinsurance Corporation

Namibia

Dr. Ben Kajwang

Immediate Past President

CEO and Director of the College of Insurance Nairobi

Kenya

Dr. Corneille Karekezi

Member

Group Managing Director and CEO, African Reinsurance Corporation

Nigeria

Georges Léopold Kagou

Member

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

Cameroon

Dr. Andrew Crépin Gwodog

Member

Managing Director, Gabonese Commercial Reinsurance Companie

Gabon

Seth Aklasi

Member

Chief Executive Officer, Donewell Insurance Company Ltd

Ghana

Alhaj Kaddunabbi Ibrahim Lubega

Member

CEO, Insurance Regulatory Authority

Uganda

EXECUTIVE COMMITTEE OF THE AIO FROM JUNE 2023 TO JUNE 2024 (CONTINUED)

Bachir Baddou

Member

CEO, Compagnie d'Assurance Transport

Morocco

El Haji A.W. Seybatou

Member

Chairman and CEO, AVENI-RE

Ivory Coast

Lamia Ben Mahmoud

Member

CEO, Tunis Re

Tunesia

Thomas Olorundare Sunday

Member

Commissioner for Insurance, National Insurance Commission

Nigeria

Omar Gouda

Member

Managing Director, Misr Insurance Company

Egypt

Thusang Mahlangu

Member

CEO, Allianz Global Corporate & Specialty Africa

South Africa

David Nyabadza

Member

CEO, NicozDiamond Insurance

Zimbabwe

Eddie Efekoha

Member

Managing Director and CEO, Consolidated Hallmark Insurance Plc.

Nigeria

Pa Alieuh Sillah

Member

Commissioner of Insurance,
Central Bank of the The Gambia

The Gambia

Peter Maina

Member

CEO, East Africa Reinsurance
Company Limited

Kenya

Raymond H. S. Macauley

Member

Managing Director, Aureole
Insurance Company

Sierra Leone

Boubacar Bah

Member

Director of Insurance Supervision

Republic of Guinea

Abdallah Benseidi

Member

CEO, Compagnie Centrale de Réassurance – CCR

Algeria

Tope Smart
(mandate ended in June 2023)

Member

Managing Director/CEO,
NEM Insurance Plc

Nigeria

Africa's insurance sector in figures

ECONOMIC OVERVIEW

African economies recovered in 2022, but multiple headwinds weighed on growth

In 2022, African economies saw a consolidated recovery from the devastating effects of the COVID-19 pandemic, but faced new challenges in an uncertain global environment, according to the African Development Bank. Tighter global financial conditions, spillovers from Russia's invasion of Ukraine, subdued global growth and the rising impact from climate change, all weighed on Africa's growth momentum. Despite these headwinds, Africa showed remarkable resilience, with real GDP growth estimated at 3.8 % in 2022, above the global average of 3.4 %. Only Libya and South Sudan experienced negative growth.[1]

Economic growth in Africa was clouded by high inflation due to rising food and energy prices, with 18 countries experiencing double-digit inflation rates (for more on the impact of inflation on African economies, see next chapter). Consequently, governments were under pressure to increase social spending and support vulnerable populations. Tightening global financial conditions and the appreciation of the US dollar increased debt servicing costs, adding to the strain.

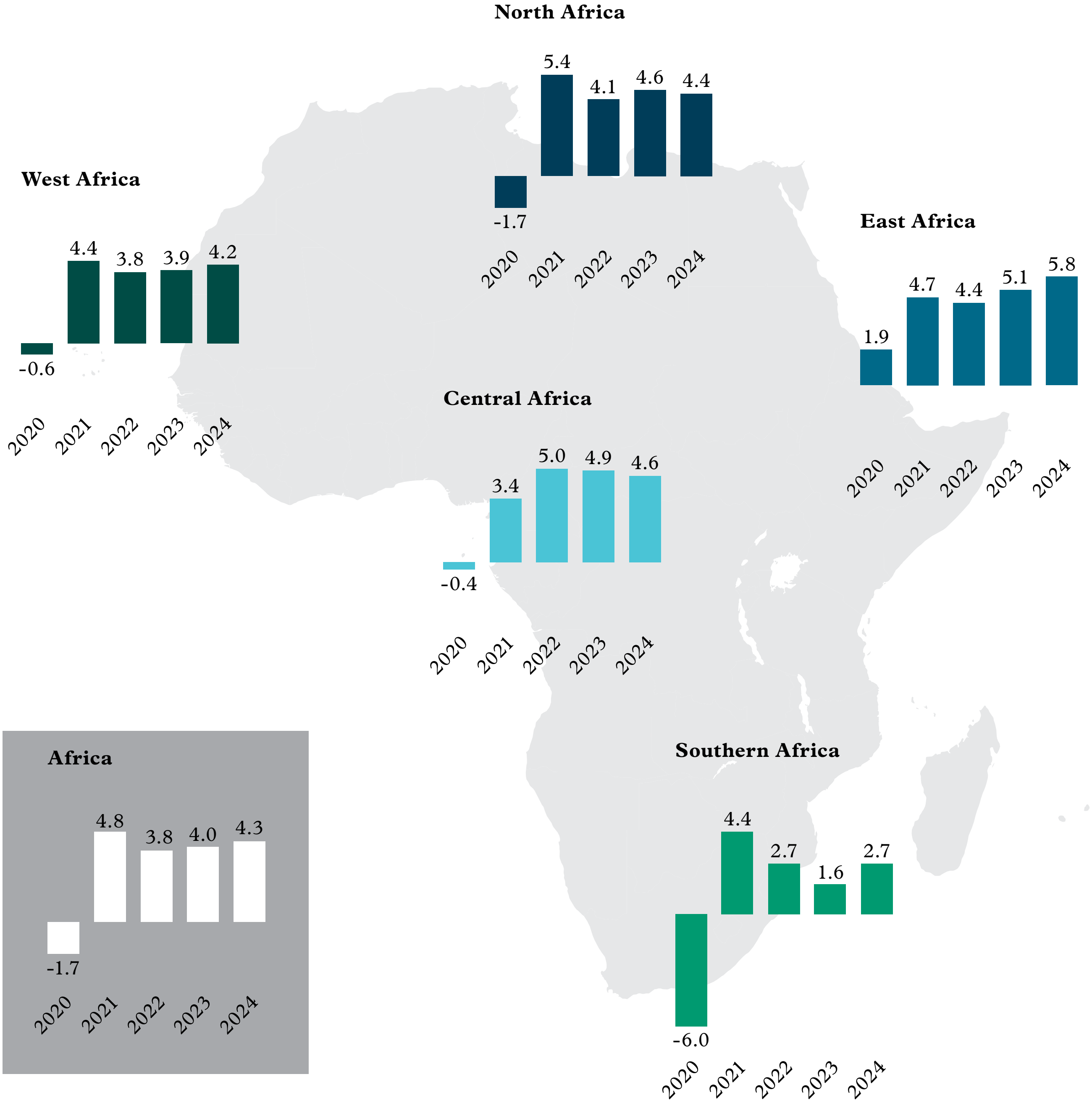
Moreover, food security became a major concern as soaring commodity prices, geopolitical tensions and climate-related disasters threatened the continent's stability. For example, Egypt, one of Africa's largest economies, ranked sixth in the World Bank's list of countries most affected by food inflation. Egypt reported nominal and real food inflation of 63 % and 30 % respectively.

Climate change continued to pose significant threats to lives, livelihoods and economic activity. The devastating floods in West Africa between June and November 2022 highlighted Africa's vulnerability to climate change, displacing around 1.4 million people and damaging over 500,000 hectares of farmland. Despite these challenges, 2022 saw a notable increase in regional cooperation on trade and broader geopolitical engagement.[2]

1 ADB, African Economic Outlook 2023, 24 May 2023
2 Oxford Business Group, Year in Review 2022: Africa, 19 December 2022

RIDING THE ECONOMIC WAVE: CENTRAL AFRICA SOARS, SOUTHERN AFRICA STRUGGLES WITH GDP GROWTH

Chart 3: GDP growth performance and outlook in %, inflation-adjusted, by African region, 2020 to 2024
Source: African Development Bank statistics.



In 2022, Central Africa witnessed a notable upswing in economic expansion, as evidenced by a significant increase in its real GDP growth rate to 5.0 %, up significantly from 3.4 % in the previous year, according to data from the African Development Bank. This rejuvenated economic dynamism was fuelled by favourable trends in commodity prices, particularly in a geographical area that includes countries that are net exporters not only of crude oil but also of minerals and various other commodities. It is worth noting that this regional upturn in economic momentum was significantly underpinned by the Democratic Republic of the Congo, which achieved a substantial real GDP growth rate of 8.5 % over the same period.[3]

East Africa's real GDP growth slowed from 4.7 % in 2021 to 4.4 % in 2022 - the second highest growth rate in Africa. This deceleration was attributed to the global economic slowdown, higher consumer prices, adverse weather conditions and rising public debt. Services sector played a significant role in East Africa's economic growth, contributing almost half of the total growth in 2022, benefiting from the region's natural attractions, urbanisation and the emergence of a middle class. While the region's macroeconomic fundamentals remained relatively stable, challenges persisted, including inflation and fiscal deficits, with several East African countries facing external sector problems due to high import bills, weak export recoveries and increased external debt servicing costs.[4]

North African countries were faced with rising inflation and slow growth recovery, exacerbated by external shocks from the COVID-19 pandemic and the impact of Russia's war. Real GDP growth in the region was moderate at 4.1 % in 2022, lower than the previous year and uneven across countries due to disruptions in global supply chains and commodity price pressures. Rising inflation led to restrictive monetary policies in most North African countries, while public debt and financing needs remained high, threatening food security and increasing poverty and unemployment.[5]

In 2022, West Africa's average GDP growth slowed to 3.8 % from 4.4 % in 2021 due to various factors, such as the resurgence of COVID-19 in China, West Africa's main trading partner; Russia's invasion of Ukraine, which caused inflationary pressures in net food, fuel and fertiliser prices in importing countries; monetary tightening in advanced economies, which led to global risk aversion, contributing to exchange rate pressures; and finally, ongoing security-related challenges. With the exception of a few countries, including Cabo Verde, Gambia, Guinea, Mali and Niger, GDP growth has slowed across the region.[6]

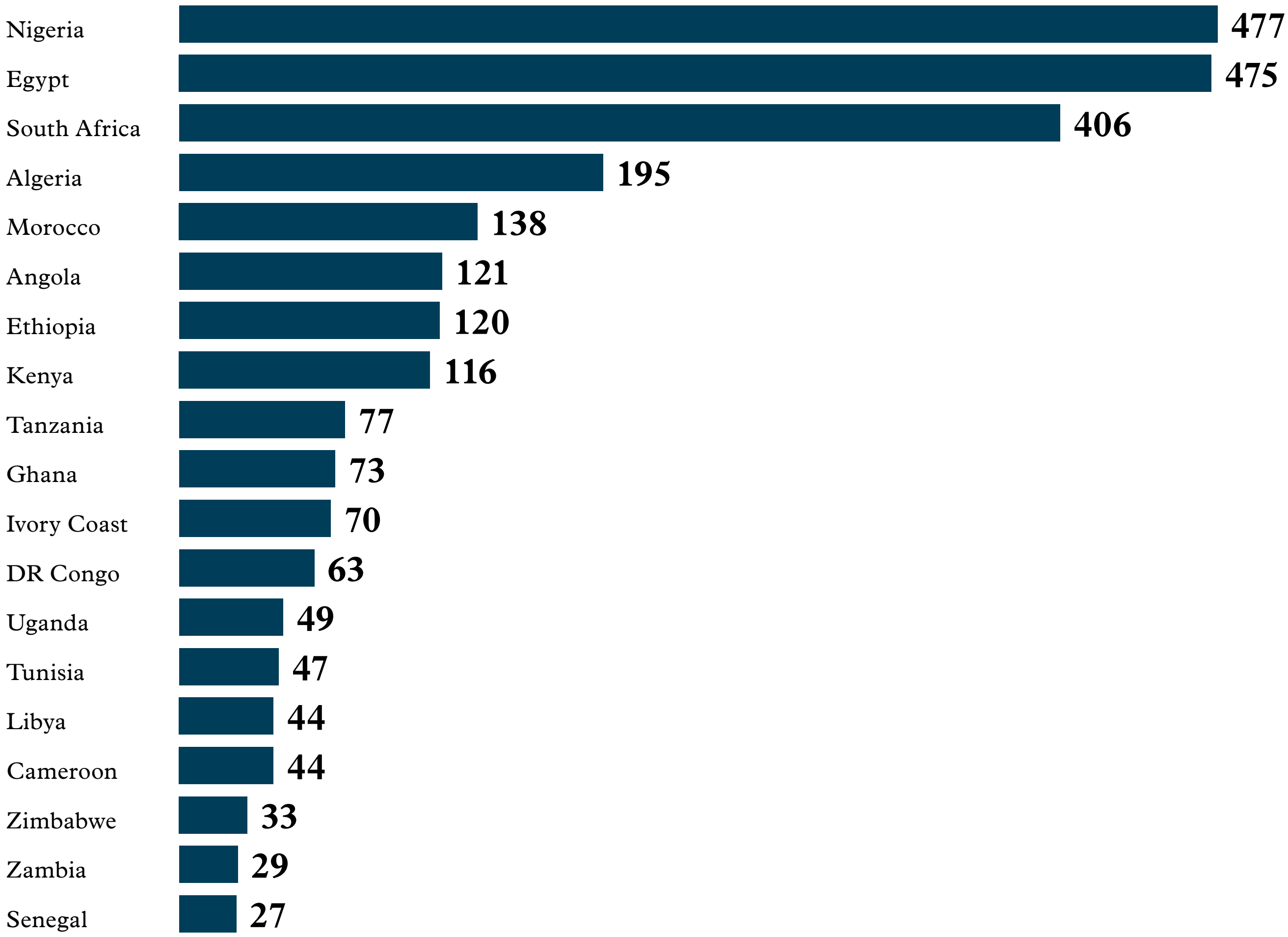
Southern Africa's economic performance in 2022 was well below the global and African averages, with real GDP growth of just 2.7 % due to a sluggish performance in South Africa caused by civil unrest, natural disasters, anti-immigrant protests, a pre-election cost-of-living crisis and an electricity crisis. However, some countries in the region, such as Angola, experienced a strong economic recovery due to favourable oil prices. The diamond industry also performed well, benefiting Namibia and Botswana with higher prices and market share. In addition, the easing of global travel restrictions led to a rebound in tourism in countries such as Botswana and Mauritius supporting their economic growth.[7]

The economic outlook for Africa as a whole remains positive, with a projected real GDP rebound to 4 % in 2023 and further consolidation to 4.3 % in 2024. In particular, 18 African countries are expected to grow at rates above 5 % in 2023, rising to 22 countries in 2024.

3 ADB, Central Africa Economic Outlook 2023, 31 July 2023
4 ADB, East Africa Economic Outlook 2023, 28 July 2023
5 ADB, North Africa Economic Outlook 2023, 26 July 2023
6 ADB, West Africa Economic Outlook 2023, 31 July 2023
7 ADB, Southern Africa Economic Outlook 2023, 24 July 2023

Nigeria, Egypt and South Africa: the major economic powerhouses are experiencing a loss of momentum.

Chart 4: 2022 GDP, current prices, largest 19 African economies (in USD billion)
Source: IMF, World Economic Outlook, April 2023. Estimates start after 2020 (Ivory Coast), 2022 (Egypt, Nigeria, South Africa) and 2021 (for all other countries).



Looking at individual African countries, the three largest economies in 2022 were Nigeria, followed by Egypt and South Africa.[8]

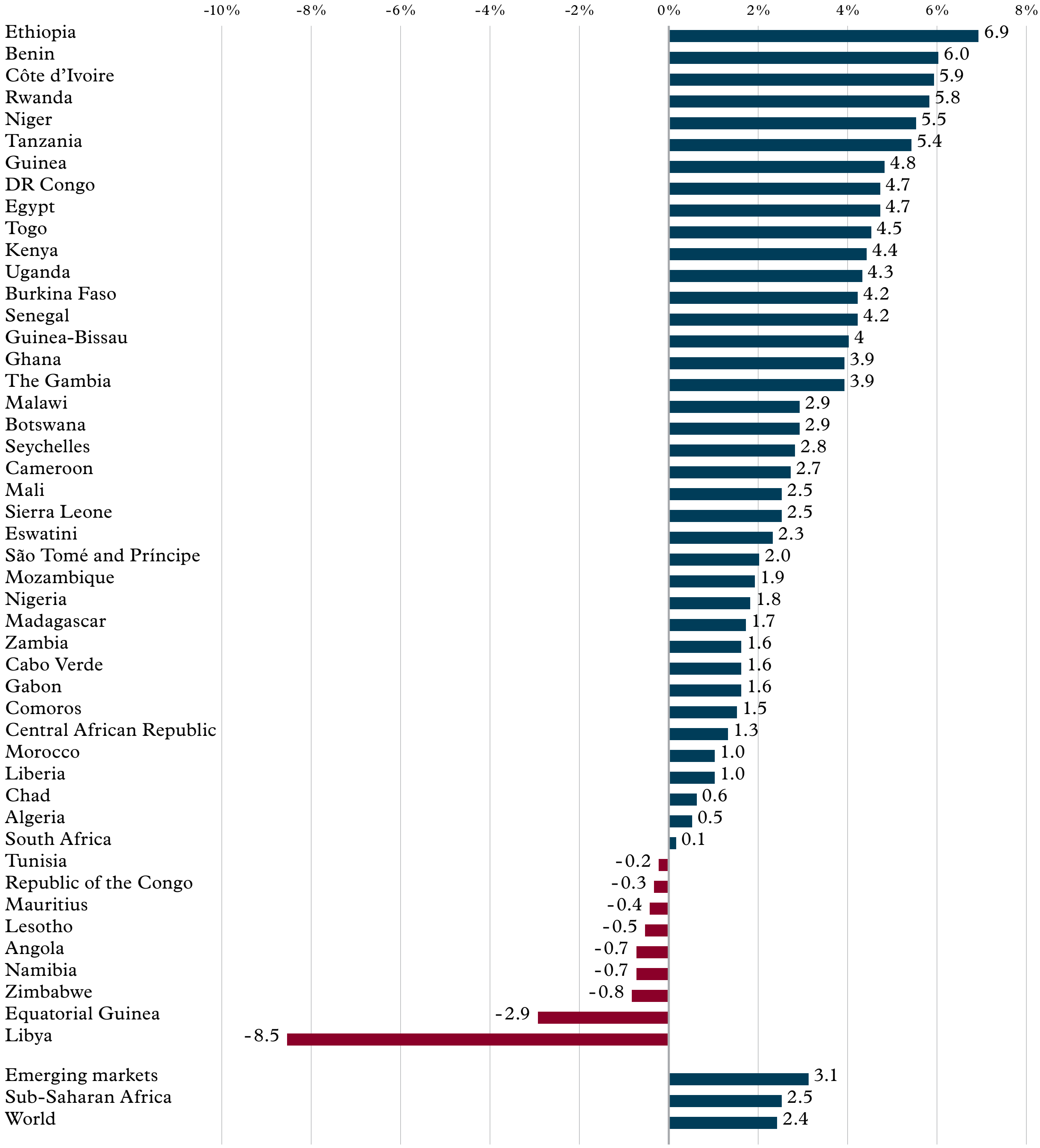
Nigeria, Africa's largest economy and leading oil producer, had a GDP of USD 477 billion in 2022. Nigeria's real GDP growth slowed to 3.3 % in 2022 from 3.6 % in 2021 due to lower oil production leading to a 5 % contraction in industrials, offset by growth in services (7 %) and agriculture (2 %). On the demand side, the decline in GDP growth was driven by a contraction in public consumption (2.5 %) and net exports (80 %). Inflation peaked at a two-decade high of 18.8 %, fuelled by energy and food price increases and the effects of an exchange rate depreciation.

In 2021/22, the Egyptian economy experienced an estimated increase in real GDP growth to 6.6 %, driven by sectors such as gas extraction, communications, agriculture and construction, with manufacturing lagging behind. This growth was driven by household consumption and investment on the demand side. Inflation escalated from 4.5 % in 2020/21 to 8.5 % in 2021/22, mainly due to higher global food and energy prices and a 16 % devaluation of the Egyptian pound against the US dollar in May 2022.

In South Africa, real GDP growth fell from 4.9 % in 2021 to 2.0 % in 2022, mainly due to persistent electricity shortages, flooding in KwaZulu Natal, transport sector constraints and the global economic slowdown following Russia's invasion of Ukraine. Inflation rose from 4.5 % in 2021 to 6.9 % in 2022, driven by higher food and fuel prices, prompting the South African Reserve Bank to raise its base rate, while the South African rand depreciated from 15.3 per US dollar in January 2022 to 17.3 in December 2022.

8 ADB, African Economic Outlook 2023, 24 May 2023

Chart 5: Real GDP growth (2018–2022 compound annual growth rate)
Source: IMF, World Economic Outlook April 2022. Estimates start after 2020 (DR Congo, Guinea, Ivory Coast, Mali, São Tomé and Príncipe, Congo), 2022 (Egypt, Madagascar, Mauritius, Namibia, South Africa) and 2021 (all other countries).



RE/INSURANCE MARKET OVERVIEW

Global insurance premium growth failed to keep pace with the global economy, leading to a decline in insurance penetration

In 2022, the global insurance sector demonstrated its resilience by achieving a notable year-on-year increase in nominal premiums. However, this commendable performance must be seen in the context of rapidly rising inflation. Last year alone, the global inflation rate is estimated to have doubled from 4.3 % to 8.6 %. In real terms, therefore, the situation is less promising. Despite premium growth, 2022 saw another consecutive year of premium growth lagging overall economic growth, leading to a further decline in insurance penetration.[9]

Total real premium growth was -1.1 % in 2022, according to Swiss Re. Non-life premiums contributed only 0.5 % in real terms due to weak pricing in personal lines and inflation, but despite rate increases in commercial lines. The main offsetting factor was a decline in health business. Life premiums declined by 3.1 % in real terms as higher and persistent inflation eroded household disposable income and demand.[10]

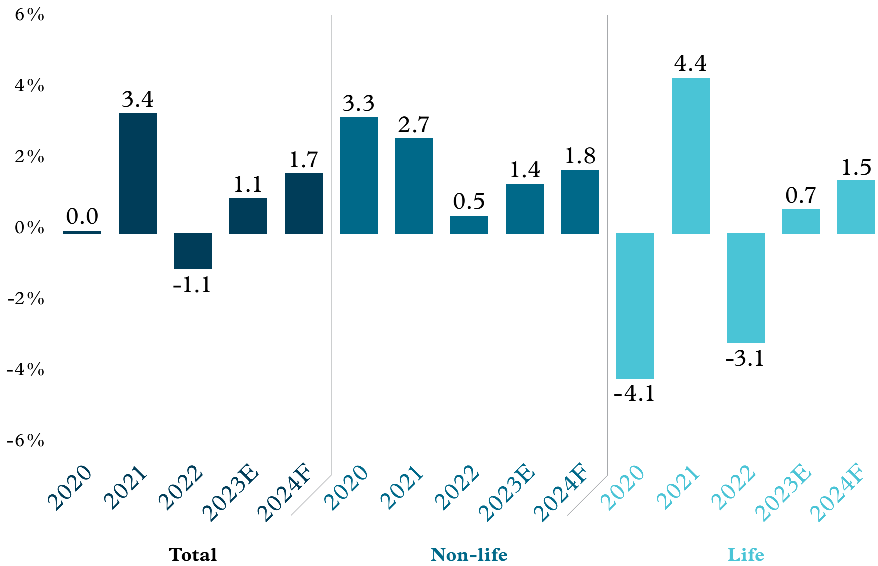
Looking ahead, the main concern for insurers is that persistent inflation and economic slowdown will have a negative impact on the insurance market. It is expected that total global premiums for both non-life and life insurance will experience below-trend real growth rates of 1.1 % and 1.7 % in 2023 and 2024 respectively. In general, insurance companies in 2023 are expected to show robust solvency ratios and financially sound balance sheets and will therefore demonstrate resilience in the face of further financial instability.

Swiss Re expects premium rates to tighten in both commercial and personal lines, supporting nominal premium growth in the non-life sector. However, there is a possibility that higher claims, driven by rising wage and medical costs, could affect the profitability of the sector.

The life insurance sector is expected to benefit from increased sales of pension plans, annuities and savings products. The existence of high interest rates will contribute to the industry's profits through improved returns on investments.

9 Allianz, Allianz Global Insurance Report 2023, May 2023
10 Swiss Re Institute, sigma 3/2023, July 2023

Chart 6: Real global insurance premium growth, 2020–2024, total, non-life and life
Source: Swiss Re Institute. E, estimated. F, Forecasted.



2022 saw a contraction in African insurance premiums, driven primarily by a sharp decline in South Africa's life insurance market

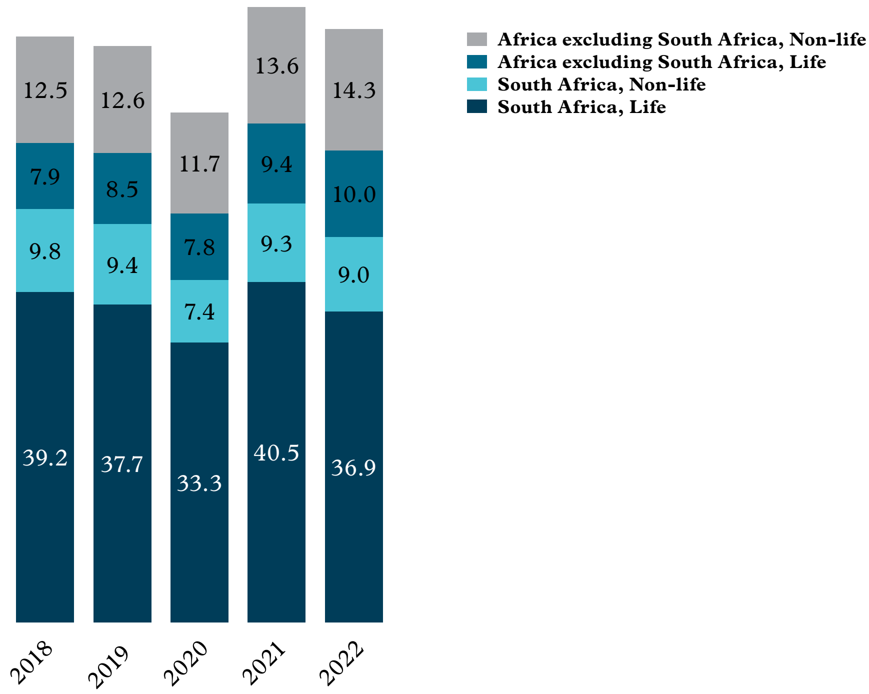
In 2022, the African insurance industry experienced a 2.6 % decline in inflation-adjusted premiums written, with total premiums falling from USD 73.3 billion in 2021 to USD 70.2 billion in 2022. This decline resulted in Africa's share of global insurance premiums falling to 1 %, while the continent's insurance premiums represented 2.4 % of GDP, or USD 50 per capita. Notably, this decline in premium volume occurred against a backdrop of 3.8 % economic growth across the continent.

The main driver of this decline in premium was the insurance market slowdown in South Africa, the continent's largest insurance market. As a result, cumulative premiums in this sector declined by almost USD 4 billion to USD 45.8 billion for the year. This represents a significant decrease of 7.9 % (or -4.5 % inflation adjusted) compared with the previous year's figure of USD 49.7 billion. The rest of Africa's direct premiums written grew from USD 23.5 billion in 2021 to USD 24.3 billion in 2022, an increase of 3.4 %.

Africa as a whole will see a significant decline in life insurance premiums of 4.2 % in inflation-adjusted terms from USD 50.4 billion in 2021 to USD 46.9 billion in 2022. On the other hand, non-life premiums show a positive trend with an increase of 1.2 % (adjusted for inflation) from USD 22.9 billion in 2021 to USD 23.3 billion in 2022.

In 2022, overall insurance penetration in Africa, as measured by premiums as a percentage of GDP, fell to 2.4 %, down from 2.7 % in 2021. Specifically, life insurance penetration declined from 1.8 % in the previous year to 1.6 % in 2022. Conversely, non-life penetration remained stable at 0.8 % throughout 2022.

Chart 7: African insurance premiums, 2018–2022, life and non-life (in USD billion)
Source: Faber Consulting AG, based on data from Swiss Re Institute, sigma 3/2023.



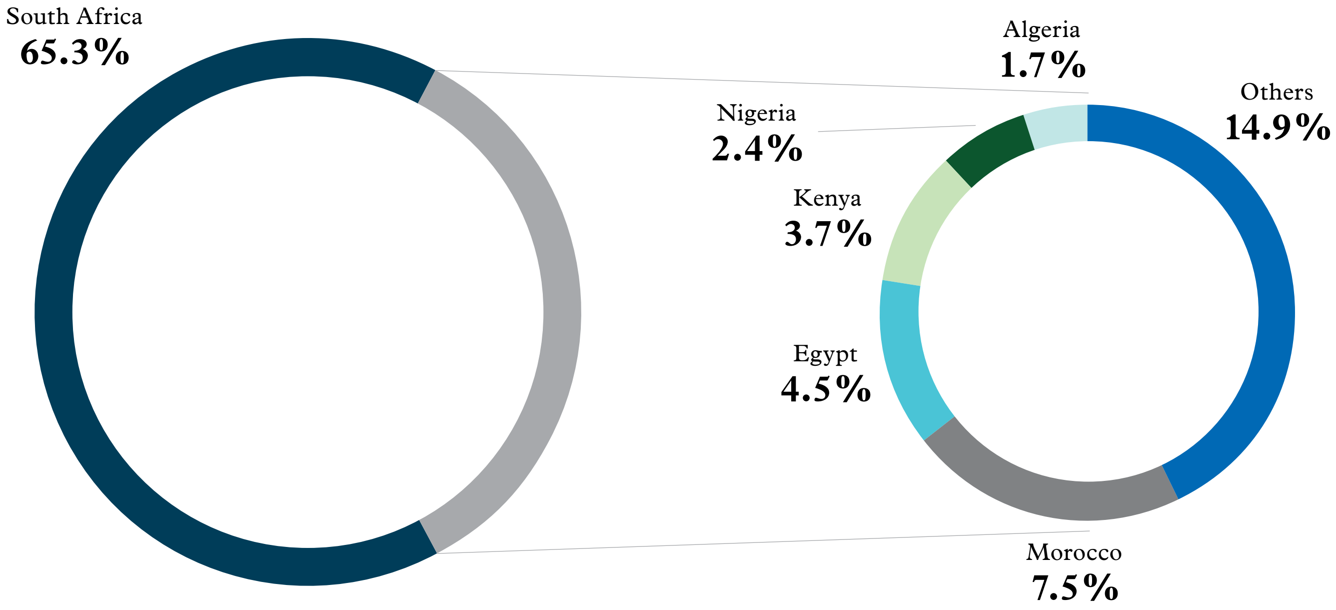
Collectively, the six largest insurance markets in Africa – South Africa, Morocco, Egypt, Kenya, Nigeria and Algeria – accounted for approximately 85 % of the total insurance premiums written of approximately USD 59.7 billion. In 2021, these markets accounted for 87 % of the total insurance premiums written of USD 64.4 billion.

South Africa's premium volume decreased from USD 49.75 billion in 2021 to USD 45.83 billion in 2022. This represents a nominal decline of 7.9 % and an inflation-adjusted decline of 4.5 %.

Morocco, the second-largest insurance market in Africa, currently ranks 48th in the world with a global share of 0.1 %. Its total premiums in 2022 amount to USD 5.2 billion, slightly lower than the previous year (USD 5.5 billion). This represents a nominal decrease of 5.5 %, but a marginal increase of 0.1 % when adjusted for inflation.

Egypt, the third largest insurance market in Africa, recorded a premium volume of USD 3.18 billion in 2022, up from USD 2.92 billion in 2021, an increase of 8.8 %, or 5.1 % adjusted for inflation.

Chart 8: Geographical split of total African insurance premiums in 2022
Source: Faber Consulting AG, based on data from Swiss Re Institute, sigma 03/2023.



LIFE INSURANCE

In 2022, global life insurance premiums fell by 3.1 % to USD 2.8 trillion as high inflation eroded consumer savings and nominal premium growth. This is significantly lower than the 2012–2021 average growth of 1.4 % and follows a significant rebound of 4.4 % in 2021. However, according to Swiss Re, the outlook is more promising as the recent rise in interest rates has had a positive impact on industry profitability, supported by rising wages and interest rates in developed markets.

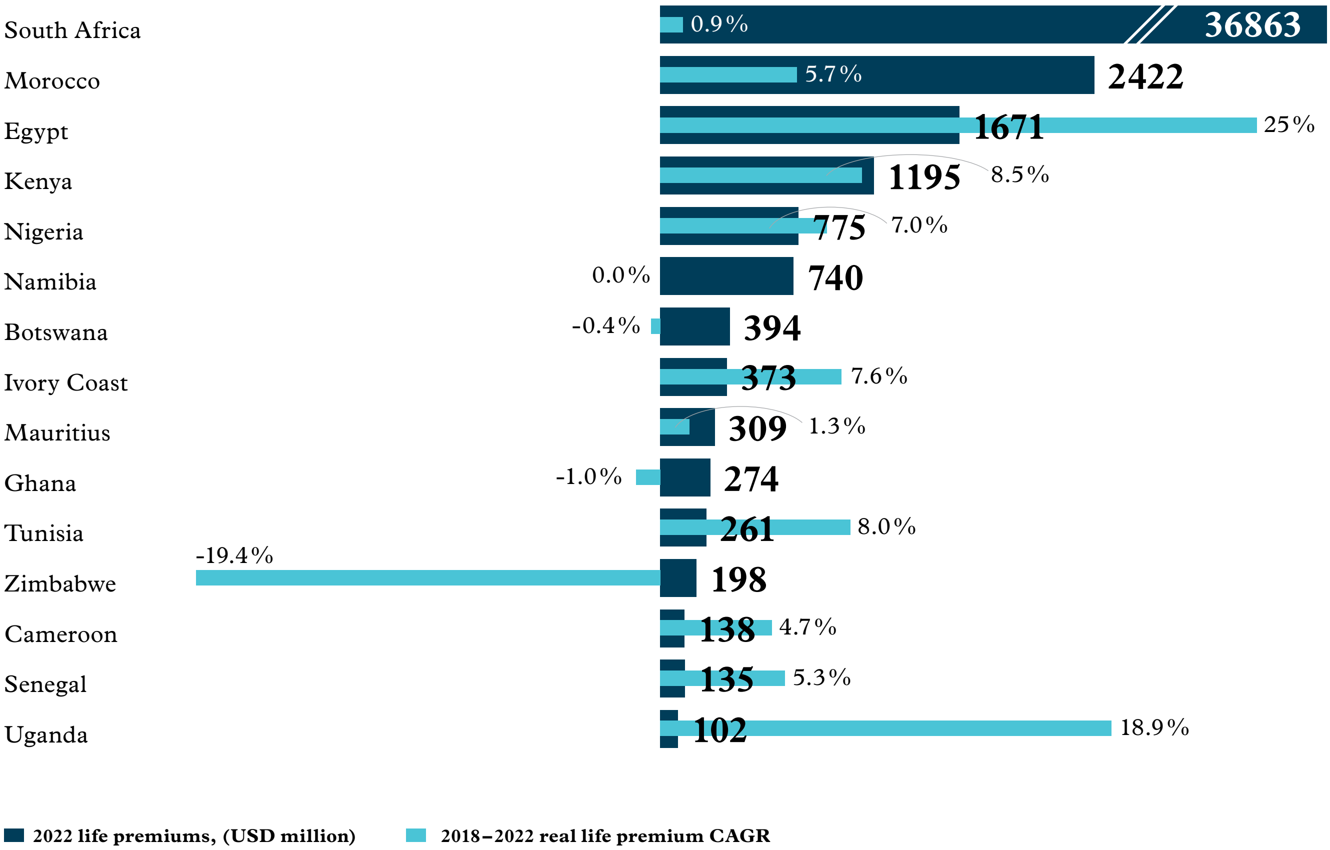
In 2023, global life insurance premiums are forecast to grow modestly by 0.7 % in real terms (4.6 % in nominal terms), reaching a total of USD 2.9 trillion by the end of the year. The premium growth forecast for this year is lower than the 2012–2021 average of 1.4 %. This forecast is driven by an expected slowdown in developed markets. A more favourable premium growth rate of 1.5 % is forecast for 2024.

In emerging markets, life insurance premiums are forecast to grow by 4.2 % in 2023, below the historical average of 6 %, and to strengthen to 4.8 % in 2024. This growth will be supported by rising aggregate nominal incomes, which will drive savings and protection business in these regions.

In Africa, direct life premiums written decreased by approximately 4.2 %, from USD 50.4 billion in 2021 to USD 46.9 billion in 2022. The main country responsible for this decrease is South Africa, where life premiums dropped significantly from USD 40.5 billion to USD 36.9 billion, a nominal decrease of 9 % and an inflation-adjusted decrease of 5.6 %.

Morocco, the second largest life insurance market, also experienced a decline in life premiums, but to a smaller degree, falling from USD 2.5 billion to USD 2.4 billion. This represents a nominal decrease of 5.1 % and an inflation-adjusted increase of 0.6 %. Egypt increased by 9.7 % (or 6 % adjusted for inflation) to USD 1.7 billion, Kenya by 5.9 % (or 5.8 % adjusted for inflation) to USD 1.2 billion and Nigeria by 19.5 % (or 4.8 % adjusted for inflation) to USD 775 million.

Chart 9: Life premiums 2022 (in USD million) and the life premium compound annual growth rate 2018–2022 (in%), top 15 markets
Source: Faber Consulting AG, based on data from Swiss Re Institute, sigma explorer.



NON-LIFE INSURANCE

In 2022, global non-life insurance premiums experienced modest real growth of 0.5 %, well below the 10-year average of 3.6 %. This is mainly due to weak pricing in personal lines and the impact of high inflation. However, an improvement is expected in 2023, with premium growth forecasted at 1.4 %. This upturn will largely be driven by rate increases, particularly in personal lines and some commercial lines. Despite this positive trend, health insurance premiums are expected to decrease by 0.6 %, largely due to the conclusion of pandemic-related health support policies in the US.

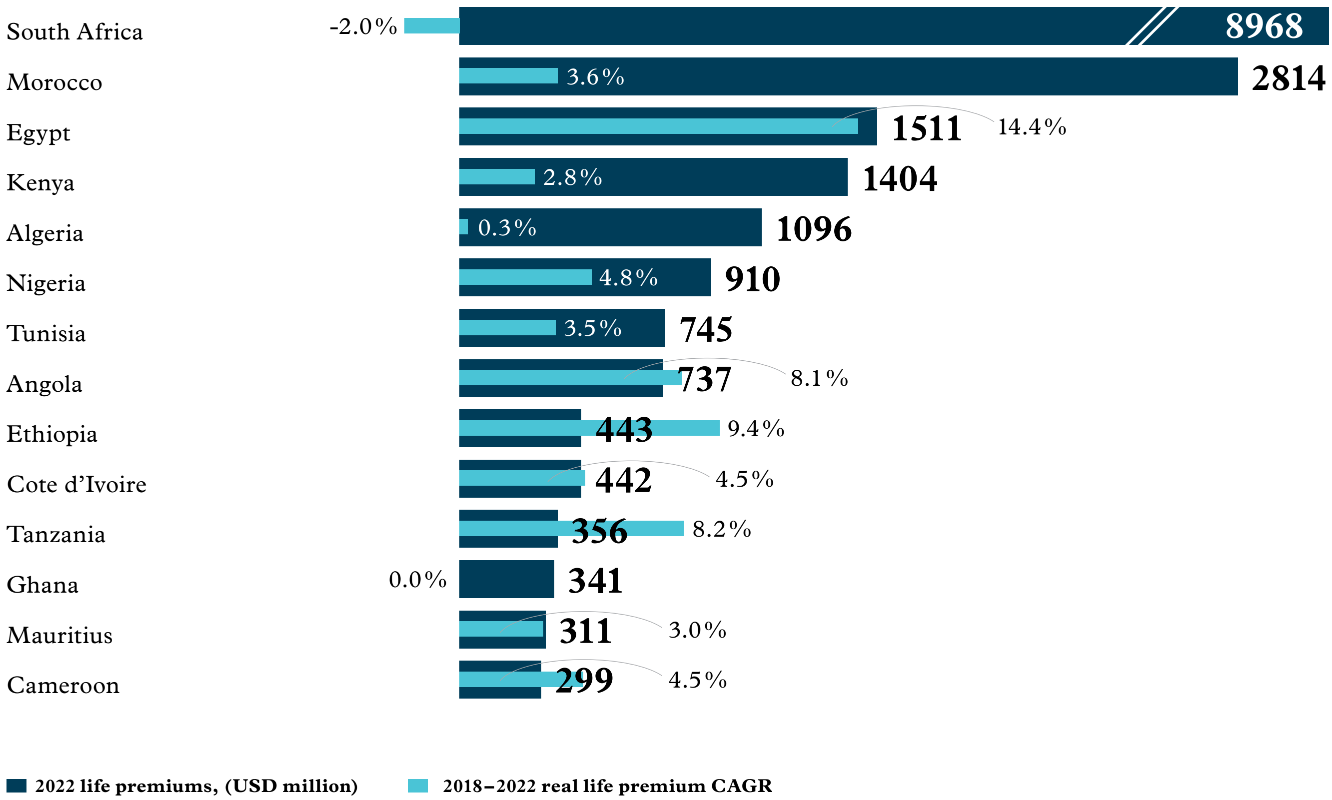
This gradual improvement is expected to continue until 2024 according to Swiss Re, when non-life premiums are projected to grow by 1.8 % in real terms compared to the previous year. Growth rates in both developed and emerging markets are expected to remain below the 2012 – 2021 average, with health lines continuing to underperform. Improved profitability is forecast for 2023 – 2024, supported by improved pricing strategies, rising interest rates and reduced claims severity as inflation rates come down from recent highs.

In the African context, non-life insurance premiums exhibited a growth of 1.2 % inflation adjusted, reaching USD 23.3 billion in 2022, compared to USD 23.0 billion in 2021 based on Swiss Re data.

Non-life insurance premiums in South Africa fell from USD 9.3 billion in 2021 to USD 9.0 billion in 2022. This represents a nominal decrease of 3.2 %. However, when adjusted for inflation, there was a slight increase of 0.4 %. Morocco, the second largest non-life market in Africa, also experienced a premium decline to USD 2.8 billion from USD 3.0 billion in the previous year, this corresponds to a nominal decrease of 5.9 % or a decrease of 0.3 % adjusted for inflation. In 2022, Egypt recorded a premium increase of 7.8 % (or 4.1 % adjusted for inflation) to reach USD 1.5 billion from USD 1.4 billion in 2021. Kenya trailed closely behind with an increase of 4.9 % (or 4.7 % adjusted for inflation) to reach USD 1.4 billion in 2022 from USD 1.3 billion in the previous year.

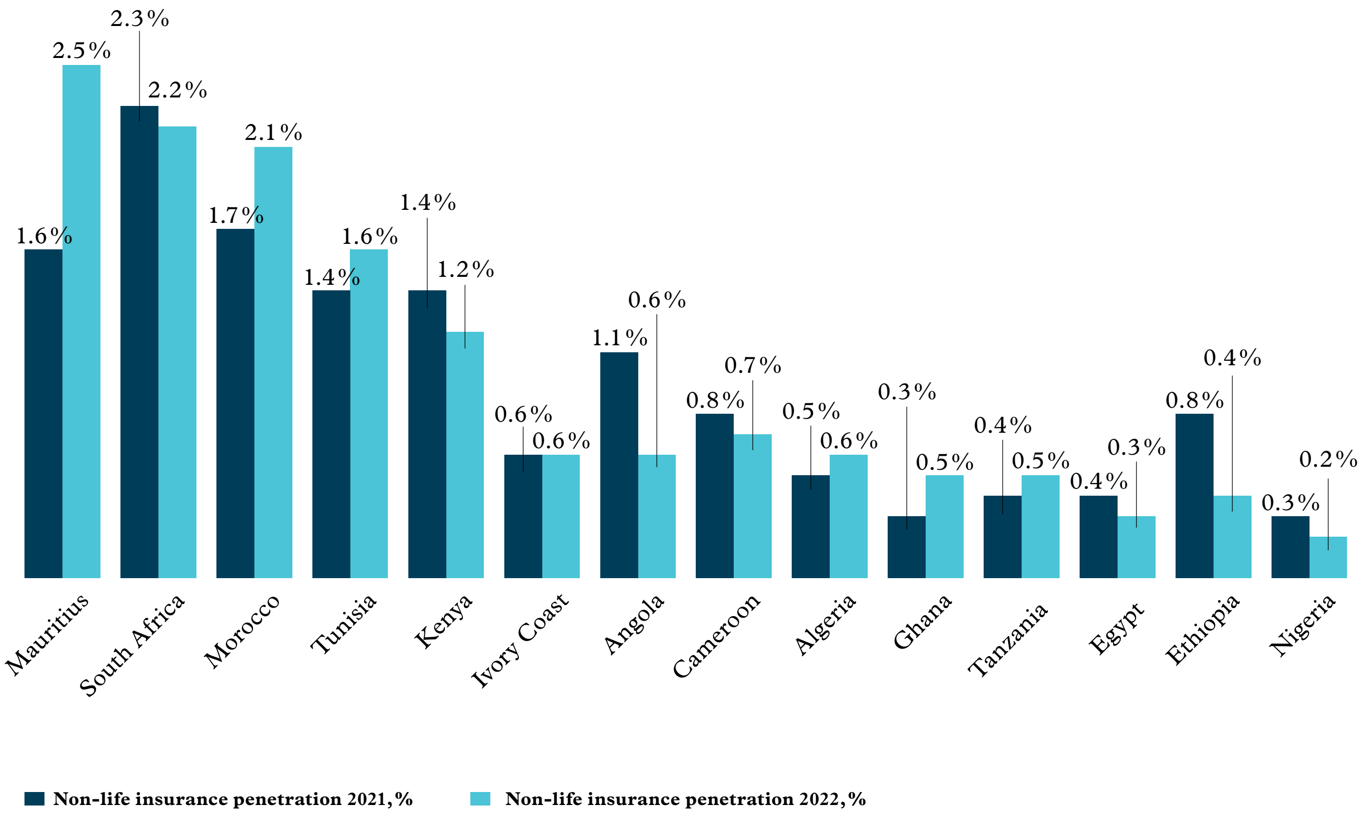
Compared with Africa’s 2021 premium volume ranking, the top five positions remain unchanged. However, there has been a change in the next two positions, with Nigeria, currently ranked sixth in the African non-life insurance ranking, having overtaken Tunisia.

Chart 10: Non-life premiums 2022 (in USD million) and non-life premium compound annual growth rate 2018–2022 (in%)
Source: Faber Consulting AG, based on data from Swiss Re Institute, sigma explorer.



Over the past two decades, the level of non-life insurance penetration in the top non-life insurance markets in Africa has been disappointing. Of these, only six countries – Algeria, Ghana, Mauritius, Morocco, Tanzania and Tunisia – have managed to increase their insurance penetration rates. Ivory Coast has maintained a stable insurance penetration rate. Conversely, in Angola, Cameroon, Ethiopia, Egypt, Kenya, Libya and the two largest markets, Nigeria and South Africa, insurance penetration has actually fallen over the twenty-year period.

Chart 11: Non-life insurance penetration (premiums as a percentage of GDP, in %), 2022
Source: Swiss Re Institute, sigma explorer.



REINSURANCE

2022 was another challenging year for reinsurance, with high losses from natural catastrophes and unrealised losses on the asset side

The six-year period from 2017 to 2022 has been challenging for reinsurers and their earnings. Over this period, the group of global reinsurers surveyed by Aon[11] reported an average net combined ratio of 100.3 % and an average return on equity of 5.9 %, which was only about two-thirds of the average cost of equity, according to Aon's Full Year Reinsurance Report.[12]

In 2022, total gross written premiums (GWP) rose by 6 % to USD 343 billion, but at constant exchange rates growth would have been significantly higher. This contrasts with 2021, when total GWP grew by 15 % to USD 339 billion. Property-Casualty (P&C) GWP increased by 9 % to USD 272 billion. To compare, in the previous year, P&C increased by 18 % to USD 265 billion. Other premiums fell by 3 % to USD 72 billion, including USD 53 billion of Life and Health (L&H) reinsurance business written by Hannover Re, Mapfre, Munich Re, PartnerRe, SCOR and Swiss Re. Net premiums earned in P&C increased by 11 % to USD 212 billion, resulting in a pre-tax underwriting profit of USD 8.0 billion and a stable net combined ratio of 96.2 % compared to 2021, but down significantly from 103.3 % in 2020, mainly due to the reduced impact of COVID-19 claims.

Total investment returns reported in the pre-tax result fell by 61 % to USD 12.3 billion, primarily due to unrealised losses of USD 11.1 billion, giving an investment return of only 1.5 %. As a result, net income fell by 56 % to USD 9.6 billion, representing a return on equity of 5.2 %. Including a further USD 37 billion of unrealised losses reported outside of the total comprehensive loss was USD 31.8 billion, representing a return on equity of -14.7 %. Over the 12-month period ending 31 December 2022, total shareholders' equity declined by 21 % to USD 157 billion. However, the observed mark-to-market losses on bonds are considered to be temporary.

On 31 December 2022, total reinsurance capital decreased by 16 % to USD 214 billion. Debt outstanding was unchanged at USD 58 billion, while total equity decreased by 21 % to USD 157 billion. The ratio of debt to total capital increased to 26.9 % from 22.8 % at the end of 2021.

In 2023, reinsurers began the process of rebuilding diminished equity, and these efforts will continue as they gradually strengthen capital through increased retained earnings and the convergence of maturing bonds to face value. At the same time, capital adequacy remains robust, as evidenced by compliance with risk-based regulatory and rating agency capital frameworks. While recent capital inflows have been moderate, the likelihood of an increase in such inflows is conceivable as confirmations of earnings generation materialise.

11 The 19 companies included in the Aon study are Arch, AXIS, Beazley, Everest Re, Fairfax, Hannover Re, Hiscox, Lancashire, Mapfre, Markel, Munich Re, PartnerRe, QBE, Qatar Insurance, RenRe, SCOR, Swiss Re, SiriusPoint and W.R. Berkley.

12 Aon, Aon s Reinsurance Aggregate Results for the Year to 31 December 2022, April 2023

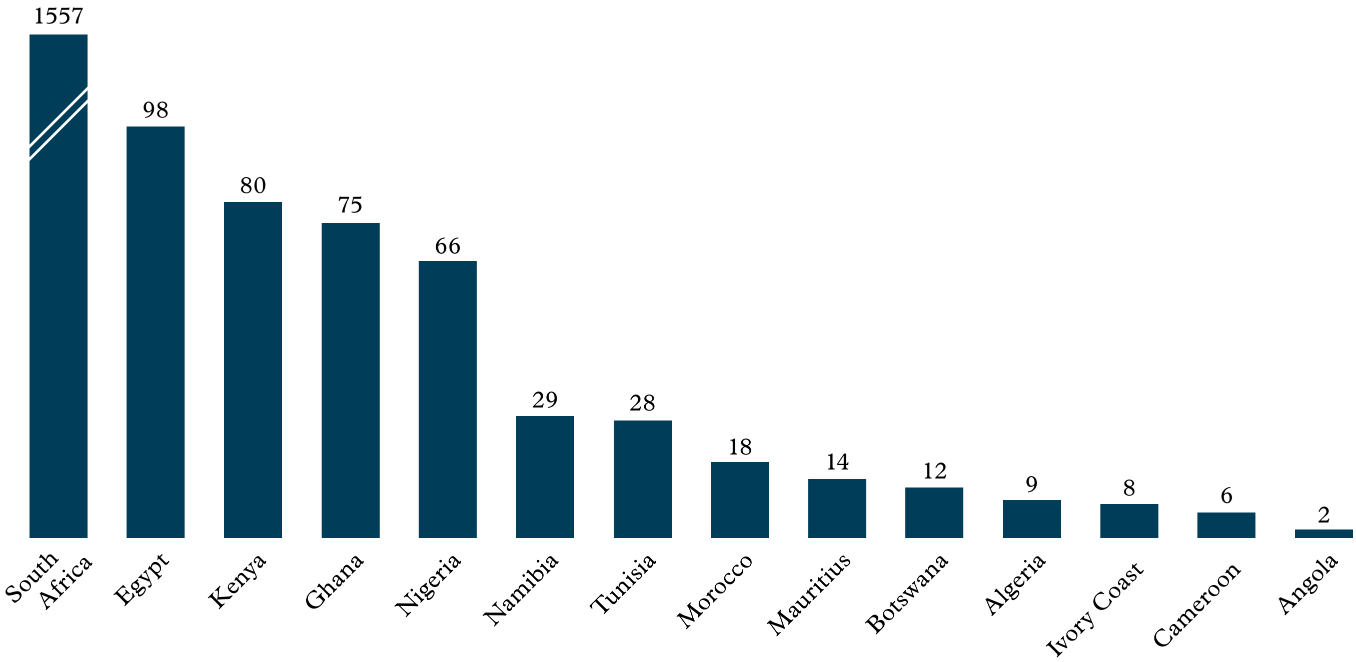
African life reinsurance market experienced significant growth in 2021/22

Among the top 14 markets, the African life reinsurance market showed significant growth, increasing by USD 193 million year-on-year to a total of USD 2.0 billion in 2021/22, up from USD 1.8 billion in the previous period. This notable increase is mainly due to the significant increase in South Africa's life reinsurance premiums, which rose by USD 120 million from USD 1.4 billion in 2021 to USD 1.6 billion in 2022. It is worth noting that South Africa remains a dominant force, accounting for 77.8 % of the total life reinsurance market in Africa.

The combined contribution of the five largest markets - Egypt, Kenya, Ghana, Nigeria and South Africa - was 93.7 %, or USD 1.9 million of the total market share.

Unlike in the previous period of 2020/21, where the composition and ranking of the top 14 countries remained unchanged, the period of 2021/22 saw some changes. Kenya secured the third position with a positive growth of USD 23 million, Namibia moved up to the sixth position with a notable increase of USD 20 million, Nigeria advanced to the fifth position with an increase of USD 15 million and Tunisia entered the seventh position with an increase of USD 11 million.

Chart 12: Estimated size of life reinsurance in selected African markets 2021/2022* (in USD million)**
Sources: Regulatory authorities, industry research and Faber Consulting AG calculations.



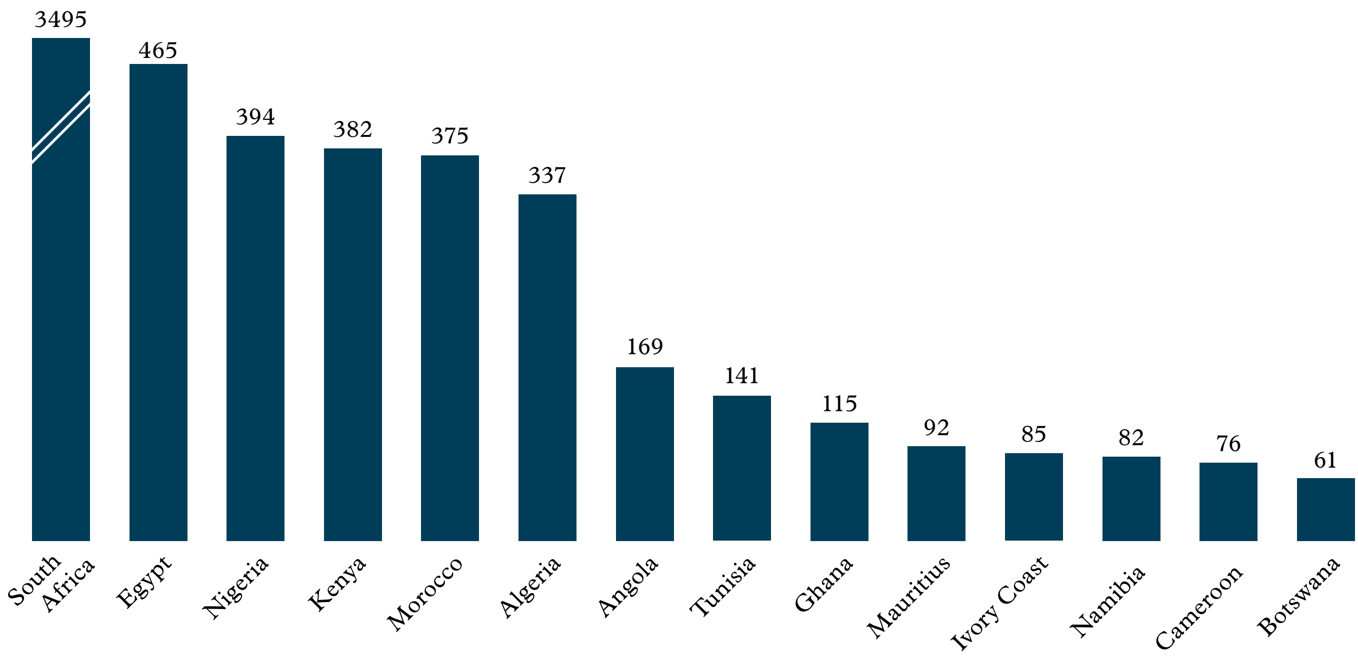
* 2022 figures for South Africa; 2020 figures for Cameroon and Ivory Coast; 2019 figures for Algeria, Egypt and Ghana; all other countries 2021 figures
** Includes Health/Medical reinsurance in some markets

African non-life reinsurance premiums continue to grow in 2022

The African non-life reinsurance market for the top 14 markets increased by USD 172 million year-on-year from USD 6.1 billion in 2021 to USD 6.3 billion in 2022. The increase was mainly due to Nigeria's non-life reinsurance premiums increasing by USD 64 million from USD 330 million in 2021 to USD 394 million in 2022 and Angola's premiums increasing by USD 53 million from USD 116 million in 2021 to USD 169 million in 2022.

South Africa remains the largest market, accounting for 56 % of the total African non-life reinsurance market, or USD 3.5 billion, with premiums more or less stable in 2022. The top six markets account for 87 %, or USD 5.5 billion, and include Egypt, Nigeria, Kenya, Morocco and Algeria, in addition to the market leader. Compared to 2021, there has been more movement in this group. Nigeria has moved up to the third position and Angola has moved up to the seventh position. Kenya remains in fourth position, but has reduced its gap to the leader by increasing premiums.

Chart 13: Estimated size of non-life reinsurance in selected African markets 2021/2022* (in USD million)
Sources: Regulatory authorities, industry research and Faber Consulting AG calculations.



* 2022 figures for South Africa; 2020 figures for Cameroon and Ivory Coast; 2019 figures for Algeria, Egypt, Ghana; all other countries 2021 figures

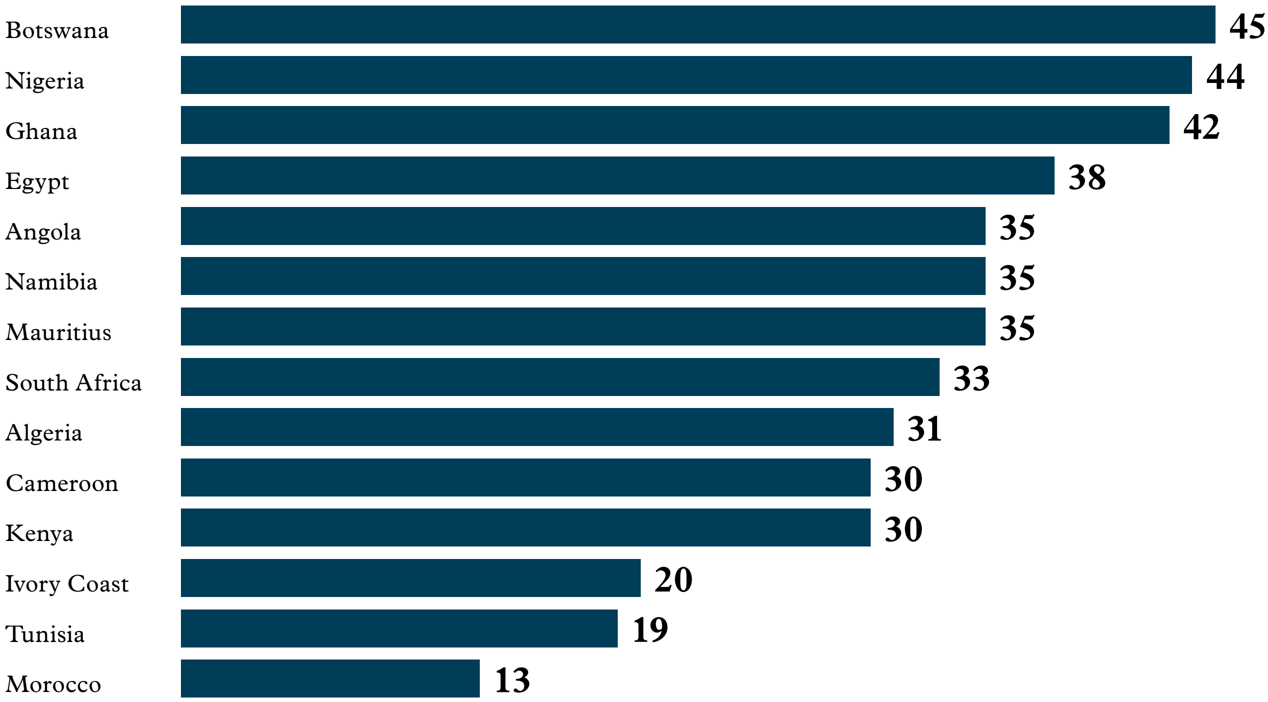
Increasing cessions, prices and restrictive conditions in many African countries stabilised the retrocession market

Faced with more restrictive retrocession conditions and unexpected losses in recent times, global reinsurers have sought to improve the clarity of their cover by introducing exclusions to all-risks covers or by moving towards named perils. Among these risks, terrorism and events such as strikes, riots and civil commotion (SRCC) were carefully assessed. Several reinsurers were prepared to maintain coverage for a wide range of risks, provided that strong exclusions were introduced for these specific perils. On the other hand, some reinsurers took a more cautious approach, offering coverage on a specific named peril basis only. In some cases, cedents agreed to narrower cover for significant risks in order to close deals and attract additional capacity.[13]

In 2021/2022, cession rates in non-life reinsurance increased for two countries, Botswana (+6 percentage points) and Namibia (+2 percentage points), and decreased slightly for three countries, Ivory Coast (-2 percentage points), Nigeria (-1 percentage points) and Tunisia (-1 percentage points). Overall, the listed countries in Africa maintained remarkably stable cession rates with only very minor changes.

13 Howden, The great realignment, 2023

Chart 14: Estimated non-life reinsurance cession rates of selected African markets 2021/2022* (in%)
Sources: Regulatory authorities, Swiss Re Institute, sigma explorer and Faber Consulting AG calculations.



* 2022 figures South Africa; 2020 figures for Cameroon and Ivory Coast; 2019 figures fur Algeria, Egypt and Ghana; all other countries 2021 figures

Highlight topic of the year: Inflation

Inflation unveiled: Decoding the essentials in a few key definitions

Inflation refers to a broad rise in the prices of goods and services across the economy over time, eroding purchasing power for both consumers and businesses. In a healthy economy, annual inflation is typically in the range of two percentage points, which is what economists consider a signal of pricing stability.[14] There are two main types of inflation:

— Demand-pull inflation occurs when the demand for goods and services exceeds the economy's ability to produce them, causing prices to rise. An example of this is a shortage of semiconductors, which causes car prices to rise due to high demand.

— Cost-push inflation occurs when input costs rise, making final goods and services more expensive. For example, commodity prices rose sharply during the pandemic, causing industries to raise prices to maintain profitability.

In addition, the path of inflation can be influenced by households' and firms' perceptions of future price developments, known as inflation expectations, which can affect future prices through their impact on economic decisions.

Other important terms in the context of inflation include headline inflation, which measures the overall increase in prices across the economy, taking into account various goods and services and including items such as food and energy. These categories, particularly energy prices such as oil and gas, can fluctuate significantly and lead to temporary spikes in inflation. However, these spikes may not accurately reflect the economy's long-term inflation trend.

Core inflation, on the other hand, focuses on a more stable view of price changes. It calculates inflation using the consumer price index excluding food and energy. This provides a clearer picture of the underlying inflationary pressures in the economy, as it removes the effects of short-term fluctuations caused by food and energy prices.

14 McKinsey & Company, What is inflation? 17 August 2022

GLOBAL INFLATION TRENDS

Global inflationary pressures from food and energy are easing

Global inflation was low at the onset of the COVID-19 pandemic and initially remained subdued. From mid-2020, however, prices began to rise sharply and continued to do so until the end of 2022. Between early 2021 and mid-2022, in particular, the cost of living increased by more than in the previous five years combined.

The International Monetary Fund (IMF) attributes this surge in inflation primarily to food and energy prices, with the impact of food alone exceeding the average inflation rate observed from 2016 to 2020. More specifically, the Russia-Ukraine war has led to a further profound shift in the dynamics of energy and food prices in many countries, as highlighted by the European Economic Governance and EMU Scrutiny Unit.[15] In particular, Russia's important role as an energy supplier and Ukraine as a grain exporter has been curtailed, leading to a significant increase in energy and food valuations. In particular, Russia's important role as an energy supplier and Ukraine's as a grain exporter have been curtailed, leading to significant increases in energy and food valuations. The rise in food prices has two drivers: first, the agricultural strength of Russia and Ukraine, and second, the central role of energy in the production and transit of food. This double increase in energy and food inflation has in turn spread through the price structure, affecting the production of various goods and services and triggering the automatic indexation of both consumer goods and wages.

In 2023, the global economy is recovering from the effects of pandemics and conflicts, with China reopening, supply chains improving and energy/food disruptions easing. Most central banks have tightened monetary policy to contain inflation. The IMF expects global growth to slow from 2.8 % this year to 3.0 % in 2024, and inflation to fall from 8.7 % in 2022 to 7.0 % this year and 4.9 % in 2024. Emerging markets saw improved growth of 4.5 % this year, from 2.8 % in 2022. Advanced economies, such as the euro area and the UK, face slower growth this year before an expected acceleration in 2024.[16]

Challenges are ongoing as inflation remains stubbornly high. In particular, core inflation (excluding energy/food) is still high. Despite strong labour market demand and higher-than-expected output/inflation, continued tight monetary policy seems necessary. Lagging wage increases can be managed if people's inflation expectations remain stable over time.

15 Economic Governance and EMU Scrutiny Unit, The direct and indirect impacts of the war on inflation, March 2023
16 IMF, World Economic Outlook 2023, April 2023

AFRICAN INFLATION TRENDS

Sub-Saharan Africa struggles with inflation surge and economic challenges[17]

Amid a global economic slowdown, growth in sub-Saharan Africa (SSA) is expected to fall to 3.6 % during 2023 before recovering to 4.2 % in 2024, according to the IMF's Economic Outlook for the SSA. This nuanced growth trajectory varies considerably across countries, with regions such as the East African Community performing better. However, large economies such as South Africa will contribute only 0.1 % to the average growth rate of SSA in 2023.

The overarching economic landscape is further complicated by pressing challenges, notably high levels of public debt and a resurgence of inflation reminiscent of historic proportions. Alarming double-digit inflation rates have become entrenched in half of the region's countries, exacerbating the erosion of household purchasing power and disproportionately affecting the most vulnerable segments of society.

At the start of 2023, inflation trends in SSA show a mixed pattern, with half of the countries experiencing a decline, while others still faced rising or volatile inflation rates. The prevalence of high inflation persists, with more than 20 out of 45 countries struggling with double-digit inflation. By February 2023, the median inflation rate was around 10 %, more than double the level observed at the end of 2019. Excluding energy and basic food prices, median core inflation remained above 6 %, indicating uncertainty with no clear signs of decline.

Projections suggest that inflation will remain elevated above pre-pandemic levels until 2027. Policymakers need to strike a delicate balance between containing inflation and supporting the ongoing recovery. Encouragingly, much of the inflation has been driven by external factors, such as imported food and energy costs or exchange rate fluctuations, rather than domestic demand pressures. The recent easing of these external factors implies a potential decline in inflation, but this transition may take time to materialise in domestic markets, thus keeping inflation above pre-pandemic levels in the short term.

Inflation dynamics in North Africa: Facing the challenges[18]

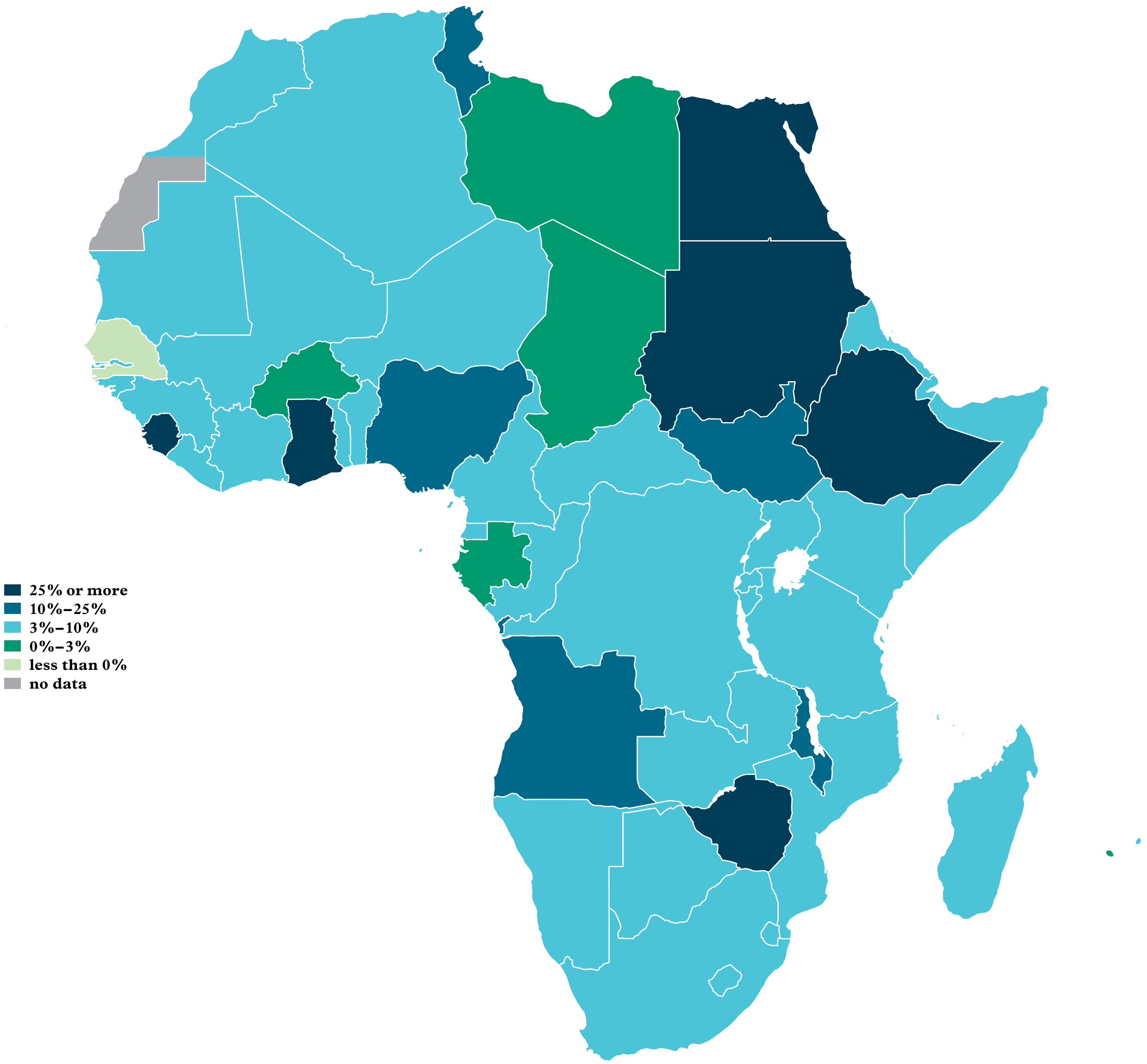
Despite challenges posed by high prices for households and businesses, the MENA region, including North Africa, experienced an unexpected 5.3 % GDP expansion in 2022, driven by strong domestic demand in both oil-exporting (Bahrain, Libya, Qatar, Saudi Arabia, UAE) and oil-importing countries (Jordan, Mauritania, Morocco, Tunisia).

The region saw sustained remittance flows in mid-2002 in many emerging market and middle-income countries, such as Morocco. In addition, credit to the private sector, including non-financial corporations and households, continued to grow in real terms in some countries. In particular, some of these economies reported double-digit credit growth rates, with Egypt recording growth of around 10 %. This expansion was partly influenced by subsidised credit initiatives implemented in the second half of 2012.

On the inflation front, the region experienced sustained upward pressure on prices. Towards the end of 2022, there were signs that headline inflation may have peaked. However, in most emerging market and middle-income countries (EM&MI), including North African countries such as Egypt, Morocco and Tunisia, headline inflation continued its upward trend. This has been attributed to past exchange rate depreciations, persistently high food prices and broader price pressures, especially in services. The rise in core inflation, particularly in Egypt and Tunisia, was exacerbated by loose monetary policies.

17 IMF, Regional Economic Outlook for SSA - Big Funding Squeeze, April 2023
18 IMF, Regional Economic Outlook for Middle East and Central Asia, May 2023

Chart 15: Inflation rate, end of period consumer prices (annual percent change, 2023), for African countries
Source: IMF World Economic Outlook Database April 2023.



India's decision to ban rice exports will further increase food insecurity in Africa[19]

The Indian government's decision on 20 July 2023 to ban the export of non-basmati white rice, after heavy rains in early July destroyed paddy fields, also has significant implications for African countries, especially in sub-Saharan Africa.

India is the world's largest rice exporter, accounting for 40% of global trade by volume. In 2022, it shipped 22 million tonnes to more than 140 countries. This move by India will lead to higher rice prices on the world market, exacerbating an already rising trend. The Food and Agriculture Organisation's rice price index, a key indicator of rice prices, rose by 14% in the year to June, reaching levels not seen since the 2008 food price crisis. This is largely due to climate-related supply concerns, which have also pushed up the prices of other food commodities. Rice is particularly vulnerable to El Niño, the weather pattern that brings hotter temperatures and drier conditions to Asia.

Many of the countries most affected by the rice ban are already suffering from rising food costs. For example, Benin, Africa's largest rice importer, has already seen food prices rise by 40% since 2020. While India has indicated that it could support food security through broken rice, this would require lengthy diplomatic negotiations to find a solution.

Moreover, the decision has the potential to create a ripple effect in the rice market, as seen in 2008 when Vietnam banned rice exports, prompting other countries such as India, China and Cambodia to follow suit. A World Bank study estimated that these export restrictions led to a 52% increase in global rice prices in 2008. If other countries follow India's lead, we could see even higher price increases than in 2008.

Climate change makes such decisions even more tempting for governments. Demand for rice is growing as the world's population increases and per capita consumption rises also in Africa, driven by urbanisation and economic growth. But the effects of climate change are causing rice yields to stagnate. As a staple food for nearly half of the world's population, the threat to rice supplies could lead to more export restrictions in the future.

19 The Economist, What will be the impact of India s rice-export ban?, 28 July 2023

THE IMPACT OF INFLATION ON THE INSURANCE SECTOR

Global insurance struggles with economic slowdown and inflation

Global insurance markets are currently experiencing the effects of a combination of economic slowdown and high inflation. Demand for insurance naturally falls during periods of economic contraction. In addition, insurers and reinsurers have obligations in the form of commitments to policyholders. In the event of inflationary pressures, the future cost of goods and services, such as medical care or property replacement costs, could increase. This potential increase could result in higher claims payments by re/insurers, thereby affecting the current valuation of their insurance liabilities.

If premiums collected do not keep pace with claims inflation, insurers may find that their liabilities exceed their available assets. This scenario could lead to instances of inadequately funded liabilities, potentially resulting in financial stress. Consequently, while inflation could also affect the asset side of insurers' financial statements, the main impact is expected to be an increase in claims expenditure, particularly in non-life insurance compared with life insurance, where benefits are inherently integrated.

The most vulnerable insurance lines of business are property and motor. In the construction sector, supply chain disruptions and labour shortages have driven up repair and rebuilding costs. This shift has already been reflected in an increase in insurance claims. In a parallel development, the motor insurance sector is facing rising claims costs due to component shortages, a factor that has kept both new and used car prices at historically high levels.

However, the impact is not limited to these lines of business, as the effects are also felt in personal accident, motor liability and general liability. The continuing rise in inflation is also having an impact on personal injury claims. To offset the unfavourable impact of rising claims costs on their financial performance, insurers need to develop an understanding of the underlying principles of inflation in their different market environments. As a result, they should implement strategic measures to rebalance their tax bases and recalibrate their reserve management approaches.

Rising inflation is taking its toll on non-life insurers[20]

The elevated inflationary environment has proven to be a costly challenge for P&C insurers. While losses from Hurricane Ian in late 2022 certainly contributed to a deterioration in the P&C loss ratio, the primary driver of this negative trend was the significant increase in economic inflation. Swiss Re estimates that inflation alone led to a 5–7.5 % increase in P&C claims payments in 2022 across five key markets. Looking ahead to 2023, they expect inflation to continue to exert pressure, leading to a further increase of 3.5–6.5 %.

For property insurance, which includes short-tail business that is highly sensitive to both the impact of inflation and rising construction costs, they estimate an increase of 6–13 % in 2022 and a further increase of 3.5–10 % in 2023.

Nevertheless, there are signs of a gradual moderation in the development of P&C claims. This trend is closely linked to the evolution of inflation rates, which are already showing a slight decline. These declining rates could potentially alleviate the underwriting pressures of recent years. However, this outcome depends on insurers maintaining their disciplined approach to pricing and refraining from relaxing policy conditions. Conversely, inflation in several other loss-related expense categories, such as labour and medical costs, is expected to continue to escalate.

Risk management strategies critical to mitigating the impact of inflation on asset values

Inflation can also affect re/insurers' investment returns. They typically invest the premiums they collect to generate returns and meet their liabilities. However, in periods of high inflation, investment returns may not keep pace with rising expenses or claims costs. Most African insurers and reinsurers hold a significant portion of their investment portfolios in cash and fixed-income securities such as bonds. Rising inflation can erode the purchasing power of cash and reduce the purchasing power of future interest and principal payments, leading to a decline in the real value of cash and fixed income investments. This can lead to a decline in the market value of existing investments, which can affect the insurer's balance sheet.

Some African insurers and reinsurers also invest in real estate assets, such as commercial or residential property, as part of their investment portfolios. Inflation can have a direct impact on the value of these assets. In periods of high inflation, property prices can rise, increasing the value of property investments. However, inflation can also lead to rising construction costs and higher property maintenance costs, which can affect the profitability of these investments.

In addition, some re/insurers may have equity investments in their portfolios. Inflation can affect the performance of these equity investments and, consequently, asset values. Inflation expectations tend to influence investor sentiment, market volatility and corporate earnings. Therefore, changes in the level of inflation may affect the profitability and valuations of companies, leading to fluctuations in equity prices. Therefore, inflation may affect the fair value of equity investments held by insurers and reinsurers.

20 Swiss Re Institute, Economic insights, Inflation may be easing, but claims severity pressures in P&C to remain, March 2023

Interview with AM Best on the impact of inflation on the African insurance sector

As the high inflation environment of 2021 – 2023 unfolds, Tim Prince, Director of Analytics at AM Best, highlights key considerations for the African re/insurance sector to maintain its resilience. In this environment, underestimating inflation will impact profitability in the short term. However, if it persists over the longer term, it could have an additional impact on capital requirements. Therefore, AM Best assesses re/insurers' agility in identifying signs of unanticipated inflation in their claims history and translating these insights into pricing strategies. The question is how quickly these inflation feedback loops can inform and adjust all relevant dimensions of their business.

How does inflation affect African re/insurers' ability to do business?

Over the past two decades, inflation has remained a critical issue for African insurers and reinsurers. Inflation isn't new to Africa, although the trends have been dominated by economic rather than social inflation and have been localised compared to the high inflation environment now affecting many regions of the world simultaneously.

When does inflation become a challenge for the re/insurance sector?

The difficulty arises when there is an unanticipated spike in inflation. If inflation follows a consistent and predictable trajectory, even at high levels, insurance and reinsurance companies can effectively factor it into their pricing and reserving strategies. However, dealing with an unexpected spike in inflation is much more challenging.

How consistent are African re/insurers in their approach to managing inflation recently?

While we have observed a huge variation in the approach to and ability of re/insurance companies across sub-Saharan and Northern Africa to manage inflation, this variation tends to be on a company-by-company basis, rather than by market or region.

How can a company deal with inflation in an effective way?

A company that's prepared and managing inflation well is one that fully understands all the drivers of inflation within its business lines. It also needs to carefully distinguish claims inflation from overall consumer price inflation, which isn't the same – and it needs to be able to avoid the unexpected by closely monitoring claims' inflation and quickly adjusting its pricing and reserving.

How does AM Best assess the level of preparedness of re/insurers to deal with the impact of inflation on their operations and financial stability?

As part of AM Best's analysis of an insurance company, we ask managers how they factor inflation directly into their reserving and pricing and what other considerations they make. For example, whether they use any specific indices to monitor claims, and how accurate, effective and reflective this information is of their actual claims' inflation. What explicit and/or implicit inflation assumptions do they build into their pricing and reserving? And critically, how quickly are they able to pick-up the signs of unexpected inflation in their loss experience and to reflect this in their pricing i.e., how quickly are the feedback loops relating to inflation informing other departments within the company?

According to AM Best's analyses, what risk does inflation pose to re/insurance companies profitability and solvency?

Underestimating inflation will directly impact profitability. Pricing business using the correct inflation assumptions is therefore key. Depending on the line of business, the impact of underestimation will either become evident very quickly or else could materialise over many years (and will depend on the magnitude of the underestimation). Profitability directly impacts a company's available capital and is represented by retained earnings. A company possesses capital to withstand risks effectively. In the context of an inflationary environment, companies are anticipated to experience growth. This is due to the rise in both premiums and underlying risks, consequently leading to higher capital requirements.

Underestimating inflation has adverse effects on profitability, which in the extreme could lead to two possible scenarios: either the company fails to generate sufficient capital to support new business growth, or it gradually depletes its capital due to incurring losses. In either case, the company's risk-adjusted capitalisation deteriorates over time. In response to this decline, the company will need to take measures to improve its financial position by reducing its combined ratio and gradually recovering over a period spanning from months to years.

In AM Best's solvency assessment, our capital model considers underwriting risks, which can be affected by underestimating inflation, although this impact usually unfolds over an extended period. Underwriting risks are typically associated with mispricing or holding inadequate reserves. Should a company demonstrate a prolonged history of both mispricing or under-reserving, we would anticipate higher capital requirements.

In summary, underestimating inflation will impact profitability in the short term. But if that continues over the longer term, it could additionally impact on capital requirements.

In a medium to high inflation environment, how are African re/insurers adapting their investment strategies?

In Africa, re/insurers confront high inflation challenges by strategically investing in asset classes considered «inflation hedges». Notably, they frequently opt for real estate and equities to safeguard their portfolio value against the impact of inflation. This investment approach aims to protect their financial positions and ensure sustainability amid the dynamic economic environment.

How does AM Best evaluate the resilience of investment portfolio management to inflationary pressures?

Above all, investments serve the dual purpose of covering claims and supporting the broader risk-taking endeavours of a re/insurance company. Investments offer re/insurers the opportunity to generate additional income, but these funds must also be available when needed. This is why companies must match assets and liabilities effectively. They play an important role in managing the liquidity and solvency aspects of the company's financial operations. We consider the risk within the investment portfolio compared to the available capital of the wider company, for example, assessing whether there is sufficient capital to accept the risk of higher-risk investments.

Additionally, we evaluate the liquidity of the investment portfolio in comparison to the company's day-to-day liquidity needs and its ability to withstand stress, such as after a catastrophe event. In the event of such stress, we meticulously examine the capital requirements through our capital model while conducting a thorough liquidity assessment. This assessment involves scrutinising the liquidity requirements and determining whether the company can liquidate these assets during stressful situations to meet claims effectively.