ZIMBABWE

Insurance Market Overview

by Hussein Elsayed

Official Name: Republic of Zimbabwe (ZWE)

Surface Area: 390 757 Km2

Location: Zimbabwe is a landlocked country located in Southeast Africa, between the Zambezi and Limpopo Rivers, bordered by South Africa to the south, Botswana to the south-west, Zambia to the north, and Mozambique to the east.

Capital: Harare

Currency: | Code: Zimbabwean dollar

Population: 2022 estimate: 15 million people

Religion: 84.1% Christianity; 10.2% No religion; 4.5% Traditional faiths; 1.2% Others

Language: Zimbabwe has 16 official languages, with English, Shona, and Ndebele the most common.

Climate: Although Zimbabwe lies wholly within the tropics, due to its altitude the climate is more temperate than tropical. On the highveld, which includes most of the larger towns, and the middleveld, the summers are warm and winters cool, often with frost at night. The summer season is from September to April and the hottest month is October. Frequent heavy showers and thunderstorms occur between December and March.

Economic Overview

Zimbabwe’s economic development continues to be hampered by price and exchange rate instability, the misallocation of productive resources, low investment, and limited structural transformation. High inflation, multiple exchange rates, unsustainable debt levels, and the ineffective control of public spending have increased the cost of production, reduced incentives for productivity-enhancing investment, and encouraged informality.

Trade integration has declined, and foreign direct investment remains low, limiting the transfer of new technologies and investment in modernizing the economy. Unsustainable debt levels and longstanding arrears to international financial institutions (IFIs) limit the country’s potential for growth. External debt is estimated at 76% of GDP in 2022. Over 70% of the debt is in arrears, constraining the access to concessional finance needed to support productive investment. Against this, the government has prepared an Arrears Clearance, Debt Relief and Restructuring Strategy and resumed token payments to IFIs and Paris Club creditors.

Macroeconomic volatility, a high dependence on low-productivity agriculture, the lack of creation of high-productivity jobs, and intermittent shocks—such as droughts and the pandemic—have all contributed to increasing vulnerability in both urban and rural areas. Furthermore, Zimbabwe's social assistance programs have low coverage and may benefit from improved targeting.

Recent Developments

Economic activity slowed in 2022, constrained by worsening agricultural conditions and price instability. Real GDP growth is projected to slow to 3.4% in 2022 from 5.8% in 2021. Mining, trade, and tourism took advantage of high commodity prices and the relaxation of COVID-19 restrictions, helping to drive growth. However, due to limited rains, agricultural production contracted after growing at double digits in 2021.

Rising inflation, the depreciation of the local currency, and higher interest rates have dampened consumption and investment. Strong remittance inflows mitigated to some extent the adverse impact on private consumption and, together with higher gold exports, have kept Zimbabwe’s external current account in surplus.

To tame inflation, the Central Bank tightened monetary policy, raised the interest rates (from 80% to 200%), further liberalized the forex market, and issued gold coins as a store of value. These measures have stabilized the parallel market and narrowed the parallel market premium to below 35% in September 2022.

Economic Outlook

Inflation is estimated to average 213% in 2022 and remain in triple digits in 2023. Real GDP growth is expected to grow at 3.6% in 2023 and 2024, supported by a better agricultural season, slowing inflation, and the relaxation of pandemic requirements.

Agricultural production is projected to return to growth as rain levels normalize and fertilizer prices go down. However, downside risks to the outlook are high, reflecting the global slowdown of growth, volatile commodity prices, climate change, and the ability of the government to control inflation and forex market distortions in an election period. In 2023, the country will hold an election.

Continuing wage pressures and demands for higher spending on agriculture remain key fiscal risks. The poverty rate is expected to decline modestly in the medium term, but vulnerability due to climate shocks and inflationary pressure remains high. Shocks to agricultural output due to a changing and more unpredictable climate, and economic shocks, such as inflation and supply-chain disruptions, will continue to strain household finances.

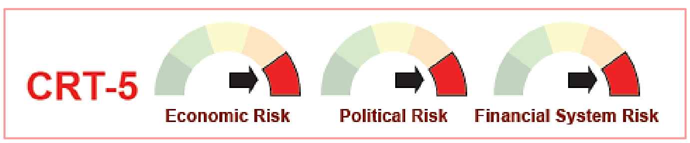
Source: The World Bank - Last Updated: Oct 03, 2022

ZIMBABWE – DATA & FORECASTS

	2018	2019	2020	2021e	2022f	2023f	2024f
Population, mn	15.05	15.35	15.67	15.99	16.32	16.67	17.02
Nominal GDP, USDbn	24.3	21.9	21.8	24.9	27.4	30.2	32.9
GDP per capita, USD	1,615	1,428	1,390	1,558	1,679	1,812	1,935
Real GDP growth, % y-o-y	4.8	-8.3	0.8	4.6	2.0	2.4	3.3
Consumer price inflation, % y-o-y, ave	10.6	255.3	621.5	143.3	175.0	194.0	31.5
Consumer price inflation, % y-o-y, eop	42.1	521.2	348.6	60.7	195.0	55.0	8.0
Exchange rate ZWL/USD, ave	1.00	8.50	58.55	108.60	375.00	555.00	95.00
Exchange rate ZWL/USD, eop	1.00	16.77	81.80	146.83	575.00	472.00	96.00
Budget balance, ZWLbn	-1.3	0.5	-5.7	-39.1	-204.4	-449.6	-77.7
Budget balance, % of GDP	-5.3	0.1	-0.3	-1.1	-1.3	-3.2	-2.5
Goods and services exports, USDbn	5.2	5.3	5.3	5.5	6.0	6.4	6.8
Goods and services imports, USDbn	7.6	5.4	5.5	6.1	6.3	6.7	7.2
Current account balance, USDbn	-1.4	0.9	1.1	0.8	1.2	1.2	1.0
Current account balance, % of GDP	-5.7	4.2	5.0	3.3	4.4	4.0	3.1
Foreign reserves ex gold, USDbn	0.2	0.2	0.2	1.2	1.1	1.1	1.1
Import cover, months	0.4	0.5	0.4	2.4	2.2	2.0	1.9
Total external debt stock, USDbn	12.6	12.2	12.7	14.2	14.6	15.7	16.5
Total external debt stock, % of GDP	51.9	55.8	58.5	57.1	53.5	51.9	50.2

e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Country Risk



BEST'S COUNTRY RISK REPORT

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Zimbabwe, a CRT-5 country, has very high levels of economic, political, and financial system risk.
- After a contraction in 2020, Zimbabwe's economy grew by 6.3% in 2021 and is expected to grow by 3.5% in 2022, but faces headwinds from rising consumer prices.
- Inflation is expected to decrease to 86.7% in 2022, from 98.5% in 2021, driven by an increase in commodity prices, currency depreciation, and expansionary monetary policy.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius at CRT-3, and Botswana, Namibia, Seychelles, and South Africa, at CRT-4.

  Regional Comparison:

  Zimbabwe CRT-5 | Sierra Leon CRT-5 | Cameroon CRT-5 | | Mozambique CRT-5 | Togo CRT-5 | Cote d'Ivoire CRT-5

  Source: Best's Country Risk Report, 11 August 2022

WorldRiskIndex 2021: Top 25 African country overview

Global rank	Country	WorldRisk-Index	Exposure	Vulnerability	Susceptibility	Lack of coping capacities	Lack of adaptive capacities s
11	Cape Verde	17.72	37.23	47.59	28.86	72.71	41.21
17	Djibouti	15.48	25.78	60.03	36.19	84.33	59.58
20	Comoros	14.91	23.62	63.13	45.93	85.39	58.06
23	Niger	13.90	19.27	72.15	61.72	87.91	66.83
25	Cameroon	13.07	20.35	64.21	47.58	88.58	56.66
26	Nigeria	12.66	19.64	64.46	49.70	88.58	55.10
28	Gambia	12.40	19.75	62.78	43.58	83.02	61.73
30	Chad	11.94	15.76	75.75	64.96	92.14	70.13
31	Benin	11.71	17.92	45.33	54.09	81.42	60.49
35	Burkina Faso	11.19	16.59	67.48	57.08	84.39	60.98
36	Togo	10.99	16.60	66.23	55.77	86.14	56.79
37	Mali	10.71	15.61	68.64	49.75	88.60	67.58
39	Madagascar	10.44	14.97	69.71	65.83	86.32	56.97
40	Burundi	10.42	14.88	70.02	62.29	90.43	57.34
41	Kenya	10.33	16.63	62.13	50.80	85.50	50.10
42	Angola	10.28	15.61	65.86	52.89	86.89	57.80
44	Cote d'Ivoire	9.98	15.57	64.10	47.26	85.61	59.43
45	Senegal	9.79	16.50	59.31	44.64	77.87	55.42
47	Sierra Leone	9.40	13.65	68.87	55.15	85.39	66.07
48	Ghana	9.32	16.38	56.88	41.60	78.75	50.29
49	Zimbabwe	9.30	14.51	64.11	55.02	88.44	48.88
50	Mozambique	9.11	13.26	44.73	62.60	88.45	55.13
51	Mauritius	9.04	23.85	37.92	17.39	58.21	38.17
52	Malawi	8.94	13.97	64.00	54.49	83.21	52.30
52	Tanzania	8.94	13.35	66.98	59.46	84.68	56.79
54	Liberia	8.92	13.48	66.17	55.63	87.16	55.73
56	DR Congo	8.78	11.86	74.04	67.76	92.80	61.55
	Africa	8.93	13.51	64.05	49.73	85.39	55.28
	Asia	5.80	12.15	44.47	23.05	75.65	35.91
	Oceania	15.60	28.52	49.52	29.73	79.82	44.92
	World	6.60	13.13	46.37	23.72	75.08	38.42

Max. value / category = 100, classification according to the quintile method

very low · low · medium · high · very high

Natural Hazards:

Earthquake

There is a minimal natural catastrophe hazard in Zimbabwe. The risks of earthquake and windstorm are low.

There are four defined seismic regions in south and central Africa - Lake Kariba, Lake Tanganyika, Lake Malawi and Central Mozambique - and two broad regions, one in Zambia and the other in Tanzania.

Zimbabwe is not on any main fault line, and the risk of serious earthquake is low except in the Zambezi Valley, in particular the Kariba area, on Zimbabwe's northern border. There have also been instances of significant seismic activity in the Sabi/Save Limpopo region as a result of incidents with epicentres over the border in Mozambique.

Zimbabwe has signed an agreement with the African Risk Capacity (ARC) and the World Food Programme (WFP) to get insured against natural disasters risks. Premiums paid by WFP and the State of Zimbabwe amount to 200 000 USD and 1 million USD respectively, that is a total of 1.2 million USD.

This project could entitle maximum compensation of 6.3 million USD to be paid to populations most exposed to natural events such as drought and floods.

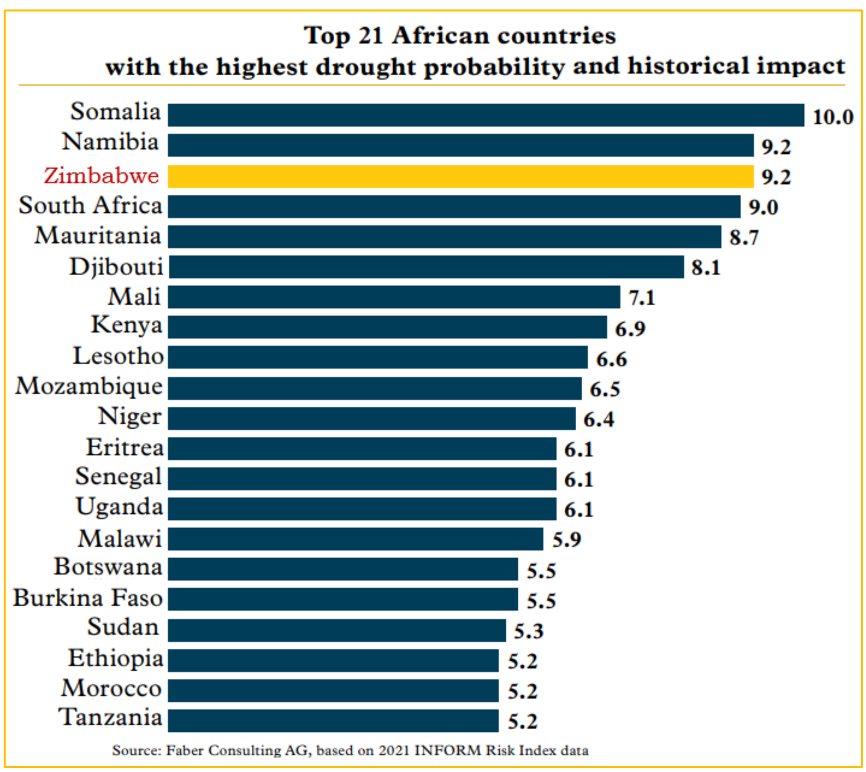
Flood

Flood has traditionally been regarded as a peril with low catastrophe possibilities; drought is considered a more common event. Historically, the only areas likely to be affected were remote farming areas located in the river valleys of north-eastern, eastern and south-eastern Zimbabwe or occasional flash floods in other areas during the rainy season. Such flooding was usually localised.

Windstorm

Zimbabwe is regularly exposed to hailstorms which vary widely both in intensity and location. Although most damage occurs in underdeveloped rural areas with low populations and little insured property, occasionally a large hailstorm will sweep through a developed area.

Storms are often associated with lightning, which is a significant peril in Zimbabwe, where an average of 90 to 120 lightning-related fatalities are recorded annually. Significant loss and damage is suffered by businesses and domestic premises. Equipment supplying electrical power or telecommunication services is particularly vulnerable.



Bushfire

There are no statistics available relating to economic or insured losses due to bushfires in Zimbabwe.

The risk of serious insured damage by bushfire, although included in most insurance programmes, does not really exist, other than to farms and tree plantations (subject to special insurance cover).

Agricultural risks that would be particularly sensitive include tobacco plantations, sugar plantations and forestry.

The bushfire risk can be quite acute in some areas during the dry season and, when fires are used to clear land or create fire-breaks, they occasionally get out of control. Market practitioners note that a drought is expected.

Subsidence

This peril is available but is not commonly requested. There is the potential for claims as significant building on the outskirts of Harare has meant that areas previously considered unsuitable for building are now fully built up.

There are also mining operations in various parts of the country, but these are in less populated areas and any risk would be limited to the mining towns themselves.

Hail

Hailstorms are a frequent occurrence in Zimbabwe, but although damage, especially to the assets of rural subsistence farmers, is regularly incurred these incidents do not often result in significant claims.
Agricultural risks that would be particularly sensitive include tobacco plantations and sugar plantations.




Zimbabwean Insurance Market

Historical Landmarks and Developments

- **19th C** Insurance first came to Zimbabwe, or Southern Rhodesia as it was then known, at the end of the 19th century. Due to its status as a British colony, most of the early development came from chief agents and representatives from the United Kingdom, as well as from neighbouring South Africa, which was also part of the British Empire at that time.

- **1940s** Branch offices were established by both UK and South African-based insurers, as well as a few from Australia, New Zealand and the United States.

- **1987** In accordance with the insurance act, all direct companies had to be locally registered, with a minimum 51% indigenous shareholding.

- **2005** The Insurance and Pensions Commission (IPEC) was established on 1 September.

- **2008** Towards the end of the year the stock market collapsed and trading was suspended. Most insurance company investments and capital were wiped out.

- **2009** The Zimbabwe dollar was suspended indefinitely and a multi-currency system was introduced. This had a positive impact on the recovery of the insurance sector.

- **2013** New capital requirements of USD 1.5mn were introduced to be complied with by 30 June 2014.

- By the end of **2014**, one insurance company had been unable to comply with the minimum capital requirement; the company was suspended in 2014 and then deregistered in 2015. Three other insurance companies and one reinsurer were also suspended.

- **2015** It was announced that VAT would be applied to non-life premiums with effect from 1 September 2015. This was subsequently changed to VAT on broker commissions. It was also clarified that stamp duty should be deducted at 5% of premiums with a maximum of USD 100,000.A "Commission of Inquiry" was launched to investigate the processes surrounding the loss of value for life and pension products due to the abandonment of the Zimbabwe dollar in 2009; although this could have had repercussions for the non-life industry, the scope was limited to the life and pensions industries. The remaining Zimbabwe dollars in circulation were demonetarised by the Reserve Bank of Zimbabwe; outstanding currency was purchased at a rate of USD 1 for ZWD 250trn.

- **2016** It was announced that investments in two power generation projects would count towards the prescribed asset requirement.

- **2018** The intermediated money transfer tax was increased from USD 0.05 per transaction to 2%.

Banks were instructed to ring-fence local currency accounts (RTGS accounts) from "Nostro" currency accounts. A parallel market rate for RTGS currency developed with rates of between two and six per actual USD 1 of foreign currency. The minister of finance and economic development suggested a new Zimbabwe currency would be developed.

- In **February 2019**, to combat the ongoing currency crisis and inflation, the government introduced the Real Time Gross Settlement (RTGS) dollar, which was briefly pegged against the US dollar, but later allowed to float. On 24 June 2019, with annual inflation running at 175%, the government published the Reserve Bank of Zimbabwe (Legal Tender) Regulations, 2019 (SI 2019-142). These reintroduced the Zimbabwe dollar in the form of bond notes and coins, the RTGS dollar and electronic balances and banned all other currencies as legal tender.
  - In **June 2019**, the official exchange rate was in the region of USD 1 = ZWD 9.00 but increased to USD 1 = ZWD 12.5 by early September 2019. The change in currency is likely to lead to underinsurance and almost all policies will have to be reissued in the new local currency instead of US dollars.

Market sources suggest that as the Insurance (Amendment) Regulations, 2017 (No 19) express capital and solvency requirements in US dollars, the requirements will fluctuate with the exchange rate. The regulations will have to be amended to express the requirements in the new currency and the currency issues may prompt the regulator to increase minimum capital requirements.

- On *13 March* **2020**, IPEC issued Statutory Instrument 69 of 2020, "Guidance for the Insurance and Pension Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms of 2019." This guidance requires long-term insurance companies to separate policyholder and shareholder funds. The guidance also provides rules for profit allocation between shareholders and policyholders and the equitable distribution of revaluation gains, which is a significant improvement to the 2008/2009 scenario.

- In *February* **2021**, Zimbabwe's government approved changes to the Insurance Bill 2020, which is aimed at strengthening reporting and solvency requirements in order to stabilize growth in the insurance sector. The updated legislation includes new guidance on the issuing of disability cover under life insurance policies as well as new rules surrounding fund placements.
- In *June 2021*, the Insurance and Pensions Commissioner announced the launch of Zimbabwe Integrated Capital and Risk Programme (ZICARP), aligning the industry's capitalization with the risk profile of entities, as is international practice.

- In *February* **2022**,The Insurance and Pensions Commission has signed an agreement with the International Finance Corporation, a member of the World Bank, to promote agricultural insurance in Zimbabwe. The IFC will assist IPEC in the creation of a regulatory framework and the development of weather insurance products for farmers. IFC will also be tasked with studying the risks that producers face, their current coping mechanisms, and assessing the interest of the industry's stakeholders in agricultural insurance. This initiative is part of the Global Index Insurance Program (GIIF), which has already been deployed in other African countries: Mozambique, Cameroon, Senegal, Zambia and Nigeria.
- In *July 2022,* the Zimbabwe Government approved the Compensation Framework for 2009 policy holders and Pension Scheme members who complained about the lack of transparency in the manner in which their long-term contracts were converted from the ZWD to USD back in 2009. The government will contribute USD175mn towards the pre-2009 compensation.

Regulatory Environment

Industry Regulator

The Insurance and Pensions Commission (IPEC) is the statutory body that regulates the insurance and pensions business in Zimbabwe.

- The IPEC's powers are provided under the Insurance and Pensions Commission Act (Chapter 24:21).
- The legal framework governing the operations of the Commission consist of the following:
  - *i. Constitution of Zimbabwe*
  - *ii. Insurance and Pensions Commission Act (Chapter 24:21)*
  - *iii. Pension and Provident Funds Act (Chapter 24;09);*
  - *iv. Insurance Act (Chapter 24:07);*
  - *v. Money Laundering and Proceeds of Crime Act (Chapter 9;24);*
  - *vi. Public Entities Corporate Governance Act (Chapter 10:31),*
  - *vii. Public Finance Management Act (Chapter 22:19);*
  - *viii. Companies and Other Business Entities Act (Chapter 24:03),*
  - *ix. Public Procurement and Disposal of Public Assets Act (Chapter 22: 23),*
  - *x. Labour Act (Chapter 28:01).*

- The responsibilities of the IPEC include registering, regulating and monitoring insurance industry players; registering, regulating and monitoring pension industry players; providing information to the public; encouraging and promoting investment in insurance, pension and provident funds; it also advises the minister of finance on insurance and pensions issues.
- The IPEC has the powers to register and regulate insurers, mutual insurance societies and insurance brokers under the terms of the Insurance Act (Chapter 24:07). It also registers and regulates pension and provident funds under the Pension and Provident Funds Act (Chapter 24:09).

Key Legislation

Key legislation governing the insurance sector includes:

- Insurance Bill 2020 (replacing the Insurance Act)
- Insurance Act Chapter 24:07
- Pension and Provident Funds Act
- Statutory Instrument 39 of 2018, Insurance (Amendment) Regulations, 2018 (No 21)
- Statutory Instrument 40 of 2018, Insurance and Pensions Commission (Levy) Regulations, 2018 (No 1)
- Insurance Regulations 1989 Statutory Instrument 49 of 1989
- Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations 2017 (No 19)

Industry Associations

- The Insurance Council of Zimbabwe (ICZ)
- Life Offices Association of Zimbabwe (LOA)
- Zimbabwe Insurance Brokers Association (ZIBA)
- Zimbabwe Association of Reinsurance Organisations (ZARO)
- Zimbabwe Association of Funeral Assurers (ZAFA)
- The Insurance Institute of Zimbabwe (IIZ)
- Insurance Institute of Harare (IIH)
- Insurance Institute of Bulawayo (IIB)
- Society of Fellows

Pools:

The major pools currently in operation are listed below.

- **Special Risks Insurance Pool** - run by the Insurance Council of Zimbabwe (ICZ) covers risks that are unacceptable in the market, such as security organisations and commuter omnibuses. Exclusions are war, nuclear risks, computer fraud and industrial disease. The committee meets once a week to consider and rate each risk. One company issues the policy and all other participating companies assume their agreed percentage of each risk. Market sources note that covers such as professional indemnity for insurance brokers and actuaries that used to be covered by the pool are now being written by the direct writers for their own account. The pool would also consider new risk types for which there was no current capacity in the market; this could include cyber insurance and drones · National Bureau of Zimbabwe for Yellow Card cover - run by ICZ. Please see the International Motor heading in the Motor section for more detail.

- **Motor Insurers' Pool for visiting motorists** - run by ICZ. Please see the International Motor sub-header in the Motor section for more detail.
- **Motor Insurers' Bureau for uninsured drivers** - run by ICZ. This pool, although still in operation, is largely inactive. Should a claim be made against it all motor insurers in the market would contribute in proportion to their market share of the motor account.
- **Road Traffic Act (RTA) Pool** - this is a pool providing motor third party insurance where the cover is distributed via Zimpost (post office). This pool is now very much reduced.

Types of Licence

- The legislation currently regulates both long and short-term (life and non-life) business and separate licences are required.
- Composite companies are allowed, but assets must be strictly separated.
- Several of the reinsurers are composites.
- Personal accident (PA) is classed as non-life business, but PA riders may be dealt with in the life sector.
- In the Zimbabwean insurance market both life and non-life insurers are able to write health type covers or riders. Most reimbursive private medical insurance is written by medical aid societies, which are separately licensed by the Ministry of Health and Child Care.
- No separate licence is needed to write inwards reinsurance.

Capital Requirement:

Starting from 15 November 2019, companies should have the following minimum capital:

- 75 million USD instead of 5 million USD for life insurers and reinsurers,
- 37.5 million USD instead of 2.5 million USD for non-life insurers,
- 4.5 million USD instead of 0.3 million USD for microinsurance companies.

Compulsory Insurances

- Motor third party bodily injury and property damage.
- Passenger liability in respect of public service passenger vehicles.
- Workers' compensation (state scheme).
- Professional indemnity insurance for insurance brokers.
- Professional indemnity insurance for pension fund administrators (other than insurance companies).
- Vessels carrying passengers or cargo, or those hiring out vessels.
- Clinical trials liability.

Statutory Tariffs

There are no statutory tariffs applicable in the market but both the Insurance and Pensions Commission (IPEC) and the Insurance Council of Zimbabwe historically expressed concern over rating structures in the non-life sector. To this end minimum rating structures were introduced for motor and property risks (specifically assets all risks covers and associated loss of profits and accident covers), in addition to major property accounts.

INSURANCE MARKET PERFORMANCE & STATISTICS

Registered entities

For the year-ended 31 December 2021, the insurance sector was made up of 2, 522 players, which reflects an increase of 17% from the 2,156 reported as at 31 December 2020.

The increase is attributed to new registrations in 2021, i.e. one (1) short term insurer, three (3) micro insurers, one (1) reinsurer, one (1) reinsurance broker and three hundred and sixty-four (364) agents. Four (4) insurance brokers were de-registered during the period under review.

Table 10 below shows the architecture of the insurance sector as at 31 December 2021.

Table 10: Architecture of the Insurance sector as at 31 December 2021

Class of Business	Number of Registered Players as at 31 December 2021	Number of Registered Players as at 31 December 2021
Life Assurers*	12	12
Funeral Assurers	8	8
Short-Term Insurers	16	17
Composite Insurers**	2	2
Micro Insurers	2	5
Short-Term Reinsurers	4	5
Composite Reinsurers***	4	4
Insurance Brokers	32	28
Reinsurance Brokers	7	8
Agents	2, 069	2, 433
Total	**2. 156**	**2. 522**

**Only 11 out of 12 Life Assurers submitted returns. Heritage Life failed to submit its 2021 4th Quarter return.*

***These are short term insurers (FBC and Alliance Insurance) also doing life insurance business so the total for short term insurance companies is 19.*

****These are reinsurers doing both short term and life business.*

Gross Premium Written as at 31 December 2021

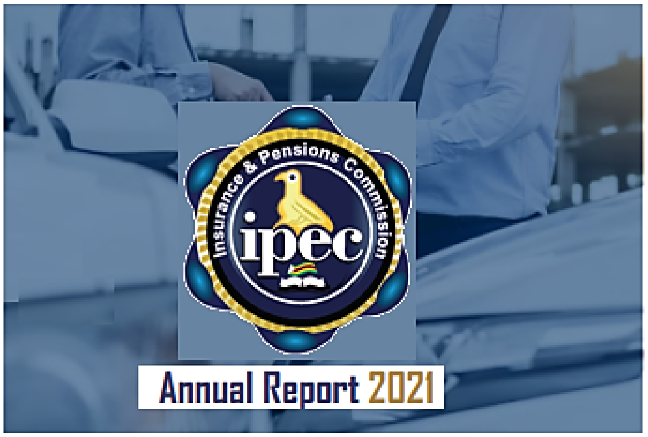
The Insurance sector wrote gross premium amounting to ZW$49.19 billion (in nominal terms) during the year-ended 31 December 2021, indicating an increase of 165% from ZW$18.56 billion for the year-ended 31 December 2020.

The breakdown of the gross premium written by the industry is highlighted in Table 11 below.

Table 11: Gross Premium Written as at 31 December...

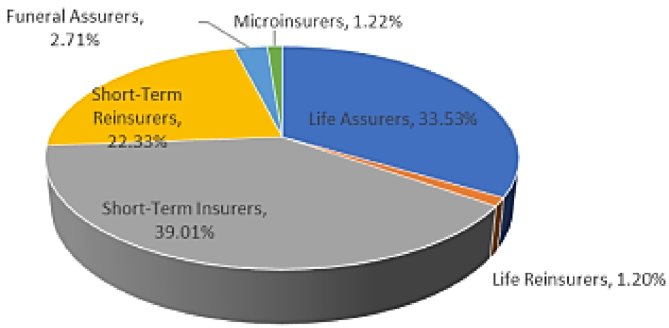
Class of Business	Dec 2020 (ZW$ Million)	Dec 2021 (ZW$ Million)	Nominal Growth %
Life Assurers*	3,651.58	16,496.75	352%
Life Reinsurers	153.08	589.15	285%
Short-Term Insurers	9,107.00	19,191.43	111%
Short-Term Reinsurers	5,299.00	10,982.95	107%
Funeral Assurers	274.14	1,334.73	387%
Micro Insurers	79.26	598.23	655%
Total	**18,564.06**	**49,193.23**	**165%**

**This excludes Heritage Life, which failed to submit its 2021 4th Quarter return.*



Short term insurers wrote the highest gross premium (39.01%) while life reassurers wrote the lowest premium (1.20%), as shown in Figure 7 below.

Figure 7: Distribution of the Gross Premium Written by Business Class as at Dec 2021



Compliance with Minimum Capital Requirements (MCR)

The sector's average compliance level with the minimum capital requirements was 96% as at 31 December 2021. The sectors, which had 100% compliance with the MCR were reinsurance brokers, life assurers, short-term insurers, reinsurance companies and micro-insurers. Funeral assurance companies had the lowest compliance level at 75% whilst insurance brokers were at 96% compliance. Table 12 below shows compliance levels with the MCR.

Table 12: Compliance with Minimum Capital Requirements (MCR)

Class of Business	MCR (ZW$ Million)	No of Entities	No of Compliant Entities	% Compliance Status
Life Assurers*	75	12	11	92%
Funeral Assurers	62.5	8	6	75%
Short-Term Insurers	37.5	19	19	100%
Composite Reinsurers	112.5	4	4	100%
Non-composite Reinsurers	75	5	5	100%
Micro Insurers	4.5	5	5	100%
Insurance Brokers	1.5	28	27	96%
Reinsurance Brokers	1.5	8	8	100%
Average Compliance Level				96%

Heritage Life failed to submit 2021 4th Quarter returns.

The non-compliant entities were Orchid Funeral, Passion Funeral and Rainbow Insurance Brokers.

Insurance sector assets

Total assets for the insurance sector grew by 159% (in nominal terms) from ZW$ 50.17 billion as at 31 December 2020 to ZW$ 129.90 billion as at 31 December 2021.

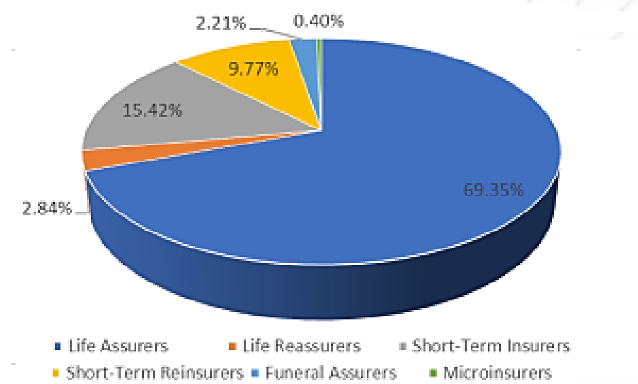
Table 13 below shows the breakdown of the total assets by class of business.

Table 13: Assets for the Insurance Industry as at 31 December…

Class of Business	Dec 2020 (ZW$ Million)	Dec 2021 (ZW$ Million)	Nominal Growth%
Life Assurers*	32,600	90,089	176%
Life Reassurers	1,297	3,688	184%
Short-Term Insurers	8,869	20,031	126%
Short-Term Reinsurers	6,403	12,696	98%
Funeral Assurers	868	2,875	231%
Micro Insurers	131	517	295%
Total	50,169	129,895	159%

**This excludes Heritage Life, which failed to submit its 2021 4th Quarter return.*

Figure 8: Distribution of the Assets by Business Class as at 31 Dec 2021



Life Assurers dominated the insurance sector in terms of assets as they held, 69.35% of the sector's total assets as shown in Figure 8 above. Micro insurers held the least assets (0.40% of sector's total assets).

Reinsurance

Short-term insurance companies had an average retention ratio of 53.67%, which was within an acceptable range given that it matched best practice. Short-term reinsurers had a retention ratio of 64.75%, whilst life and funeral assurance companies had 97.65% and 100% respectively. Companies are encouraged to make use of reinsurance facilities to spread risk.

Earnings

The industry managed to record profits after taking into consideration their technical results and management expenses. The combined profit after tax amounted to ZW$40.37 billion (in nominal terms), translating to ZW$25.12 billion in real terms.

Life assurers recorded the highest profit after tax, amounting to ZW$31.70 billion whilst reinsurance brokers had the least profit after tax amounting to ZW$ 0.09 billion as shown in Table 14 below:

Table 14: Insurance Industry Earnings as at 31 December 2021

Class of Business	Profit After Tax (ZW$ Billion)
Life Assurers*	31.70
Short-Term Insurers	4.54
Funeral Assurers	0.15
Reinsurers	3.38
Microinsurers	0.12
Insurance Brokers	0.40
Reinsurance Brokers	0.09
Total	**40.37**

*This excludes Heritage Life, which failed to submit its 2021 4th Quarter return.

Zimbabwe Insurance Industry Risk Scoring

RISK	Mitigation Measures	Risk Rating
Reputational Risk • Delays in finalising the Pre-2009 Compensation as recommended by the Commission of Inquiry • Failure to remit benefits to non-resident pensioners	• Holistic approach to compensation considering interests of all affected stakeholders. • Commission engaging relevant stakeholders to ensure priority of pensioners on forex auction.	High
Economic Risks • Macroeconomic environment • Long-term savings affected by the prevailing macroeconomic environment	• Continue to provide policy advice to Government on effective ways to create an enabling environment for the pensions and insurance industry to thrive. • Implement various frameworks and guidelines to preserve value for the protection of member benefits.	Medium
Operational Risk • Disruptive operating environment exposing gaps in systems, policies and procedures. • Heightened cyber security risk though the use of technology	• Enhance internal controls, systems and policies. • Cyber Security Framework and Guidelines developed to guide industry • Commission evaluating on technology-enabled surveillance	Medium
Liquidity Risks • Growth of premium debtors (from ZW$147 million to ZW$3.4 billion during the review period) • Growth in contribution arrears – grew by 147% from ZW$1.7 billion to ZW$4.2 billion. • Continued suspension of Old Mutual and PPC shares	• Pursuing legislating against issuing insurance on credit-No Premium No Cover. • The Commission has been training trustees and enlightening them of their rights and responsibilities • Engaging sponsoring employers, Government; Pensions Bill Empowers Commission to garnish sponsoring employer's accounts. • Recommended listing of Old Mutual and PPC on the VFSE	Medium
Compliance Risks • Minimum Capital Requirements • Prescribed asset requirements • Foreign currency business disclosure	• Enhanced guidelines to ensure strict compliance with rules and regulations • Strict implementation of approved Compliance Roadmaps.	Low

Source: IPEC 2021 ANNUAL REPORT - Published 16 June 2022

Zimbabwe Insurance Competitive Landscape

Zimbabwe's insurance industry offers growth potential, though this is dependent on an improvement in Zimbabwe's economic environment.

In part because of the higher capitalisation requirements and in part because of the generally challenging business environment, we consider it likely that there will be some consolidation in each of the main segments, potentially as a result of departures/closures of smaller local groups.

The impact will be greatest in the fragmented non-life segment, which will continue to be dominated by sub-scale local groups focusing mainly on basic lines. The life segment will continue to be dominated by the local operation of Old Mutual - providing group/employee benefit products - and local group Nyaradzo in funeral insurance.

Life Insurance:

Life Insurance Though small in value terms, Zimbabwe's life insurance market is relatively diverse with a mix of domestic and regional insurers operating in the industry.

In terms of products, Zimbabwe's life segment is unusual in that it is dominated by group/employee benefits offerings. The second largest product is funeral insurance, which is defined by the regulator as belonging to the life segment. The majority of life premiums come in the form of group policies, also called 'employee benefits' by the domestic market, rather than individual policies.

According to the most recent calculation, the employee benefits line of business accounted for nearly three-quarters of total gross life premiums written.

Top 10 Life Insurance Companies by Gross Premiums, USDmn **(2014-2019)**

	2014	2015	2016	2017	2018	2019
Old Mutual	150.9	160.8	166.9	166.6	184.9	40.6
Nyaradzo	61.7	75.5	81.4	95.4	108.4	33.9
Econet Life	0.1	3.3	6.3	10.4	19.3	8.6
FML	34.0	32.6	36.7	35.2	43.5	7.6
Zimnat	15.6	18.9	18.3	22.0	26.5	7.0
Doves	9.0	11.0	14.5	17.0	21.7	6.2
Fidelity	13.9	14.1	13.0	11.2	15.0	2.7
ZB Life	8.8	10.1	10.7	11.7	13.8	2.6
Moonlight	13.6	13.3	12.8	11.7	11.9	2.4
CBZ	9.1	13.4	9.5	10.1	11.1	1.6

Source: IPEC, Fitch Solutions

Zimbabwe's life market is highly concentrated and, with a 35.2% market share in 2019, the latest available data, **Old Mutual** has been the dominant player for some time. With market leadership in both the life and non-life sectors alike, combined with substantial banking and asset management operations, Old Mutual is well established in Zimbabwe. This multi-faceted approach, together with a geographic footprint that spans the UK, Sub-Saharan Africa and other countries, gives the company economies of scale, a broad reach and the resources needed to be able to offer varied and innovative products to consumers. However, it is coming up against tough competition as rivals broaden their offering.

In 2013**, Nyaradzo** emerged as a major player in the life segment; however, this seemingly spontaneous arrival belies the reality that Nyaradzo has long operated funeral insurance cover, but only in 2013 did the company fall under IPEC regulation. Its rise has, therefore, not been as meteoric as it may at first appear.

It is nevertheless a considerable element of the life sector and in 2019 accounted for 29.4% of the market with premiums of USD33.9mn, making it the second largest provider.

This market presence and possession of an established company brand offers Nyaradzo opportunities for further expansion into traditional life insurance products. Beyond Nyaradzo, it is difficult to see where any challenges to Old Mutual may come from.

According to 2019 data, **Econet Life** is now ranked third, with a 7.5% share and premiums of USD8.60mn in 2019. **First Mutual Limited** is ranked fourth with a share of 6.6% and premiums of USD7.60mn; **Zimnat** is ranked fifth, with 6.1% of the market (with premiums of USD7.0mn) in 2019.

The market leadership exerted by Old Mutual is likely to continue over the coming years, although market share is perhaps unlikely to see significant growth, in a context where its dominance has been eroded slightly in recent years. While we can envisage circumstances in which smaller companies might leave the segment, there is only a modest likelihood of new entrants.

The group/employee benefits market will continue to be dominated by Old Mutual. Nyaradzo is the clear leader in funeral insurance, the other main element of the life segment (as defined by the regulator).

The market will remain underdeveloped by virtually all metrics at the end of the forecast period. The general business and economic environment will remain challenging.

Non-Life Insurance:

According to the IPEC, there are 21 non-life insurance providers authorised to act in the market, including nine short-term reinsurers, 4 microinsurance providers and 8 non-life reinsurance companies.

As is the case in much of Sub-Saharan Africa, the non-life segment is dominated by basic lines. The motor insurance market is currently the largest sub-sector, accounting for 44.0% of premiums written in 2021 (according to our latest estimates). Property insurance, currently the second largest single constituent, accounts for only 3.0% of the non-life market. The dominance of motor insurance lines is indicative of the underdeveloped state of the non-life sector, while more technical areas such as health insurance are only just starting to gain significant traction. Retention ratios are low across the non-life sector in Zimbabwe, but most notably so in transport lines, where practically all premiums are ceded. In the nascent health sector, only 0.1% of premiums were retained.

Zimbabwe's non-life insurance market is more fragmented than the life market with no single player dominating, although the 5 largest players have increased their market shares to account for 72% of written premiums.

In 2020, **Zimnat Lion** consolidated its position as the largest non-life provider with a market share of 19.3%. **Nicoz Diamond** claimed the second place spot in 2020 with a market share of 15.9%, followed by Old Mutual, and a market share of 14.8% in 2020.

The final companies in the top 5 are **Cell** with11.8% of market share and **Alliance**, with a 10.3% market share.

These companies offer a wide range of products including motor, health, property and travel as well as various liability lines. The diversified nature of the market has kept competition active, pressing down prices and generally benefiting the consumer. However, a major step towards consolidation came in December 2017, when First Mutual Limited announced that it had received regulatory approval for its purchase of Nicoz Diamond - a move that was completed in 2018 and followed by the merger of Nicoz Diamond with First Mutual's other non-life holding, **Tristar Insurance Company.**

Top 10 Non-Life Insurance Companies by Gross Premiums, USDmn **(2015-2020)**

	2015	2016	2017	2018	2019	2020
Zimnat Lion	24.3	24.9	28.3	41.8	31.9	30.0
Nicoz Diamond	29.1	29.3	31.6	40.6	22.2	24.7
Old Mutual	35.9	36.8	37.9	41.4	18.8	23.0
Cell	21.3	18.7	17.6	26.7	19.4	18.3
Alliance	32.8	32.4	31.7	31.6	19.0	16.1
Econet	na	na	na	2.1	8.2	12.3
FBC	na	na	19.0	22.1	11.4	7.4
CBZ	9.6	10.2	10.4	12.7	7.7	7.0
Clarion	3.0	3.2	3.9	7.1	2.7	4.9
ECGC	0.0	0.3	1.3	2.1	1.7	2.4

na = not available/applicable. *Source: IPEC, Fitch Solutions*

Looking forward, *"Fitch Solutions"* believes that stricter regulatory and capital requirements will encourage further merger and acquisitions (M&A) activity, alongside the establishment of partnerships. While M&A strategies are more aggressive, partnerships through joint ventures, for instance, enable the less-capitalised companies to gain access to the larger financial resources of the partnering firms. Accordingly, this will give the smaller players that are under pressure from IPEC a chance of survival, in exchange for access to their existing client base and established distribution channels.

As it stands, the regulatory changes indicate that competition in the sector is likely to be hampered, with large-scale market leaders such as Old Mutual most likely to benefit.Foreign investment would likely take the form of acquisition, leading to market consolidation.

If the new government proves genuinely pro-reform - and economic prospects brighten - then this will generate significant potential for further foreign participation, though a lack of progress to date does little to inspire investor confidence.

The Zimbabwean non-life market has the potential for high growth rates, given its current low base, but has been a victim of the country's economic volatility and political mismanagement.

Source: Business Monitor International Ltd – 6 October 2022