FAIR Review

Issue No. 199 (2024- Q1)

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FAIR Review

FAIR in Brief

Federation of Afro-Asian Insurers & reinsurers "FAIR" is a priceless instrument and media for cooperation, and our responsibility is to make it more responsive, more effective and more dynamic. FAIR was established in September 1964, to promote cooperation among insurance and reinsurance companies in Africa and Asia, through the regular exchange of information, experience and the development of business relations.

Vision:

FAIR aims to become a driving force for international insurance cooperation by promoting collaboration and adoption of international standards.

Mission:

FAIR will lead the effort to achieve harmonization of insurance markets by promoting the adoption and implementation of international standards among members facilitating the sharing of information and expertise and enhancing cooperation to be of added value to members.

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- Wide recognition of brand and name of FAIR on the world scene,
- A broad range of deliverable affecting the members' interests,
- Strong national membership base,
- Extensive networking at both international and regional levels,
- Building regional bases (hub) that provides a variety of shared resources and services to local member companies.

FAIR Review

The "FAIR Review" is published quarterly by the central office and circulated to over 6000 of FAIR's members & friends from various insurance markets. It is devoted to disseminate the research work, articles and information, to enhance professional knowledge among insurance professionals.

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Global Markets

• *Top tips for managing the biggest risks facing businesses in 2024*

A new barometer identifies the biggest threats to organisations worldwide as cyber, business interruption, and nat cats. Here are the report's top tips for managing the risks

Cyber incidents such as ransomware attacks, data breaches, and IT disruptions are the biggest worry for companies globally in 2024, according to the latest Allianz Risk Barometer.

The closely interlinked peril of business interruption ranks second. Natural catastrophes (up from #6 to #3 year-on-year), fires and explosion (up from #9 to #6), and political risks and violence (up from #10 to #8) are the biggest risers.

The top global business risks are based on the insights of more than 3,000 risk management professionals worldwide.

Allianz Commercial CEO Petros Papanikolaou comments on the findings: "The top risks and major risers in this year's Allianz Risk Barometer reflect the big issues facing companies around the world right now – digitalisation, climate change and an uncertain geopolitical environment.

The most important business risks in 2024: global

Ranking changes are determined by positions year-on-year, ahead of percentages.

Rank		Percent	2023 rank	Trend
1	Cyber incidents *(e.g., cyber crime, IT network and service disruptions, malware / ransomware, data breaches, fines, and penalties)*	36%	1 (34%)	→
2	Business interruption *(incl. supply chain disruption)*	31%	2 (34%)	→
3	Natural catastrophes *(e.g., storm, flood, earthquake, wildfire, extreme weather events)*	26%	6 (19%)	↑
4	Changes in legislation and regulation *(e.g., tariffs, economic sanctions, protectionism, Euro-zone disintegration)*[1]	19%	5 (19%)	↑
5	Macroeconomic developments *(e.g., inflation, deflation, monetary policies, austerity programs)*[2]	19%	3 (25%)	↓
6	Fire, explosion	19%	9 (14%)	↑
7	Climate change *(e.g., physical, operational, and financial risks as a result of global warming)*	18%	7 (17%)	→
8	Political risks and violence *(e.g., political instability, war, terrorism, coup d'état, civil commotion, strikes, riots, looting)*	14%	10 (13%)	↑
9	Market developments *(e.g., intensified competition / new entrants, M&A, market stagnation, market fluctuation)*	13%	11 (11%)	↑
10	Shortage of skilled workforce[3]	12%	8 (14%)	↓
11	Energy crisis *(e.g., supply shortage / outage, price fluctuations)*	12%	4 (22%)	↓
12	New technologies *(e.g., risk impact of artificial intelligence, connected / autonomous vehicles, lithium-ion batteries, electric vehicles, Metaverse)*	9%	14 (6%)	↑
13	Critical infrastructure blackouts *(e.g., power disruption)* or failures *(e.g., aging dams, bridges, rail tracks)*	8%	12 (9%)	↓
14	Theft, fraud, corruption	7%	15 (6%)	↑
15	Loss of reputation or brand value *(e.g., public criticism)*	6%	16 (5%)	↑
16	Environmental risks *(e.g., pollution, biodiversity issues, water stress)*[4]	5%	19 (3%)	↑
17	Insolvency	5%	17 (4%)	→
17	Product recall, quality management, serial defects	5%	18 (4%)	↑
19	Pandemic outbreak *(e.g., health and workforce issues, restrictions on movement, cancellation of events)*	4%	13 (7%)	↓
	Other	2%		

Source: *Allianz Commercial*

1 Changes in legislation and regulation ranks higher than macroeconomic developments based on the actual number of responses
2 Macroeconomic developments ranks higher than fire, explosion based on the actual number of responses
3 Shortage of skilled workforce ranks higher than energy crisis based on the actual number of responses
4 Environmental risks ranks higher than insolvency, and product recall based on the actual number of responses

Trends driving cyber activity in 2024

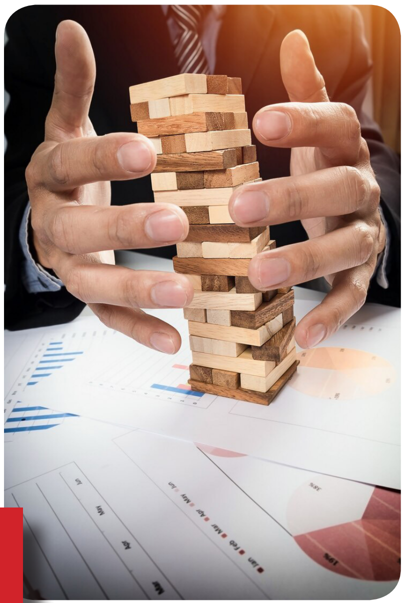
Cyber incident ranks as the most important risk globally for the third year in a row – for the first time by a clear margin.

It is the top peril in 17 countries, including Australia, France, Germany, India, Japan, the UK, and the USA.

A data breach is seen as the most concerning cyber threat for Allianz Risk Barometer respondents (59%) followed by attacks on critical infrastructure and physical assets (53%).

The recent increase in ransomware attacks – 2023 saw a worrying resurgence in activity, with insurance claims activity up by more than 50% compared with 2022 – ranks third (53%).

"Cyber criminals are exploring ways to use new technologies such as generative artificial intelligence (AI) to automate and accelerate attacks, creating more effective malware and phishing.



"The growing number of incidents caused by poor cyber security, in mobile devices in particular, a shortage of millions of cyber security professionals, and the threat facing smaller companies because of their reliance on IT outsourcing are also expected to drive cyber activity in 2024," explains Scott Sayce, global head of cyber, Allianz Commercial.

What does it mean for businesses?

Large corporates, mid-size, and smaller businesses are united by the same risk concerns – they are all mostly worried about cyber, business interruption and natural catastrophes.

However, the resilience gap between large and smaller companies is widening, as risk awareness among larger organisations has grown since the pandemic with a notable drive to upgrade resilience, the report notes.

Conversely, smaller businesses often lack the time and resources to identify and effectively prepare for a wider range of risk scenarios and, as a result, take longer to get the business back up and running after an unexpected incident.

Spotlight on nat cat threats and how they impact companies

Natural catastrophes (26%) is one of the biggest movers rising by three positions to third place.
2023 was a record-breaking year on several fronts. It was the hottest year since records began, while insured losses exceeded US$100bn for the fourth consecutive year, driven by the highest ever damage bill of US$60bn from severe thunderstorms.

Around the world, natural catastrophes is the #1 risk in Croatia, Greece, Hong Kong, Hungary, Malaysia, Mexico, Morocco, Slovenia, and Thailand, many of which sustained some of the most significant events of 2023.

In Greece, a wildfire near the city of Alexandroupolis in August was the largest ever recorded in the EU. Meanwhile, severe flooding in Slovenia resulted in one of the biggest supply chain events, causing production delays and parts shortages for European car manufacturers.

Physical damage to corporate assets from more frequent and severe extreme weather events are a key threat. The utility, energy and industrial sectors are among the most exposed.

In addition, net zero transition risks and liability risks are expected to increase in future as companies invest in new, largely untested low-carbon technologies to transform their business models.

How to tackle the threats

Allianz says that many of these risks are already hitting home, with extreme weather, ransomware attacks and regional conflicts expected to test the resilience of supply chains and business models further in 2024.
Companies should be aware and adjust their insurance covers accordingly.

Top tips for managing some of the key barometer risk:

- **Cyber:**

Preventing a cyber-attack is becoming harder, and the stakes are higher. As a result, early detection and response capabilities and tools are becoming ever more important. Investment in detection backed by AI should also help to catch more incidents earlier. If companies do not have effective early detection tools this can lead to longer unplanned downtime, increased costs and have a greater impact on customers, revenue and reputation.

- **Business interruption:**

This risk retains its position as the second biggest threat in the 2024 survey. This result reflects the interconnectedness in an increasingly volatile global business environment, as well as a strong reliance on supply chains for critical products or services. Improving business continuity management, identifying supply chain bottlenecks, and developing alternative suppliers should continue to be key risk management priorities for companies in 2024. In a fast-changing world, companies need to maintain regular audits of systems and to test their business continuity plans.

- **Nat cats:**

Socioeconomic factors, such as increasing urbanisation in areas exposed to climate change, are a driver of nat cat insurance losses. With extreme weather events the new normal, companies need to invest in shoring up their supply chains. They need to focus on resilience such as flood protection and reinforcing infrastructure to reduce the vulnerability of assets, lower the risk of disruption, and increase insurability.

- **Changes in legislation and regulation:**

Organisations will face new rules and regulations in 2024 that will not only require a high administrative burden but could also impose real restrictions on their business activities. "Companies need a strategic response to this that goes beyond monitoring the legislative process. A high level of uncertainty calls for scenario planning, strengthening resilience and open communication with internal and external stakeholders," says Ludovic Subran, chief economist at Allianz.

- **Fire:**

Although fire risks are well understood and typically well risk managed, fire remains a significant cause of business interruption (BI) and supply chain disruption, especially where critical components are concentrated geographically and among a small number of suppliers. Regularly assessing and updating prudent fire mitigation practices, including preventative measures, fire extinguishing methods and contingency planning remain essential for all businesses to lower the risk of loss from an incident.

Regional differences

Climate change (18%) may be a non-mover year-on-year at #7 but is among the top three business risks in countries such as Brazil, Greece, Italy, Turkey, and Mexico.

In a global context, the shortage of skilled workforce (12%) is seen as a lower risk than in 2023, dropping from #8 to #10.

However, businesses in Central and Eastern Europe, the UK and Australia identify it as a top five business risk.
Given there is still record low unemployment in many countries around the globe, companies are looking to fill more jobs than there are people available to fill them.

IT or data experts are seen as the most challenging to find, making this issue a critical aspect in the fight against cyber-crime. ■

Sources:
Global Reinsurance - 16 January 2024
Strategic Risk – 18 January 2024

• GLOBAL RISKS

The Largest Risks Faced by the World

by Felix Richter - Data Journalist - STATISTA

Over the next ten years, climate change and its consequences will pose the greatest risk to the world. That's according to roughly 1,500 global experts from academia, business and politics, who were asked to evaluate 34 global risks over a two-year and a 10-year horizon for the World Economic Forum's annual Global Risks Perception Survey.

With inflation easing in most parts of the world, the experts no longer consider the cost-of-living crisis the most pressing issue in the short-term. Instead they think misinformation and disinformation will be the most severe risk over the next two years. In light of nearly three billion people heading to the electoral polls in various major economies during that time, the widespread use of mis- or disinformation could "undermine the legitimacy of newly elected governments" and ultimately result in unrest in the form of violent protests, hate crimes or even terrorism.

Looking at the 10-year horizon, misinformation is expected to remain a major threat, but the four most severe risks faced by the world are all predicted to be related to climate change over the coming decade. The following chart nicely illustrates the difference between what experts consider short-term risks and which challenges will shape the world for years or even decades to come.

In conclusion, the 19th edition of the WEF's Global Risks Report finds that "the world is plagued by a duo of dangerous crises: climate and conflict. Underlying geopolitical tensions combined with the eruption of active hostilities in multiple regions is contributing to an unstable global order characterized by polarizing narratives, eroding trust and insecurity.

At the same time, countries are grappling with the impacts of record-breaking extreme weather, as climate-change adaptation efforts and resources fall short of the type, scale and intensity of climate-related events already taking place." Elevated inflation, interest rates and high economic uncertainty contribute to "palpable frustration at the status quo", which in turn is the ideal breeding ground for misinformation to spread and further widen the cracks in society. ■

Source: STATISTA – 11 Jan 2024

• *Nature-Positive Insurance: Evolving Thinking and Practices*

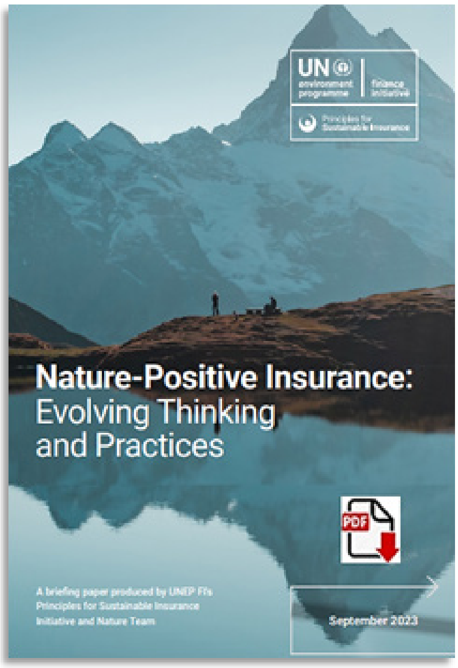
by UNEP, September 2023

The themes presented in the paper build on the long-standing work of the PSI in addressing nature-related risks over the past decade—from tackling illegal, unreported and unregulated (IUU) fishing, environmental pollution liability, plastic pollution and high-impact hydropower projects; to protecting UNESCO World Heritage Sites and building climate resilience by protecting ecosystems such as coral reefs and mangrove forests. This work culminated in the agenda-setting PSI Nature-Positive Insurance Series in 2021 co-organised by the UN Convention on Biological Diversity, as well as the inclusion of nature-related risks in the development of the first-ever environmental, social and governance (ESG) guides for non-life insurance (2020) and life & health insurance (2022) produced by the PSI.

Authored by UNEP FI's Principles for Sustainable Insurance Initiative (PSI) and Nature Teams, this briefing paper articulates the role that insurers can play in supporting the goals of the Kunming-Montreal Global Biodiversity Framework and ultimately support the transition to a nature-positive global economy.

Executive summary

As evidenced by the adoption of the Kunming-Montreal Global Biodiversity Framework in December 2022,2 there is a growing recognition of the importance of finance for nature, both in reducing nature-related risks and seizing nature-positive opportunities. This timely briefing paper calls on insurers to take action to halt and reverse nature loss so that by 2030 nature is visibly and measurably on



the path to recovery.
As risk managers, insurers and investors, the insurance industry plays an important role in promoting economic, social, and environmental sustainability—or sustainable development.

This paper builds on the long-standing work of UN Environment Programme's Principles for Sustainable Insurance Initiative (PSI) in addressing nature-related risks over the past decade—from tackling illegal, unreported and unregulated (IUU) fishing, environmental pollution liability, plastic pollution and high-impact hydropower projects; to protecting UNESCO World Heritage Sites and building climate resilience by protecting ecosystems such as coral reefs and mangrove forests. This cumulative work culminated in the agenda-setting PSI Nature-Positive Insurance Series in 2021 co-organised by the UN Convention on Biological Diversity, as well as the inclusion of nature-related risks in the development of the first-ever environmental, social and governance (ESG) guides for non-life insurance (2020) and life

& health insurance (2022) produced by the PSI.3 This paper articulates the role that insurers can play in supporting the goals of the Kunming-Montreal Global Biodiversity Framework and ultimately support the transition to a nature-positive global economy. Qualitative interviews and two workshops were held with experts from the insurance industry and wider financial community to solicit their insights.

The global goal for nature and Global Biodiversity Framework: Why they matter to the insurance industry

The world is currently facing a triple planetary crisis, including climate change, nature and biodiversity loss, and pollution and waste. The dependence of the global economy on nature makes it vulnerable to nature-related risks. Rebuilding and replenishing natural capital is therefore a critical goal for all sectors of the economy and all actors in society, including governments, businesses, and civil society.

The global goal of becoming nature-positive by 2030 coupled with the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) at COP15 emphasise the need for urgent and transformative action to halt and reverse nature loss. The paper identifies how the insurance industry in its role as risk managers and insurers can contribute to achieving the goals and targets of the GBF through a range of possible actions, from embedding nature in risk management frameworks and setting underwriting criteria and guidelines; to engaging with clients and potential clients, and developing insurance products and solutions that cover natural ecosystems and economic activities that value, conserve, restore and wisely use biodiversity and ecosystem services.

Managing nature-related risks: Emerging practices in the insurance industry

Insurers and reinsurers are increasingly recognising the need to address nature-related risks in their risk management and underwriting frameworks. These risks encompass physical, transition, and systemic risks resulting from the loss and degradation of natural ecosystems, misalignment with emerging regulations, and the breakdown of entire systems. To effectively integrate these risks, insurers should update their risk management methodologies, models, and decision-making processes. This includes enhancing their understanding of the interdependencies between natural ecosystems and insured assets, activities through data collection and analysis; and the development of relevant indicators and metrics. Integrating nature-related risks requires insurers to adapt their risk assessment tools and frameworks. This can involve leveraging catastrophe risk modelling to analyse the physical risks associated with climate-related hazards and developing parallel nature scenarios to enhance risk understanding and risk reduction. Furthermore, insurers need to address the challenges posed by transition risks, which can arise from the misalignment between their strategies and evolving market and regulatory landscapes. This includes monitoring changes in market dynamics, technological advancements, and policy and legal frameworks to assess the viability and insurability of assets and activities.

Insuring nature: Innovative solutions and new opportunities

Insurers are recognising the significance of insuring natural ecosystems and are exploring transformative practices in this area. Nature-related opportunities go beyond risk management and can be strategic for innovative insurers.

Nature-based Solutions (NbS) are an important tool for insurers to protect and restore ecosystems while addressing societal challenges, providing economic, social, and environmental co-benefits. Insurers play a crucial role in supporting NbS by assessing risks, providing tailored insurance coverage, and allocating financial resources. Collaborative efforts among different stakeholders and credible certifications are important for facilitating NbS, but challenges remain, such as a lack of clear ownership of natural assets and insufficient data for risk assessment.

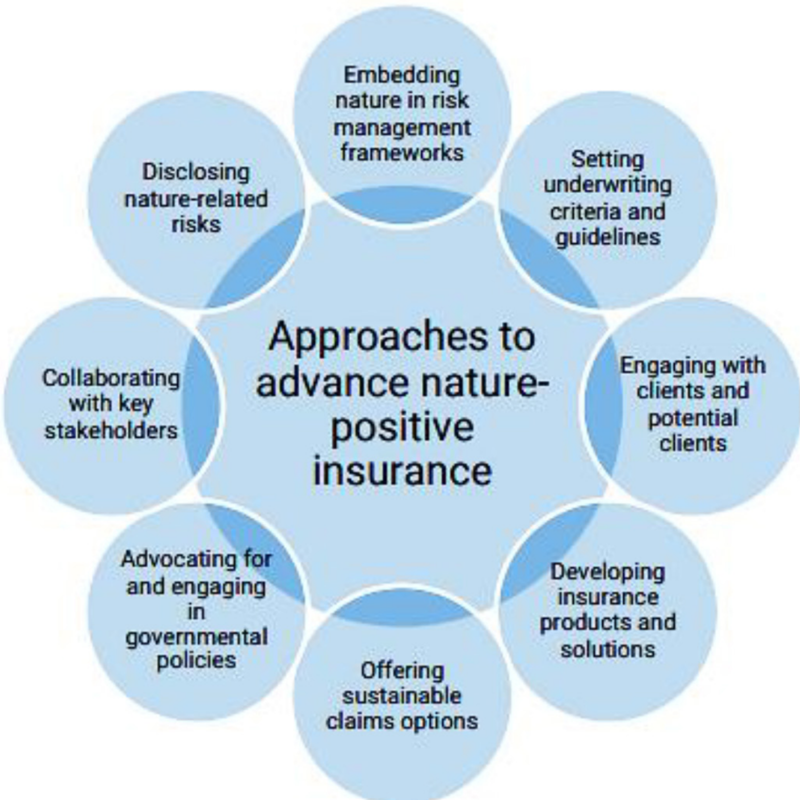
Insurers are also developing new risk management services and insurance products to address concerns related to the loss of biodiversity and ecosystem services. They are focusing on areas such as biodiversity protection and restoration, community-based resilience approaches, and green infrastructure. However, scaling up insurance for nature-positive opportunities faces challenges related to knowledge and modelling capabilities within insurance companies and other market participants, competing internal priorities, and the need for applicable projects on the demand side.

With the adoption of the GBF, as well as other global developments to address nature-related issues, and as more data and tools become available, expectations for the insurance industry's approach to nature will increase. This creates an incentive for insurers to identify more opportunities for risk management and insurance solutions that promote and lead to nature-positive outcomes.

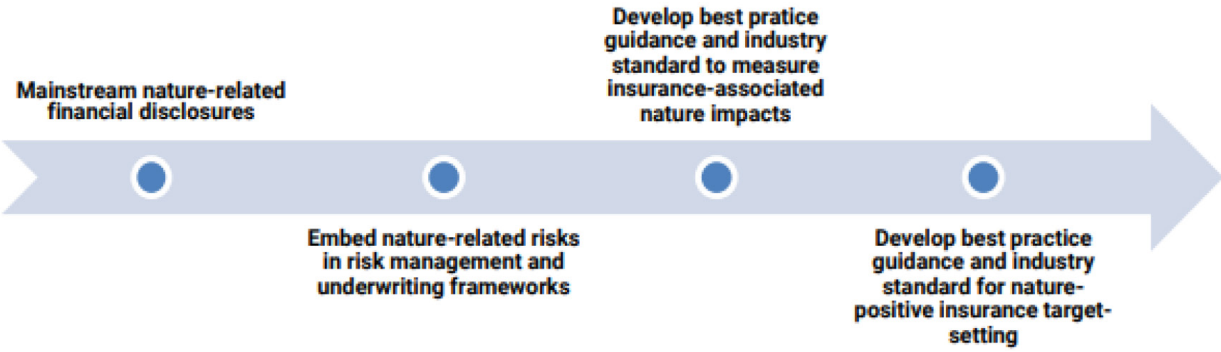
Key actions to advance nature-positive insurance

Nature-positive insurance (NPI) can be defined as risk management and insurance strategies, approaches, practices, products, services and solutions that address nature-related dependencies, impacts, risks and opportunities in order to value, conserve, restore and wisely use biodiversity and ecosystem services; and to promote economic, social and environmental sustainability. NPI aims to actively contribute to achieving the mission of the Kunming-Montreal Global Biodiversity Framework to halt and reverse nature loss by 2030, and its vision of a world living in harmony with nature by 2050.

The insurance industry can adopt a range of approaches to advance NPI:



Furthermore, this paper has identified gaps in knowledge, tools, methods and standards and proposes the following roadmap in order to speed up and scale up nature-positive insurance thinking and practices globally:



In recognition of the need for collaborative efforts to implement this roadmap, the PSI and UNEP FI's Nature Team believe that the establishment of a Nature-Positive Insurance Forum is essential. This Forum can serve as a global platform for the insurance industry and key stakeholders (e.g., insurance regulators and supervisors, nature-positive finance standard-setters, real economy actors, environmental and conservation groups, scientific and academic community, civil society) to engage in order to support the development and advancement of nature-positive insurance approaches, frameworks, guidance, tools, methodologies and standards. This forum can also serve as a space for sharing best practices and peer-to-peer learning and collaboration which is an integral part in every step of the roadmap.

• *MANAGING LITIGATION RISKS:*
10 KEY WAYS TO HELP PROTECT YOUR BUSINESS FROM EXPOSURE TO ESG LITIGATION

by Sean Adams, Samantha Holland, Emma Carr and Georgia Morris (Gowling WLG)

In the day-to-day operation of any business there will be a need for risk mapping and planning for the unexpected. The material issues will differ for each organisation but, undoubtedly, there will be an Environmental, Social and Corporate Governance element as businesses and stakeholders place greater scrutiny and focus on these areas in a changing world.

So, in taking a pro-active approach to managing your E, S and G and preventing any risk areas for litigation, what are some of the key points for businesses to consider?

Here we share our Top 10 for protecting your business from exposure to ESG litigation.

1. KNOW YOUR 'E', YOUR 'S' AND YOUR 'G' – WHAT ARE THE SPECIFIC RISK AREAS FOR YOUR BUSINESS?

The acronym is hard to avoid, and is broad enough to cover an extremely wide range of potential business risks (some old, and some new). Just some of the examples of risks that might be included under each of the E, S and G pillars (and therefore where ESG (Environmental, Social and Governance) litigation may arise) are as follows:

E: Environmental claims may focus on climate change, emissions, waste reduction, biodiversity and carbon footprints. Examples include claims brought by consumers against car manufacturers for diesel emissions. Claims may also be brought for alleged greenwashing, when a company overplays its environmental credentials in a way that is misleading to consumers and investors (see steps 4 and 8 below).

S: Social claims may revolve around working conditions, human rights, fair pay, diversity and inclusion, equal opportunities and modern slavery. Examples in the UK include large equal pay claims against councils and supermarkets.

G: Governance claims may concern anti-bribery and corruption, financial crime, data protection, director duties, and corporate reporting and accounting obligations. In step 3 below, we look at recent examples of high-profile governance-related claims.

Every business interacts with the environment, with humans and operates through governance structures. Every business is therefore at risk of liability and litigation in this area. Understanding the specific areas in which your business is potentially exposed (given that all businesses are unique and will have a different ESG profile) is a crucial first step.

2. KNOW YOUR POTENTIAL CLAIMANTS

ESG issues are panoramic and pervasive by nature. While claims can therefore arise from a wide range of areas, they can also be advanced by a broad and diverse group. It

is important to understand that these key players may also have different motivations. Where some will seek to address and claim financial loss (i.e. be driven by economic motivations), others might be driven by a desire to prompt behavioural change and raise publicity. Three broad categories of potential claimants to pay particular attention to are:

1. Individuals and groups of claimants. They can be consumers, shareholders, institutional investors [1], trustees, employees or anyone with a vested interest in your company by virtue of either buying from you, selling to you, investing in you, or working for you. In certain areas, particularly mass tort claims, those individuals and claimant groups may be made up of international as opposed to simply domestic players.
2. Non-governmental organisations (NGOs), charities and pressure groups/activists (with examples including Greenpeace and Client Earth) have used ESG litigation (or the threat of it) to drive strategic and operational changes forward in corporate behaviour. While not a new stakeholder in litigation, their influence, particularly in this area, appears to be on the rise.
3. Regulators such as the Advertising Standards Authority (ASA) and the Competition and Markets Authority (CMA) have also become increasingly involved with ESG issues, and the rise in regulatory action in this area is expected to continue.

Much like with ESG profiles, every business will have its own unique and diverse mix of stakeholders which will need to be examined to identify potential claimants. The rise of litigation financing in the ESG sphere, as well as US-style claimant litigation law firms, also presents those potential claimants with new routes to bring actions without having to finance them in the usual way.

3. WHAT SORT OF CLAIMS COULD BE COMMENCED?

The broad range of areas, and of claimants, that may give rise to ESG litigation naturally coalesce in a variety of different causes of action which may give rise to litigation. Some represent new applications of existing legal frameworks, but some are cutting-edge developments as the law responds (as it always has) to new challenges. A few examples include:

- Shareholders seeking to bring actions on behalf of a company against its directors for alleged breaches of directors' duties. This was the approach taken (unsuccessfully) in two recent cases[2], which are covered in more detail in our earlier article about a High Court decision on claims by an environmental organisation motivated by climate concerns.
- Claims for misstatement or misrepresentation in respect of ESG claims made by companies, including litigation connected with certain financial publications under s90 and s90A of the Financial Services and Markets Act 2000 (FSMA). The use of s.90 and s.90A FSMA is explored further in our article from last year on the rise in ESG litigation and the potential for shareholder action under the deployment of FSMA claims.
- Judicial review (JR) – while unlikely to be directly relevant to private companies (although they may be indirectly impacted by any JR decisions, depending on the subject matter of them), decisions of government and other public bodies can be challenged this way and they are likely to be a key element of the ESG case-load going forward, given the nature of decision-making in this area.
- Claims based on parent company liability – some cases have shown an increasing willing-

ness by the English courts to consider claims that UK domiciled parent companies bear responsibility for the actions and operations of their foreign subsidiaries – particularly in cases where a parent company holds itself out as exercising a degree of supervision and control over its subsidiaries[3].

- Supply chain liability - there are cases where a duty of care owed by companies has been found to extend to include the actions of its suppliers (creating a direct risk for supply chain liability)[4]. However, more likely, and of more general application, will be businesses bringing claims through the supply chain where there have been ESG-related issues to "pass on" liability or impact.
- Regulatory complaints and investigations – the CMA has commenced a number of investigations into 'greenwashing'. For the time being these are focused on the fashion, FMCG and gas industries, but we expect other sectors to come under scrutiny over time. Meanwhile, the ASA regularly adjudicates on misleading environmental claims across multiple sectors – most recently it has used Artificial Intelligence (AI) tools to 'sweep' for airlines making exaggerated sustainability claims in social and digital media. We expect complaints to the ASA and Trading Standards on green and broader ESG issues to rise further.

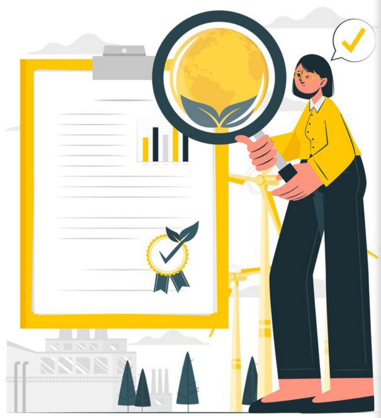
4. AVOID MISSTATEMENTS

With pressure from investors and other stakeholders mounting and legal requirements growing, companies are increasingly being expected (and in some instances required) to make ESG-related disclosures. Others are keen to promote their ESG credentials in marketing. With this comes an increased risk of litigation, reputational damage and financial penalty if it is uncovered that a company has made an incorrect or misleading disclosure.

It is therefore critical that organisations take care when making claims and statements in relation to ESG issues.

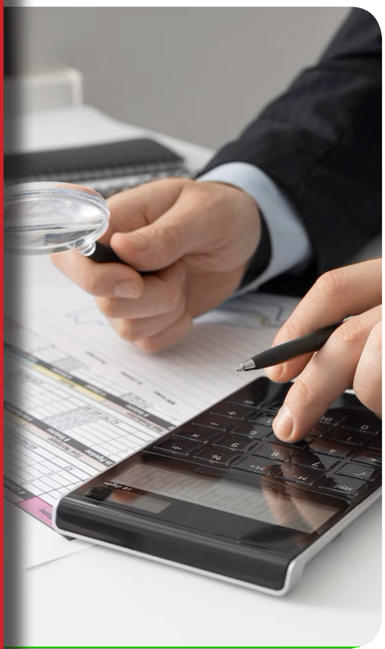
In order to protect yourself from this exposure to litigation, regulatory complaints and/or allegations of 'greenwashing' your reputation with inaccurate or overstated ESG claims, we recommend introducing processes to verify any ESG claims being made. This should include clearance of ESG claims made in marketing or online. It is also advisable (and, in marketing, essential) to include qualifications and limitations in relation to any statements or claims, such as explaining the methodologies used to reach a given conclusion, in order to reduce the likelihood of misleading your investors, consumers and key stakeholders. Organisations should also focus on tangible and measurable progress towards ESG objectives, and avoid overstating achievements or over-committing to improvements without a plan to deliver them. Avoid vague, unsupportable statements such as unqualified claims to be 'sustainable', 'green' or 'planet-friendly'.

Similarly, with so many organisations publishing ESG-style reports, whether voluntarily or because of a legal requirement, the need for precise disclosure is essential. We expect that the growth of ESG reporting regimes and standards will continue, and it will be increasingly easy for potential claimants to gather information regarding the sustainability performance of a business or large organisation. Coupled with the trend for regulators to be under a legal duty to investigate potential breaches of sustainability rules brought to their attention by individuals, the



importance of fair, proportionate, and precise disclosure cannot be overstated. Understanding the specific requirements of the myriad of ESG disclosure regulations will be critical to avoiding misstatements or material omission from ESG reports, and great care will need to be taken in their preparation.

For more insight in this area, see our earlier article on the risks of greenwashing in the UK and worldwide, or sign up to our upcoming Think-House seminar which will include a session on greenwashing, the latest guidance and how regulators are approaching these type of claims.



5. ESG AUDITS

When considering your ESG obligations and commitments, it is important to consider how these flow through the rest of your group, joint ventures and supply chain partners (and the impact that the actions of those parties can have on you).

We recommend considering an annual ESG audit, together with regular progress monitoring and acting on the results. This can provide you with an objective perspective on where your business is likely to encounter issues and how these can be tackled.

Where relevant, consider implementing codes of conduct, information rights and reporting requirements within supplier and joint venture agreements to ensure that you can align your ESG standards and obtain the information you need in order to monitor that performance and substantiate the statements that you make about ESG performance.

6. INVEST IN TRAINING

In order to ensure that your business complies with its duties and operates in a way that is consistent with its ESG values, it will be necessary to provide staff, directors and other stakeholders, such as marketing agencies, with regular training. This can be made part of ongoing compliance and other training programmes, but it is worth exploring opportunities to create positive, ESG-related engagement through other methods (such as discussions with staff to understand their perspectives and identify opportunities they might suggest for improvements in practical operations).

7. CHECK YOUR INSURANCE COVER

We also recommend checking your insurance portfolio and the extent to which this covers you in relation to the ESG-related risks your business may face. Particular attention should be paid to insurance policies covering directors and officers of the company, as this may provide protection and legal costs cover in the event that their duties are alleged to have been breached. Some of these policies also offer entity cover, which protects the company itself against claims. If your cover is insufficient for your business's needs, consider whether it is appropriate or necessary to change your cover.

Some further details on the interaction between ESG claims and Directors & Officers (D&O) insurance cover are included in our article on D&O liability, key factors influencing it's rise and the growth areas for potential claims.

8. BEWARE THOSE SELLING ESG SERVICES WITHOUT ADEQUATE CREDENTIALS

While engaging an ESG consultant can seem like an effective way to streamline or outsource the delivery of ESG objectives, care should be taken to ensure adequate due diligence has been carried out on the proposed supplier, as you would with any other new supplier. Thought needs to be given as to whether the services offered will support your business on its ESG goals, and businesses should be sceptical about any suppliers offering what looks to be an 'easy' route to delivering impactful ESG aspirations. Such 'easfy' routes (without a business first investing in the transformational change needed to substantiate those statements) can give rise to issues of potential greenwashing later down the line.

9. FORMULATE AN ACTION PLAN

While the actual reaction to a piece of ESG litigation or regulatory enforcement action will depend on the specific facts of any case, having a plan can be essential in speeding up reaction speeds and spotting potential issues in advance. This should cover topics such as Public Relations (PR) issues (including internal communications and/or external statements, particularly for publicly traded companies), key stakeholders and advisers to contact, internal management responsibility and the methodology for identifying and preserving key documentary evidence.

10. UNDERSTAND THE REGULATORY FRAMEWORK AND TAKE LEGAL ADVICE

If you find yourself facing ESG litigation or a regulatory complaint, or you think such action might be imminent, the best course of action is to seek input from a legal team with experience in this area who will help you to deal with claims and protect your business. Even better, involve those advisors in the risk analysis and planning aspects highlighted above. By speaking to your in-house legal team or external lawyers, you will be better positioned to comply with regulatory changes and reduce (or at least manage) litigation risk. For those businesses operating in the international market, you will also need to consider the potential changes necessitated by dealing in other jurisdictions.

What does your ESG risk map look like?

These Top 10 considerations are a practical starting point to reviewing your ESG risk areas and to helping your business prioritise any gaps or areas for improvement. To understand more about some of the points covered here, please take a look at the related articles covered, our ESG guide and contact either Sean Adams or Samantha Holland in our Litigation and Insurance teams to discuss any key issues this insight raises for your business.

This article shares some of the most important considerations in this area of ESG litigation and managing risk and is prepared based on extensive research and examples collated by our cross-sector team, with significant contributions from Charles Couvreur and Anabelle Percy. ■

Footnotes

1 For a more detailed look at why ESG credentials matter to investors, please see our recent article on how identifying and disclosing material ESG issues is now an essential aspect of corporate reporting and an integral part of the investment industry. This is expanded on further in our recently launched ESG guide 'ESG: The Investor perspective', which provides companies with practical insights to inform their approach to ESG engagement and reporting.

2 In Client Earth v Shell, environmental not-for-profit organisation Client Earth argued that Shell's board of directors were failing in their duty to act in the best interest (s172 CA 2006) of the company's members where their action on climate-related risks was concerned.

3 For example, a group of Nigerian claimants brought a claim against Shell and its Nigerian subsidiary in Okpabi v Royal Dutch Shell, arising out of losses suffered due to alleged oil leaks from infrastructure operated by Shell's Nigerian subsidiary.

4 In Begum v Marand the widow of a deceased worker brought a claim based on knowledge of unsafe working practices down the supply chain. The defendant was a ship broker who negotiated the sale of a defunct oil tanker during the demolition of which the worker fell to his death in a ship yard. The Court of Appeal allowed the case to proceed on the basis that it was arguable the defendant owed a duty of care to the deceased.

Source: Gowling WLG – 16 January 2024

• *EU Agreement on ESG Ratings Seen as World's Toughest*

By Frances Schwartzkopff

A provisional agreement in the European Union setting guardrails around the ESG [environmental, social, and governance] ratings industry is being hailed as the world's toughest.

The plan goes "much further than any of the other regimes we have seen internationally," Raza Naeem, financial regulation partner at Linklaters, said in a statement. Naeem pointed to the "very broad scope" of the proposed rules, "which could capture ESG products that don't fall within the traditional notion of ESG ratings," as well as a plan to have ratings providers that are covered by the proposal to "hive off and segregate certain conflicting business activities."

Linklaters said a key takeaway was also that "the final agreed rules promote the 'double materiality' approach, thereby requiring explicit public disclosure of whether the delivered rating addresses both material financial risk to the rated entity and the material impact of the rated entity on the E, S and G factors, or whether it takes into account only one of these."

What's more, raters will likely need to provide separate scores for an entity's environmental, social and governance profile, instead of lumping all three factors into a single score. If raters provide a single figure, they'll have to be explicit about how they weight E, S and G, according to a European Council statement.

Under the agreement, ESG ratings providers based in the EU "will need to obtain an authorization" from the European Securities and Markets Authority, the Council said. "ESG rating providers established outside the EU that wish to operate in the EU will need to obtain an endorsement of their ESG ratings by an EU authorized ESG rating provider," it said.

The provisional agreement reached by the European Council and the European Parliament on regulating environmental, social and governance rating activities is intended to boost investor confidence in sustainable financial products, the Belgian Presidency of the Council of the European Union said in a post on X.

Under the agreement, ESMA could decide to exempt small ESG ratings providers from some of the requirements, "but only in duly justified cases and based on the nature, scale and complexity of the business of the ESG rating provider and the nature and range of the issuance of ESG ratings," the Council said. ■

Source: Insurance Journal - 7 February 2024

• *How to balance automation and the human touch:* Viewpoint

Algorithmic underwriting means the portfolio concept will become more dynamic and creative, and ultimately enable more profitable portfolio decisions to drive growth

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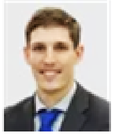
WTW


Matthew Lambert
WTW

While algorithms cut out many time-consuming parts of the underwriting process, human decisions remain key, with only policies that meet specific criteria presented to the experienced and knowledgeable underwriter

Algorithmic underwriting, bionic underwriting and unicorn underwriting are all emerging concepts that are fast becoming the front lines of cutting-edge technology for insuring risks in the London market.

Given the industry's need to reduce the cost of writing business, compounded by the drive to become more digital, the growth in interest is understand¬able. But what real-world implications do these concepts have for an industry already undergoing significant change?

Algorithmic underwriting encompasses the use of algorithms to support digital trading, case underwriting and decision making. To focus on just one of these elements would leave out an integral part of the picture.

An insurer implementing these techniques needs to be thinking about how to deploy them across distribution channels, different lines of business and different technical functions.

When it comes to data, the immediate consideration for insurers is often to ask how much data they can collect. Instead, the priority should be to collect the right data at the right time and then to close the gap between data collection and decision-making.

Dynamic portfolio underwriting

Algorithmic underwriting is expected to have an especially profound impact on the way case under¬writers work.

By automating many of the traditional, time-consuming and manual underwriting processes usually undertaken by underwriters, they will find themselves interacting with fewer cases to generate the same amount of business. They will also see a fundamental change in how they interact with non-automated cases and the systems they use to underwrite them.

A simple example would be an underwriter deciding which case they are going to underwrite next from a collection of new business. Through a dashboard showing 15 cases allocated to them by an algorithm, the case flagged as the top priority to work on is a company manufacturing widgets, having been matched to a portfolio segment of high strategic importance in line with the growth strategy set by the portfolio head. The case has had its submission data ingested and a triage process has passed the case through a series of sanctions, duplications and other checks. It is ready to work on.

Removing the need for an underwriter to spend hours poring over a risk submission, validating data and manually comparing this with existing policies and wording before deciding if it is one for that insurer saves the underwriter valuable time.

While algorithmic underwriting cuts out many time-consuming parts of the process, human decisions will remain key, with only policies that meet the carrier's specific criteria presented to the experienced and knowledgeable underwriter. They will be able to focus on more complex tasks, such as pricing, managing mid-risk applications and increasing personalisation options for customers.

This transformation of portfolio underwriting will also fundamentally change how insurers work, pushing down walls that have been built around products and business lines. Instead, the portfolio concept will become more dynamic and creative, and ultimately enable more profitable portfolio decisions to drive growth.

Future implications

The London market is a unique ecosystem of face-to-face relationships, renowned for its personalised approach to business.

Until recently, however, the market negotiated and agreed deals the "old-fashioned" way, exchanging a wealth of data on physical documents. With modernisation in mind, the market has come a long way in transforming itself to create the world's most advanced insurance marketplace.

However, the growth of digital across the London market can hardly be said to be meteoric. There is still a quantum leap that needs to take place to transition to a truly data-first marketplace that will make the day-to-day work of brokers and underwriters quicker and easier, and realise its potential to revolutionise the London market.

The transformation envisaged by a digital marketplace is only possible if complete, accurate and timely data is available. Greater transparency will then drive trust and open up new markets, segments and classes more quickly.

Already helping to improve the performance of today's fragmented market, WTW's "many-to-many" digital platform, Neuron, offers a fast-track route to trade more easily and at lower cost. An end-to-end trading solution, Neuron has the capability to connect multiple broker and insurer systems together, enabling risks to flow at scale and with common data standards, across many lines of business.

Neuron offers unprecedented levels of automation, governance and transparency, giving the user complete control, flexibility and confidence in how they use Neuron alongside their own underwriting and pricing tools when conducting business from start to finish.

As the digitisation of the London market continues apace, WTW continues to create complementary and transformative technologies through our broking and consulting businesses, which we believe will be the standard for the connected ecosystems required to unlock future innovative risk solutions, trading and underwriting.

Neuron is integral to these wider investments, creating a new benchmark in speed, agility, accessibility and ease of use that will help brokers and underwriters adapt to competitive and quickly evolving insurance markets worldwide.

Today the London market is world-leading, but what happens next is critical to its future. Relying solely on personal experience is no longer enough, especially in a market that boasts a treasure trove of data and insights to support decisions. Driving insight from data analysis to better plan, price and manage portfolios is fundamental to delivering sustainable competitive advantage.

To be successful, insurers will need to overcome the tensions between traditional and newer data-driven techniques. And the ability of different teams within the business to collaborate will be key to meeting this challenge. Working out how to train, retain and recruit the talent within those teams will be equally critical if insurers are to harness the full potential of algorithmic underwriting to drive future growth.

Even in the distant future, the integral role of expert underwriting is not in doubt. It is only the balance between which products can be delivered algorithmically and which ones will be delivered by human underwriting that will shift over time.■

Source: Insurance Day - 8 Jan 2024

• *Intellectual Property Insurance Coverage:*

Seven Tips That Every Purchaser of Defensive IP Coverage Should Know

by Micah Skidmore (Haynes and Boone) - 08 April 2022

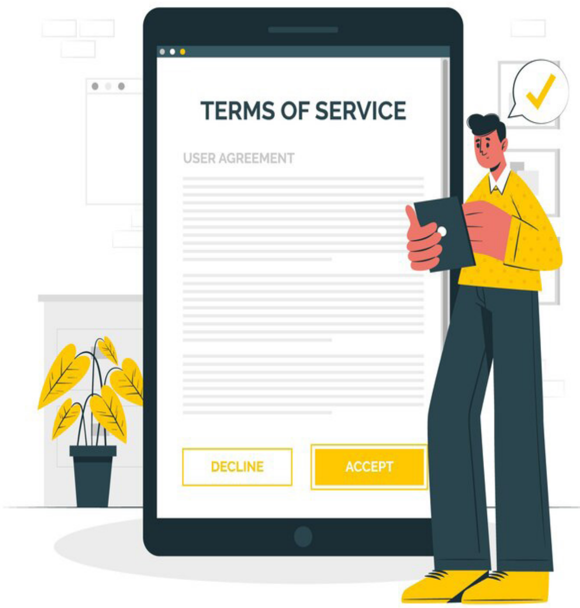
Intellectual property (IP) insurance coverage is having a moment. The post-pandemic economic recovery has been driven to a large extent by technology startups.1 For a new tech company, strong IP can provide both a competitive and fundraising advantage. Without the ability to protect that IP, the advantage is limited. Effective and appropriate insurance coverage, however, can both preserve the company's intellectual property and provide its own basis for corporate exceptionalism and exclusivity.

Not all intellectual property is created equal. Neither is IP coverage. Intellectual property insurance coverage policies are manuscripted, meaning the coverage is not written on uniform state-approved forms, but with unique terms and provisions that may vary from policy to policy.

Intellectual property coverage may be (1) defensive; (2) offensive; (3) contingent; or (4) some variant of these three.

At a very basic level, defensive IP coverage will defend and indemnify the insured against suits alleging infringement, which may include coverage for affirmative inter partes review (IPR) proceedings challenging the validity of the claimant's patent(s) and/or satisfying claims by indemnitees embroiled in litigation over the insured's licensed IP. Offensive IP insurance will cover the insured's enforcement of its own intellectual property, such as affirmative infringement claims against and unlicensed third-party. Contingent IP coverage is like other litigation insurance because it is intended to bracket existing litigation risk by protecting the insured against catastrophic loss in an ongoing IP case. Other variations on these coverages may include residual value insurance, which protects the value of intellectual property assets pledged as collateral for secured loans, or trade secret value insurance, which protects the value of trade secrets in the event of misappropriation.

Litigation risk for IP-heavy businesses can be substantial. Attorneys' fees, expert expenses and other costs in patent infringement litigation may consume a substantial portion of the value of the IP at stake.2 And the ultimate damages at issue may be catastrophic.3 Because of the high cost of litigation, defensive IP coverage is, by far, the most prolific IP insurance product available in the market. For those companies who have never purchased defensive intellectual property coverage or for those companies going through a renewal, here are seven key policy terms to consider:



1. **Trigger of Coverage & Notice.** The trigger of coverage is the event described in the policy that must happen before the insured is obligated to give notice and the insurer is required to start paying to defend the insured or an indemnified party. Some policies will specify that the triggering event is a "claim" or "demand" for compensation made by a third-party during the policy period. Other policy wording may include claims and demands, but also a licensing request or other circumstance, which, whether objectively or subjectively, is likely to give rise to a future demand or litigation. Although individual considerations may vary, if the right "circumstance" can warrant the retention of counsel to investigate and preemptively defend against a potential infringement claim, many insureds will prefer a more inclusive trigger of coverage, as opposed to waiting for a specific demand before coverage incepts. At the same time, those policyholders, who elect the broader coverage trigger will also need to ensure that timely notice is provided in response to such circumstances and not only in the event of a specific "claim." In either case, policyholders should carefully review and be familiar with the terms defining the trigger of coverage and notice obligations both before and after purchasing a defensive IP insurance policy.

2. **Related Claims Provisions.** Like other "claims made" coverages, some IP insurance provisions, including those embedded in professional or media liability policies, will provide that all "claims" arising out of a common set of facts and circumstances are deemed to be a single claim first made when the earliest of the claims was made. Such provisions may be intended by underwriters to prevent a situation in which multiple policies apply to a single claim. But in the hands of an adverse claims adjuster, these provisions can be manipulated to avoid coverage. For example, a lawsuit in year one, involving bodily injury arising out of a defect in a patented product or an alleged misrepresentation in a disclosure about the insureds' intellectual property, could undermine coverage for a patent infringement lawsuit involving the same IP in year 2—unless the IP policy's "related claims" provision is narrowed. To avoid a situation in which failure to give notice of non-IP litigation under an IP litigation insurance policy results in a potential loss of coverage, "related claims" provisions should be worded to aggregate only claims alleging the insured engaged in infringement of a third-party's intellectual property.

3. **Defense Costs & IPR Proceedings.** A policyholder, who purchases defensive IP insurance coverage, can reasonably expect the policy to cover the cost of defending against allegations that the insured is infringing a third-party's patent, copyright, trademark or other intellectual property. But what if "defending" against a claim of patent in-

fringement involves challenging the validity of the third-party claimant's patent in an IPR proceeding? Will the insured's initiation and affirmative pursuit of an IPR proceeding be considered defensive or outside the scope of the policy's coverage? Brokers, risk managers and counsel advising an insured on the purchase of IP coverage should carefully review policy terms to ensure that the cost of pursuing an IPR proceeding or other "affirmative" actions taken to defend against allegations of IP infringement, including counterclaims or third-party actions, are not excluded from coverage. Policyholders should also avoid, where possible, those exclusions that would preclude coverage for counterclaims or cross-claims initiated by an insured in defending otherwise covered IP litigation.

4. **Infringement Withdrawal Expenses.** Defensive IP insurance policies will typically insure "loss," including defense costs and amounts payable to a third-party claimant as damages in satisfaction of a judgment or settlement. But beyond compensation for a plaintiff or indemnitee, a policyholder found liable for infringement may also incur substantial expenses to become compliant by, among other things, withdrawing any infringing product from the market. These costs may include transportation, labor, storage, labelling, and public relations. To avoid potential disputes over whether such expenses qualify as "damages," those considering purchasing IP coverage and exposed to this risk should review a prospective policy's terms with an eye toward coverage for infringement withdrawal expenses.

5. **Fee Awards.** Depending on the nature of the intellectual property claim against the insured, the plaintiff/claimant may be entitled to recover attorney's fees, costs or other expenses against the insured. For the reasons articulated above, such fee awards may be substantial. Prospective purchasers of IP insurance coverage should review policies to confirm that coverage is extended for an adversary's award of fees or costs, particularly where the policy otherwise addresses the recovery of the insured's fees and costs in subrogation.

6. **Contractual Liability Exclusions.** Intellectual property risk for potential defendants and insureds exists on at least two levels. For example, a non-practicing entity may pursue statutory claims for infringement of a patent, copyright or trademark against a practicing policyholder without establishing any privity or other relationship between plaintiff and defendant. Alternatively, a licensee may, by exceeding the constraints of a limited license, incur both statutory and contractual liability to a licensor. An insured may also incur liability through a contractual promise to indemnify a licensee accused of infringement by a third-party. Despite the potential overlap between infringement and contractual liability, some IP insurance policies include exclusions purporting to eliminate coverage for any claim arising from any breach, repudiation, termination or suspension of any written contract, license or other agreement by the insured. In evaluating coverage terms, policyholders should carefully scrutinize contractual liability exclusions (1) to avoid potential conflicts with express coverage for liability to indemnified parties; and (2) to ensure consistency with the parties' intent to provide coverage for patent infringement liability, even when framed in terms of a breach of contract.

7. **Bad Conduct Exclusions.** Like customary D&O policies, many defensive IP insurance policies include exclusions for claims (1) arising from an Action or Licensing Request

caused or contributed to by the Insured's actual or alleged dishonesty, fraudulent, malicious or criminal conduct; and/or (2) arising from the Insured gaining any profit or advantage to which the insured is not legally entitled. While these kinds of exclusions may be appropriate for a traditional D&O policy, such terms have no place in an IP insurance policy to the extent that they conflict with and potentially eviscerate coverage for infringement claims that necessarily require as elements of proof some evidence that the defendant insured engaged in acts of unauthorized infringement. At a minimum, the policyholder should insist upon exceptions, also typical of D&O insurance, for the defense of otherwise covered claims and requiring a final, non-appealable adjudication of the excluded conduct.

No insurance policy is perfect. Nor will underwriters always agree on every policy enhancement or modification in terms requested by an insured. But focusing on the foregoing terms will provide policyholders an opportunity maximize defensive IP insurance coverage in the event of substantive underlying infringement litigation. ■

Footnotes

1. See, e.g., Yusuf Berkan Altun, Pandemic Fuels Global Growth of Entrepreneurship and Startup Frenzy, Forbes (Apr. 9, 2021), available at https://www.forbes.com/sites/forbestechcouncil/2021/04/09/pandemic-fuels-global-growth-of-entrepreneurship-and-startup-frenzy/?sh=7eb8fcb97308; Howard Schneider, Soaring U.S. business starts in pandemic show new normal evolving, Reuters (Oct. 28, 2021), available at https://www.reuters.com/business/soaring-us-business-starts-pandemic-show-new-normal-evolving-2021-10-28/; Andrea Hsu, New businesses soared to record highs in 2021. Here's a taste of one of them, NPR (Jan. 12, 2022), available at https://www.npr.org/2022/01/12/1072057249/new-business-applications-record-high-great-resignation-pandemic-entrepreneur.

2. See generally AIPLA, Report of the Economic Survey (2021).

3. Britain Eakin, Intel Hit With $2.18B Jury Verdict In VLSI Patent Fight, Law360 (Mar. 2, 2021), available at https://www.law360.com/articles/1360627.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

• *Key cybersecurity considerations for insurance companies*

The insurance industry is a prime target for cybercrime as threat actors know that it is a treasure trove of sensitive data and are searching for ways to access it. Sean Tilley writes

This is evident in the growing number of insurance companies that have been hit with ransomware, phishing, and other types of cybercrime in the past year. This is supported by the IBM Cost of a Data Breach Report, which states that the financial industry was the second-hardest hit sector overall in terms of cost per breach.

According to research findings from Cybereason, the financial services industry is besieged by ransomware, data theft, and phishing attempts, ranking among the top three sectors most likely to be attacked. Notably, cybercrime has maintained its position as the most prominent global risk in this industry since 2020.

In a crowded market, a strong cybersecurity posture can be a significant competitive advantage for any business. With insurance companies collecting large amounts of customer data and customers growing increasingly aware of the importance of cybersecurity and conscious of whom they want to give their data to, cybersecurity must be a top priority for these companies and their providers if they are to meet their various stakeholders' requirements.

Protecting sensitive data

Insurance companies collect, manage and store massive amounts of Personal Identifiable Information (PII) which is sensitive and confidential data ranging from personal information to financial records and medical data. Keeping this information secure is paramount to not only maintaining customer trust but also to meeting regulatory requirements

which stipulate how to handle customer data and are placing additional pressure on insurance companies to keep it safe.

As such, insurance companies must adapt their cybersecurity strategies to stay a step ahead of the evolving threat landscape where cybercriminals are becoming more sophisticated and are employing new tactics and technologies to breach security systems and access data.

Eroding trust and soaring costs

Trust is the foundation of any business, and the insurance industry is no exception. Customers trust insurance providers with their personal data and in return expect these companies to have measures in place to protect this data. A data breach or cyber incident not only erodes trust, damaging the company's reputation, but can also have severe financial ramifications for the organisation.

While it can be costly to investigate, mitigate and recover from a cyber incident, in some instances, insurance companies may be held liable for the losses incurred by their policyholders due to cybercrimes. Further cyber attacks can disrupt an insurance company's operations, affecting its ability to serve its customers, process claims and conduct business efficiently, potentially leading to further financial losses and customer dissatisfaction.

Third-party risks

While insurance companies need to maintain stringent security standards within their organisations, it is equally important that they are aware of possible external risk factors too.

Insurance providers often collaborate with a network of third-party partners such as suppliers and outsourced partners, among others. These connections create additional vulnerabilities to the security posture of a company, while at the same time, the insurance companies retain regulatory responsibility for their third-party contracts. As such, insurance companies will be held accountable for weaknesses in their third-party partner contracts and need assurances that the same level of cybersecurity practices are in place across their third-party network. This must include ensuring that any potential risks are appropriately identified, managed, and mitigated to avoid a wider breach across the company which could affect customers.

Cyber resilience is the key to operational resilience

Building a culture of cyber resilience is key to establishing operational resilience which is a business's ability to continue its critical functions and deliver services in the face of various disruptions. This is particularly important for insurance companies and to achieve this they will need to move beyond focusing on digital defences and look to foster a culture that anticipates and mitigates threats as they evolve. A robust cybersecurity infrastructure is the cornerstone of this resilience, serving as the foundation for all other measures.

At the same time, these organisations need to be sure to run regular system updates which are part of the foundation to ensure that its defences are equipped to handle the latest threats. Employee training also plays a crucial role in improving an insurance company's cyber resilience and thereby operational resilience as a workforce that can identify and respond to potential threats is a powerful deterrent against ransomware attacks.

Get ready for the recovery

However, as prepared as a company's defences are, it needs to be equally prepared for recovery after an attack as in today's environment, it is not a case of if but when an attack will occur. Beyond prevention, cyber resilience encompasses readiness for recovery. Having a comprehensive cyber incident recovery plan in place is critical for every insurance company. This plan serves as a roadmap for navigating the aftermath of an attack, detailing the steps that it must take to recover compromised data, restore operations and mitigate damage, including periodic cyber recovery simulations to improve overall cyber resiliency posture.

Regular immutable or tamper-proof data backups are a key part of this recovery process, particularly for insurance companies that manage vast amounts of customer data. Ensuring that a recent and clean copy of vital data is always available can significantly improve the chances of a successful cyber recovery. Similarly, having clear protocols and procedures for responding to an attack and continuously monitoring and improving these measures as the threat landscape evolves can help an insurance company not only manage the situation efficiently but also minimise downtime.

Cybersecurity brings long-term viability

Cybersecurity is not a short-term concern but a fundamental component of an insurance company's long-term viability. Those who invest in robust cybersecurity measures are better positioned to survive and thrive in a digital age, improving their cyber and operational resilience and their ability to recover quickly. Those who neglect to address cyber security adequately are likely to experience devastating consequences, affecting their finances, reputation, customer trust and legal standing.

Insurance companies can enhance their operational security and demonstrate a strong commitment to customer and societal well-being by acknowledging the significance of cybersecurity and implementing robust protective measures. After all, cybersecurity is a crucial investment for the long-term sustainability and success of the insurance sector. ■

Source: GlobalData Newsletter "Insurance DECODED" | 22 Jan 2024

• *LIIBA unveils ambitious 2024 plans focused on politics, AI, and face-to-face trading*

The **London and International Insurance Brokers' Association (LIIBA)** has released its 2024 plans, outlining strategic priorities that include navigating the political landscape, harnessing artificial intelligence (AI) impacts on trading systems, and furthering the #BackToEC3 campaign for a return to face-to-face trading.

2024-start-renewal-reinsuranceA major highlight of the agenda is LIIBA's commitment to laying the groundwork for potential changes in the UK government.

The organisation aims to ensure that the incoming government recognises the pivotal role of London's commercial insurance market in the UK economy.

Christopher Croft, CEO of LIIBA, emphasised the need to solidify gains from the Financial Services and Markets Act and position London not just as the global insurance capital but also as the forefront for risk mitigation and transfer.

Addressing the rapid advances in AI and the shift to flexible working, LIIBA plans to convene a focus group of young broking professionals to produce a report on the impact of AI on the market's trading systems.

Croft emphasised the importance of staying ahead in a rapidly evolving environment, stating, "the market needs to play catch-up," and tapping into the insights of young, talented brokers will be crucial for shaping the industry's future.

The #BackToEC3 campaign, launched in the previous year to encourage a return to face-to-face trading, will remain a central focus in LIIBA's 2024 program.

Croft acknowledged the challenges faced by the industry in the past years, including the global pandemic, war in Ukraine, and geopolitical shifts, but highlighted the resilience of the insurance sector in managing and mitigating risks.

Reflecting on LIIBA's achievements in 2023, Croft noted successful lobbying efforts around The Financial Services and Markets Act and access to the Swiss market.
Additionally, the organisation made strides in diversity and inclusion initiatives and progressed in implementing Blueprint Two, the market's modernisation program.

LIIBA is also conducting a strategic review of its services and committee structure to ensure continued alignment with members' needs, with findings to be shared later this year, followed by discussions with members. ■

Source: Reinsurance News | 12 January 2024

BEST'S COMMENTARY

AM Best Issues FAQ on IFRS 17

Source: AM Best – 4 January 2024

IFRS 17 is intended to bring insurance accounting more in line with that of other sectors and to provide more uniformity to insurance accounting across territories

IFRS 17 is an international financial reporting standard (IFRS) issued by the International Accounting Standards Board (IASB) for insurance contracts. The standard changes insurance contract accounting quite substantially for IFRS reporters. It is applied in jurisdictions that have adopted IFRS and will not apply to US-based (re)insurers, which will continue to report under US Generally Accepted Accounting Principles (GAAP).

However, subsidiaries and branches of insurance groups, including those of US-based insurance groups in jurisdictions where an insurance entity is required to file IFRS accounts locally, will have to apply the standard in those filings. The EU, UK, and certain other jurisdictions, including those in the Middle East, require only that listed companies report under IFRS, with local GAAP remaining an option for unlisted entities. In Japan and Switzerland, reporting under IFRS is optional.

The standard is intended to bring insurance accounting more in line with that of other sectors and to provide more uniformity to insurance accounting across territories. Disclosure and transparency are likely to improve under IFRS 17, but the standard will also add considerable complexity.

In general, comparability within the IFRS 17 universe will be enhanced. However, comparability of Key Performance Indicators (KPIs) across accounting standards—for example, with US GAAP reporters—will continue to require interpretation.

Best's Capital Adequacy Ratio (BCAR) is unchanged for IFRS 17 reporters to maintain comparability and continuity for all insurance companies. The following frequently asked questions provide initial insights and considerations for AM Best's treatment of IFRS 17 data, as some markets transition to the new standard.

AM Best's rating methodology, criteria, and processes are not specific to the variety of accounting standards currently used across different jurisdictions, and IFRS 17 should be viewed similarly.

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2023-174

General

Is the introduction of IFRS 17 expected to impact AM Best's ratings?

The introduction of IFRS 17, in and of itself, is not expected to have a direct impact on ratings, as AM Best focuses on (re)insurers' underlying economics for its analysis. Nevertheless, new insights can emerge over time and behavioral changes due to the new standard have the potential to affect ratings.

What is the effective date for the IFRS 17 accounting standard, and does it differ across territories?

Although IFRS 17 became effective for financial periods commencing on or after January 1, 2023, in jurisdictions adopting the standard from the outset, implementation dates vary by territory (i.e., as of 2024, 2025, 2026). Non-IFRS territories (notably, the US) will not be adopting the standard. Some jurisdictions are converting their local GAAPs for insurance contracts to IFRS 17, albeit to different degrees.

How consistent will reporting by company and jurisdiction under IFRS 17 be, and how transparent will disclosures be?

For IFRS 17 audited year-end financial accounts, all companies will have an extensive set of financial disclosures built into the reporting requirements of the standard. Nevertheless, AM Best expects the level of voluntary additional/supplementary disclosure (for example, via the notes to the accounts and investor reporting) to vary by type of company and market. Furthermore, standardization of industry KPIs is unlikely to emerge for two or three years, as industry decisions and stakeholder consensus on such disclosures evolve.

As is the case with other accounting standards, certain accounting policy choices are available to IFRS 17 reporters—for example, the use of other comprehensive income (OCI) to account for the effects of discount rate changes and the deferral or otherwise of acquisition costs. These should be visible in accounting policy notes. Discount rates are likely to vary by insurer, but full-year results should also contain sensitivity analyses. Disclosure is also required to explain how risk adjustments are set.

What is the difference between the PAA, GMM and VFA approaches under IFRS 17?

IFRS 17 enables three different measurement models for reporting purposes: the Premium Allocation Approach (PAA), General Measurement Model (GMM) and Variable Fee Approach (VFA). GMM requires a split of the insurance contract liability into a present value of future cash flows (PVFCF) and a risk adjustment, with the remaining amount being the Contractual Service Margin (CSM). The PAA requires only that incurred claims be split into a PVFCF and a risk adjustment. The VFA is a variant of the GMM, under which the investment result normally goes to the CSM instead of being credited directly to equity. The VFA is applied to certain participating policies. In general, the PAA is used for most non-life business, while most long-term life business is reported under the GMM or the VFA.

How does IFRS 17 impact the financial reporting, including shareholders' equity, of non-life vs. life insurers?

IFRS 17 presents a range of movements by insurer in equity and profit over transition. Movements on transition to IFRS 17 are far more pronounced in the life insurance segment. The range of outcomes depends on many factors, including the relationship between the pace of profit recognition under IFRS 4 and that under IFRS 17. Changes to the treatment of capital in participating funds often act to reduce shareholders' equity on transition, though this depends on previous practice and is not uniformly the case. For non-life insurers, the impact is considerably narrower, with most non-life insurers likely to report marginally higher shareholders' equity. To some extent, for large composite insurers, the reduction in shareholders' equity for life contracts will be partly mitigated by an increase for non-life contracts.

Does AM Best expect IFRS 17 financial statements and reporting to make disclosures across insurance companies/segments more uniform?

AM Best expects the standard to bring more uniformity and transparency to insurance accounting across territories, as well as more complexity. When IFRS 4 was introduced, it grandfathered practice previously in force. Widely varying practices under local GAAP disclosures were therefore used in IFRS 4 reporting.

A uniform presentation of margins in the form of the risk adjustment under IFRS 17, prior-year development (past service under IFRS 17), loss-making contracts (onerous contracts under IFRS 17), and an estimate of deferred profit for long-term business are some of the disclosures AM Best regards as helpful, with the last item being particularly relevant for the life segment.

How will AM Best's financial and credit reports for insurers change in response to IFRS 17 reporting?
AM Best's credit and financial report templates have been updated to accommodate the changes in reporting/disclosure under IFRS 17. This includes changes to the income statement and balance sheet, as well as other key financial indicators disclosed in AM Best reports.

Credit and financial reports will continue to include financial data for up to five years. As a result, there will be a combination of IFRS 17 and prior reporting. Reference should be made to the column headers when distinguishing between IFRS 17 and non-IFRS 17 reporting.

Will there be any changes to the data collected or the format of credit or financial reports for insurers that do not report under IFRS 17?
There will be no changes for non-IFRS 17 reporters. AM Best will retain and maintain existing data formats used for ratings purposes for insurers that do not report under IFRS 17, and will similarly retain and maintain existing credit reports and financial reports.

Methodology

Is AM Best updating its Credit Ratings Methodology (BCRM) to accommodate IFRS 17 reporting?
The BCRM and associated criteria already accommodate various financial reporting standards used around the world, and the implementation of IFRS 17 will be no different. Some changes have been incorporated for clarification.

Does a move to IFRS 17 change AM Best's building block (balance sheet strength, operating performance, business profile, and enterprise risk management) approach to ratings?
The building block approach will not change as a result of the IFRS 17 reporting standard. AM Best's ratings methodology, criteria, and process already accommodate a variety of different financial reporting standards around the world and the implementation of IFRS 17 is no different in this respect.

When will AM Best begin using IFRS 17 reporting as the basis of its ratings analysis?
AM Best will commence using IFRS 17 financial results for rated entities as and when the standard becomes the basis of the companies' financial reporting and disclosure. Interim reporting will often be used to update consideration of full year-end reporting.

For many companies adopting IFRS 17, the first full-year results reported under IFRS 17 will be those ending December 31, 2023. However, this varies by market, depending on implementation timelines and on a company's financial year-end. For example, a New Zealand insurer with a September 30 fiscal year-end is expected to report only its first full year of IFRS 17 results for the fiscal year ended September 30, 2024.

Is an insurer's IFRS 17 preparedness and compliance with reporting requirements a rating consideration for AM Best?
Yes, a rated company's compliance with regulation, including mandatory IFRS 17 reporting requirements, is a rating consideration. A company's failure to comply with such requirements could lead to license restrictions or other regulatory implications, which could have a bearing on AM Best's rating assessment. In particular, inadequate preparedness or non-compliance with IFRS 17 reporting requirements may negatively impact AM Best's assessment of a company's enterprise risk management.

AM Best also will assess management's preparedness with regard to the understanding and use of IFRS 17 reporting.

How will AM Best consider onerous contract provisions in credit ratings?

Onerous contract provisions are part of the IFRS 17 insurance contract liability. In general, the more granular level at which onerous contracts are assessed under IFRS 17 compared to many other accounting standards is a positive factor for reserve adequacy—one of the qualitative components of balance sheet strength.

In the absence of financial statement reporting of premium volumes (gross and net) under IFRS 17, how will AM Best assess an insurer's size, scale and portfolio diversification when evaluating a company's business profile?

Although companies are not required to report written premiums, gross written premiums are likely to be available in the notes to financial statements or other accompanying material. However, the focus will be on insurance services revenue as the main indicator of an insurer's size, diversification, and exposure to pricing risk.

Key Performance Indicators (KPIs)

How consistent are underlying assumptions for IFRS 17 reporting?

Assumptions will be set by management, in agreement with auditors, and will generally reflect an insurer's circumstances. However, as with other accounting standards, variations will occur. Transparency and the clarity of underlying assumptions, along with disclosures regarding sensitivities, are critical to ensuring these assumptions can be viewed in a fair and consistent manner.

What changes to KPIs does AM Best expect under IFRS 17 reporting?

Existing key financial metrics will mostly continue to be used under IFRS 17. However, there are new measures reported under IFRS 17. Both the changes to the data input into existing KPIs and the new measures will impact comparability with existing calculations, and interpretation will be required. AM Best will capture a wide range of KPIs under IFRS 17. KPIs reported by the industry will likely take some time to solidify as best practices emerge. AM Best expects KPI reporting in the IFRS 17 universe to become more consistent and comparable across the industry as consensus is reached on the use and value of various financial and non-financial measures.

How will AM Best use combined ratios calculated from IFRS 17 data in assessing non-life underwriting performance?

AM Best expects to evaluate net/net and net/gross combined ratios calculated for IFRS 17 reporters. IFRS 17 ratios should be more comparable across the IFRS 17 universe, at least when comparing similar ratios such as the net/net, than was previously the case. This is partly because normal variations between lines of business should be diminished due to discounting. However, combined ratios will remain subject to interpretation for individual insurers. Comparisons across accounting standards will require careful interpretation. Indeed, the need for interpretation will grow when comparing combined ratios that use IFRS 17 data with those from other accounting standards, including US GAAP. Operating ratios are also considered by AM Best and, over time, may receive greater weight in the rating analysis.

What performance metrics will be most relevant for life insurers reporting under IFRS 17?

AM Best will continue to use traditional metrics such as return on equity (RoE) and life revenue margins to assess the performance of life insurers. Life revenue margins may become more relevant than was previously the case given the newly matched nature of revenue and expenses. Additionally, AM Best expects that RoEs will become more meaningful and receive more attention, to some degree at the expense of estimated returns on new business. As reported earnings measures become more transparent and meaningful under IFRS 17, particularly in the life segment, their relevance will be enhanced, though cash flows will also remain important.

CSM-related measures will be welcome new additions to the KPI roster. For example, CSM new business profitability and the growth of CSM over reporting periods will be considered. AM Best expects that, over time, life segment KPIs derived from financial reporting will become more relevant to AM Best's analysis under IFRS 17 than previously. This will, to some degree, be at the expense of regulatory and embedded value type reporting.

What leverage ratios will AM Best use when considering debt leverage, and will equity include CSM?
In AM Best's methodology and criteria procedure, leverage is a key consideration in a company's balance sheet strength assessment but is not directly linked to the issuer credit rating. A view on leverage is made in conjunction with other balance sheet factors, serviceability of debt, and exposure relative to peers.

AM Best will continue to use its standard definition of financial leverage in its analysis and in published credit reports. However, for IFRS 17 reporters, AM Best will also take into consideration financial leverage including the CSM. As previously, coverage ratios, the amount and timing of cash flows, their variability and relationship to debt maturities, and how capital markets view debt levels will be considered and will play an important role in the ratings evaluation.

Will AM Best evaluate a company's reserve discounting approach under IFRS 17?
Reserve adequacy is an important consideration for AM Best when determining a (re)insurer's credit rating, regardless of the accounting standard. For IFRS 17 reporters, the company's reserving approach, reserve adequacy, risk adjustment, and discount basis/assumptions are likely to be key considerations, overall and by line of business basis. AM Best expects that IFRS 17 will enhance transparency of reserve strength in published reporting.

How will AM Best consider economic changes and resulting movements in discount rates/performance metrics over time when evaluating an insurer's balance sheet strength and operating performance?
The more economic nature of IFRS 17 will in general diminish accounting mismatches compared with prior reporting, and enhance transparency relative to economic changes. The sensitivity of a company's balance sheet strength and operating performance to future economic movements is an important consideration in determining an insurer's credit rating. The sensitivity of key measures, such as capital adequacy, liquidity, loss ratios, combined ratios and investment fair value gains/losses is all considered in AM Best's analysis. This will remain the case under IFRS 17 reporting.

How will AM Best compare performance metrics of IFRS 17 and non-IFRS 17 reporting insurers?
Comparisons across accounting standards will require careful interpretation, and differences from other accounting standards are likely to increase under IFRS 17. AM Best will use internal benchmarking analyses and tools to compare insurers using different accounting standards. This will be a challenge initially, but greater detail and acceptance of KPI metrics will evolve over time, along with comparative views against other accounting standards. AM Best will seek to capture a variety of financial metrics so that comparisons can be made against relevant peer groups.

BCAR

Does AM Best expect BCAR scores for rated companies to move significantly as a result of adopting IFRS 17 reporting?

BCAR depicts the quantitative relationship between an insurer's balance sheet strength and the key financial risks that could impact such strength. BCAR scores consider the underlying economics of an insurer, and these factors do not change due to the introduction of IFRS 17. BCAR score movements should therefore be limited on transition in most instances.

Is the BCAR changing to accommodate IFRS 17 reporting?

The BCAR considers an insurer's underlying economics. The BCAR is used for evaluating capital adequacy from insurer financial statements under many reporting standards, including the varying accounting practices under IFRS 4. The BCAR's basis and the factors used (including in the global, Canadian property/casualty, and Canadian life/health variants) have therefore not been changed in response to IFRS 17 reporting.

However, the BCAR's data interface has been updated to accommodate the derivation of inputs from IFRS 17 data. For example, the non-life reserve page of the BCAR has been updated to transparently reverse reported claims discounting and risk margins for all insurers, including for IFRS 17 reporters, before applying the BCAR's (unchanged) discount and capital charge factors. In AM Best's balance sheet strength assessment, reserve adequacy remains an additional factor outside the BCAR.

Is the CSM arising from life business viewed as economic capital by AM Best under IFRS 17?

Under various reporting standards, AM Best currently adjusts reported equity when assessing available capital for the BCAR, to allow for the net economic value due to long-term business (NEVLtB) in the life segment. This approach is expected to continue under IFRS 17. The equity credit granted in BCAR would not normally exceed 50% of the measure representing this economic value.

Under IFRS 17, the life segment CSM and risk adjustment will form the basis of the NEVLtB. AM Best will consider the source and profile of CSM amortization and the volatility of the CSM balance, with the possibility that equity credit might in well-defined cases vary from 50%, though we envisage it will be in the 40%-65% range. The haircut reflects volatility of the economic value in this component, including sensitivity to assumption changes, and fungibility constraints.

Will AM Best give equity credit for non-life CSM?

Consistent with existing practice, AM Best does not typically expect to adjust for economic value due to long-term business in the non-life segment. As is current practice, there may be exceptions for products and country-specific cases.

For IFRS 17 reporters, what will AM Best use as a measure of premiums in its BCAR calculation?

For IFRS 17 reporters, AM Best expects to use net insurance services revenue to derive a measure of premium/pricing risk in the BCAR calculation. The present value of cash inflows on contracts initially recognized in the year will also be used for life segment business not measured under the PAA.

IFRS 17 financial statements will see a shift from reporting gross written premium/net written premium to insurance services revenue. Will AM Best still require written premium volumes to be disclosed for its analysis?

AM Best will not normally require disclosure of gross written premium/net written premium for IFRS 17 reporters. However, disclosure of insurance services revenue by line of business and net insurance services revenue will be required for the AM Best rating analysis and to support the determination of pricing risk in BCAR.

How will AM Best treat IFRS 17 deferred acquisition costs, which are amortized against future new business (IFRS 17 DAC) versus in-force DAC?
The treatment of in-force DAC will not change. IFRS 17 DAC is a new asset and will be deducted from available capital.

Insurance debtors and creditors are expected to form a part of insurance contract liabilities on the balance sheet of insurers under IFRS 17. Will AM Best require additional disclosure to determine these component balances?
Insurance debtors and creditors represent future cash flows and are included in the PVFCF component of insurance contract liabilities/assets under IFRS 17. AM Best will continue to use net (of reinsurance) liabilities for incurred claims that do not include insurance debtors and creditors as inputs for reserve risk in the BCAR.

These balances will be obtained either from voluntary public disclosure or via the Supplemental Rating Questionnaire (SRQ).

How will AM Best treat long-term non-life insurance contracts (those exceeding 12 months) under IFRS 17 reporting?
AM Best's treatment of long-duration, non-life insurance policies and the greater potential for mis-pricing risk remains unchanged. As such, the long-duration component (exceeding 12 months) of the IFRS 17 liability for remaining coverage and incurred claims will typically attract additional underwriting risk charges in BCAR.

How will AM Best treat country-specific product features in BCAR, such as the long-term, non-life business in South Korea or the life business in New Zealand?
The AM Best rating process affords flexibility to ensure economic treatment of specific insurance contracts and product features. The long-term contracts referenced have typically been, and are expected to remain, examples of that flexibility. AM Best's current view is that IFRS 17 disclosure will enhance transparency of the performance of these contracts.

Will "Liability for Remaining Coverage""(LRC) under IFRS 17 be used as a replacement for "Unearned Premium Reserves" (UPR) under IFRS 4 in the BCAR?
In general, the LRC serves the same purpose in IFRS 17 accounts as the UPR did. It is therefore the starting point for BCAR inputs where the UPR was previously used. However, the LRC is stated net of all DAC and after taking into account relevant net (of debtors) insurance creditors. Adjustments may therefore be made for these items as necessary.

Supplementary Rating Questionnaire (SRQ) and Disclosure

Will the SRQ prepared by insurers as part of the AM Best's interactive rating process change in response to IFRS 17?
Yes. For IFRS 17 reporting companies, some new fields/data requirements have been added to the SRQ template. These new fields center around additional breakdowns and financial disclosures necessary to complete the BCAR for rated entities. Examples include insurance debtor/creditor breakdowns and in-force DAC. Insurance service revenue and IFRS 17 present value of new business premium (PVNBP) measures will be requested where net and gross written premium was previously supplied on the forms. The amount of discount and risk margin for non-life incurred claims will be required for all insurers, including IFRS 17 reporters.

Will insurers rated by AM Best be required to provide additional disclosures beyond what is presented in audited IFRS 17 accounts?

Yes, there will be additional IFRS 17 disclosures required as part of AM Best's SRQ template. In addition, further financial and non-financial disclosures may be requested by AM Best as needed.

Will rated entities be required to prepare financial forecasts/projections based on IFRS 17 for AM Best's rating purposes?

Yes, for rated entities where the prevailing financial reporting standard is IFRS 17, AM Best would typically expect financial forecasts/projections to be prepared on a consistent basis.

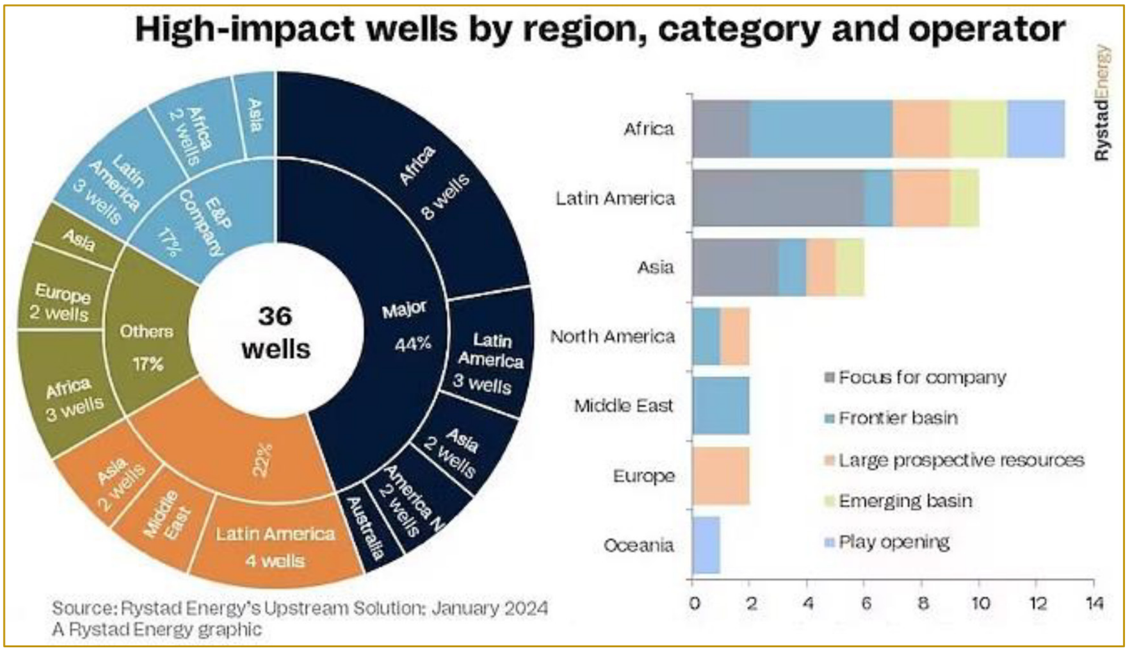
Source: AM Best – 4 January 2024

• *DRILLING & COMPLETION*

Most high-impact drilling to take place in Atlantic margin and offshore Asia

Rystad said majors bp, Chevron, Eni, Exxon Mobil, Shell and TotalEnergies typically dominate high-impact well drilling, which will continue in 2024.

Many operators continue exploring new plays and focusing on frontier regions, the analyst said. Eight planned high-impact wells target

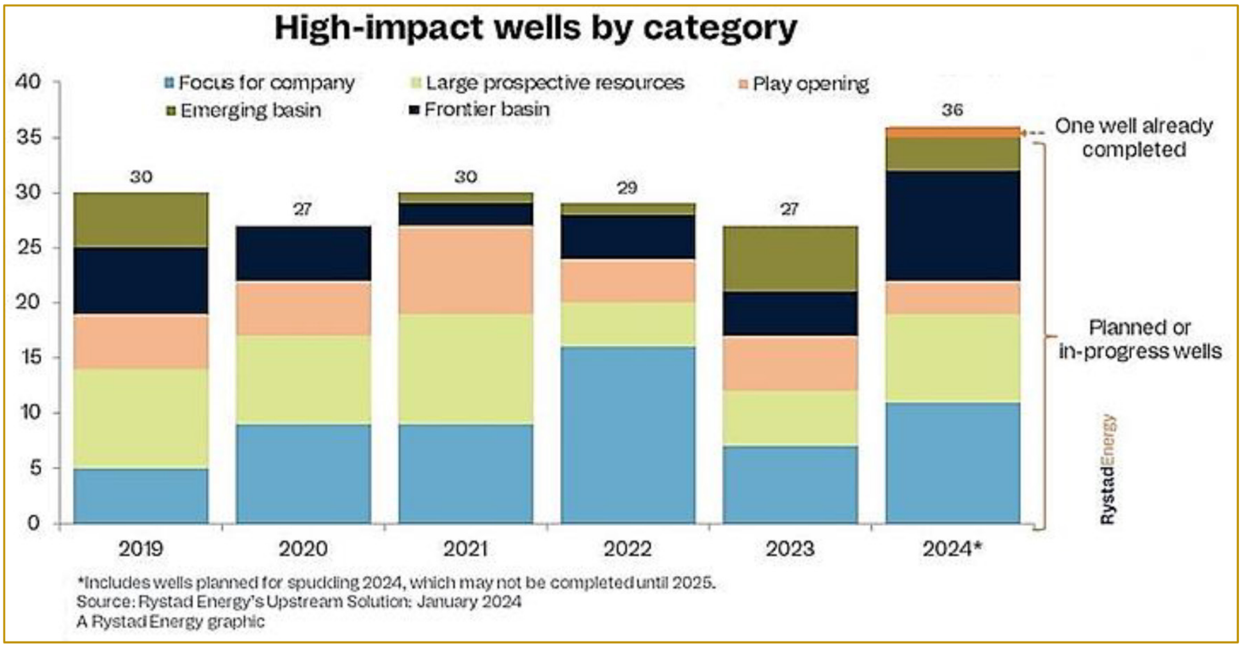


Rystad Energy has identified 36 potential high-impact wells to be drilled or spud in 2024, the highest annual total since the analyst started tracking the market in 2015. This is an increase from the 27 high-impact wells drilled in 2023. Of the high-impact wells planned this year, Rystad Energy reports that 14 will be drilled in frontier and emerging basins, with three opening up new plays entirely.

prospective offshore resources of more than 430 MMboe and considerable prospective onshore resources of more than 230 MMboe.

The remaining 11 wells are strategically relevant for their respective operators, meaning exploration success would help them gain traction in the region or inform future operational decisions. If all planned wells proceed as scheduled, 2024 would see the highest number of high-impact wells drilled in at least 10 years.

About 70% of African wells will be drilled in frontier and emerging basins or will open new plays.



Rystad said majors bp, Chevron, Eni, Exxon Mobil, Shell and TotalEnergies typically dominate high-impact well drilling, which will continue in 2024. About 16 (44%) of the total wells planned will be drilled by these companies:

- TotalEnergies is planning five;
- Shell has three lined up; and
- Chevron, Eni and Exxon Mobil are targeting two each.

Most drilling will be undertaken in the Atlantic margin and Asian waters. National oil companies (NOCs) and internationally focused NOCs will account for eight (22%) of this year's planned wells, with upstream operators responsible for 17% and smaller operators for the remainder, according to Rystad.

Important frontier wells include in the Red Sea offshore Egypt, in the Angoche Basin offshore Mozambique and in the Namibe Basin offshore Angola.

High-impact drilling in the Americas will be primarily focused on Latin America and dominated by wells that hold significance for each operator's long-term goals rather than frontier basins. Only two of the 12 wells planned in the Americas are in North America, with one each in the US and Canada. In Latin America, a frontier well planned for offshore Argentina would be the first drilled well in the Argentine Basin. Exxon Mobil also plans to drill a frontier well in the Orphan Basin offshore Canada.

Six high-impact wells are planned in Asia this year, including ultradeepwater offshore drilling in Indonesia and Malaysia, the opening of India's Andaman Basin and a potentially resource-rich well offshore China. ■

Source: Offshore Magazine - by Rystad Energy, 29 Jan 2024

GERMANY

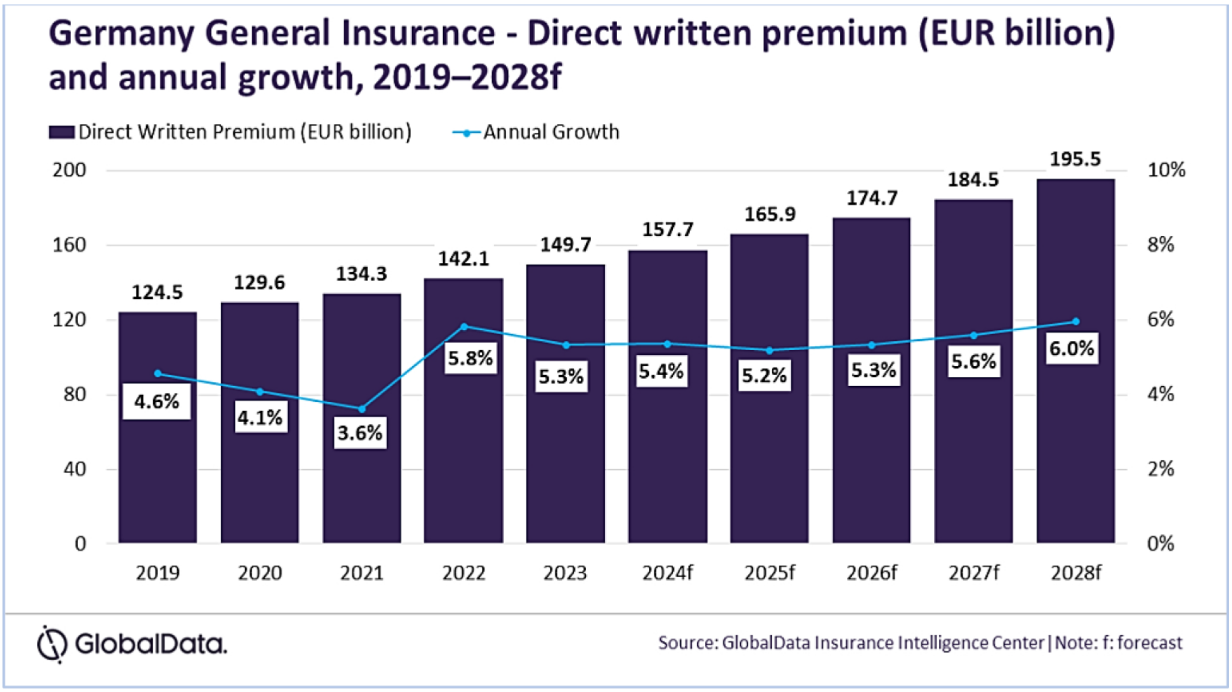
• *Germany general insurance to overtake $205bn by 2028*

The general insurance industry in Germany is set to grow at a CAGR of 5.5% from EUR149.7bn ($152.8bn) in 2023 to EUR195.5bn ($205.2bn) in 2028.

This is according to GlobalData and its insurance database which also revealed that Germany general insurance is expected to grow by 5.4% in 2024. The growth is supported by an increase in motor vehicle sales, rising demand for natural catastrophic (nat-cat) insurance policies and an inflation-led rise in premium rates across most general insurance lines.

Sneha Verma, insurance analyst at GlobalData, commented: "The growth rate of Germany's general insurance industry is expected to remain consistent between 5-6% during 2023-28.

It will be primarily supported by health and property insurance, driven by the post-COVID-19 pandemic increase in health awareness and increasing demand for nat-cat insurance policies."



In addition, personal accident and health insurance (PA&H) is the leading line of business, accounting of 37.7% of the general insurance market in 2023. It is also expected to grow by 3.8% in 2024 and 4.2% in 2025, boosted by an increase in health awareness after Covid-19.

According to the German Insurance Association, private health insurance premium is expected to increase by 4% to 5.5% in 2024. PA&H insurance is projected to grow at a CAGR of 4.4% during 2023-28.

Furthermore, motor insurance is the second largest line of business, accounting for a 21% share of the Germany general insurance DWP in 2023.

Motor insurance DWP grew by 1.8% in 2023, supported by an increase in total vehicle sales. According to the Federal Motor Transport Authority, vehicle sales increased by 7.2% to 2.84 million in 2023 from 2.65 million in 2022. The trend is expected to continue in 2024.

Verma added: "In addition to vehicle sales, an increase in premium prices due to inflation will also support motor insurance growth. An extended period of high inflation has resulted in an above-average increase in spare parts and repair costs, leading to a higher cost of claims. This has impacted insurers' profitability, leading to the combined ratio for the motor insurance industry surpassing 100% in 2022 for the first time in the last 10 years. Motor insurance is expected to grow at a CAGR of 2.2% during 2023-2028." ■

Source: GlobalData – 29 January 2024

ROMANIA

• *Insurance Market Profile: Full Year 2022 & First Half 2023*

XPRIMM Insurance Profile

UKRAINE

• *A war risk insurance system to be created in Ukraine*

By Marina MAGNAVAL

The Financial Stability Board has agreed on a concept note for creation of a fully functional war risk insurance system in Ukraine. The concept was developed with the participation of specialists from the World Bank, the National Bank (NBU), the Ministry of Finance, and the Ministry of Economy, Forinsurer reports.

The model of war risk insurance defined by the concept provides for introduction of compulsory and voluntary insurance. Presentation and discussion of this concept with business representatives will be the next step.

The proposed model will involve local insurers, international reinsurers and the state represented by a specially created State Agency (or another institution determined based on the results of future discussions). Further development of the model and preparation of new legislation will continue within the framework of a working group consisting of specialists from the NBU, the Ministry of Finance, and the Ministry of Economy.

Insurance of investments against war risks in Ukraine is planned to be launched in the 2Q2024. The list of military and political risks, as well as the conditions and procedure for insurance/reinsurance will be determined by the Government Resolution, which is being developed by the Ministry of Economy and the National Bank. This document is due to be published in the coming months. ■

Source: XPRIMM - 21 February 2024

• *Assessing the impact of the Russian invasion on the competitiveness in the Ukrainian insurance market*

Insurance Markets and Companies, Volume 14, 2023

BUSINESS PERSPECTIVES

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Published on: 15th of November, 2023

Abstract

The full-scale russian invasion and war in Ukraine have inflicted substantial damage on the Ukrainian economy across various sectors. During crises, a common phenomenon is a decline in market competitiveness. This paper seeks to investigate whether the war in Ukraine has resulted in a reduction of competitiveness in the Ukrainian insurance market. To assess this, a range of traditional measures of market concentration, as well as various statistical tests, were applied to three crucial indicators from the Ukrainian insurance market, namely, assets, insurance premiums, and insurance payments for the period from January 1, 2022 to July 1, 2023. The findings suggest that, despite substantial losses incurred by the Ukrainian insurance market due to the invasion, the competition in the market did not experience significant degradation. However, the existing trends indicating a propensity for increased market concentration are cause for concern and demand immediate attention from regulators to prevent the deterioration of the market. To prevent market degradation stemming from current trends, regulatory bodies like the National Bank of Ukraine should carefully monitor adverse developments. They ought to integrate commitments to ensure market competitiveness, complemented by specific quantitative metrics for oversight, into their strategic plans and concepts for the development of the insurance market. Given the persistent threat of russian bombing in Ukraine, a viable and promising direction involves the proactive adoption of digital services and products.

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• *Evolution of insurance premiums*

Worldwide, Africa (2013-2022)

Global insurance market: evolution of life and non-life premiums

Figures in millions USD

	Year	Life premiums	Evolution	Non life premiums	Evolution	Total premiums	Evolution
WORLDWIDE	2013	2 545 045	-3.2%	2 048 587	4.1%	4 593 632	-0.1%
	2014	2 655 593	4.3%	2 099 118	2.5%	4 754 711	3.5%
	2015	2 546 941	-4.1%	2 050 739	-2.3%	4 597 680	-3.3%
	2016	2 581 972	1.4%	2 120 869	3.4%	4 702 841	2.3%
	2017	2 724 017	5.5%	2 233 490	5.3%	4 957 507	5.4%
	2018	2 882 179	5.8%	3 266 841	46.3%	6 149 020	24%
	2019	2 888 248	0.2%	3 396 112	4%	6 284 360	2.2%
	2020	2 727 176	-5.6%	3 564 658	5%	6 291 834	0.1%
	2021	2 940 266	7.8%	3 824 428	7.3%	6 764 694	7.5%
	2022	2 813 032	-4.3%	3 969 203	3.8%	6 782 235	0.3%
Average (1)			**1.1%**		**7.6%**		**4.4%**

African insurance market: evolution of life and non-life premiums

Figures in millions USD

	Year	Life premiums	Evolution	Non life premiums	Evolution	Total premiums	Evolution
AFRICA	2013	47 370	-3.2%	22 924	1.6%	70 294	-1.6%
	2014	47 605	0.5%	22 511	-1.8%	70 116	-0.3%
	2015	42 987	-9.7%	20 955	-6.9%	63 942	-8.8%
	2016	39 465	-8.2%	19 943	-4.8%	59 408	-7.1%
	2017	43 503	10.2%	21 662	8.6%	65 165	9.7%
	2018	47 127	8.3%	22 247	2.7%	69 374	6.5%
	2019	45 911	-2.6%	21 371	-3.9%	67 282	-3%
	2020	41 829	-8.9%	20 052	-6.2%	61 881	-8%
	2021	50 393	20.5%	22 899	14.2%	73 292	18.4%
	2022	46 903	-6.9%	23 263	1.6%	70 166	-4.3%
Average (1)			**-0.1%**		**0.2%**		**0%**

(1) Average annual evolution over 10 years Source: FANAF 2024

Exchange rate as at 31/12/2022 : XAF = 0.00163 USD | 31/12/2021 : XAF = 0.00173 USD

Top 100 insurance companies in Africa

Figures in millions

2022 rank	Companies	Class of business	Country	2022 turnover		2021 turnover		2021-2022 evolution [1]
				In local currency	In USD	In local currency	In USD	
1	**Sanlam**	Life	South Africa	112 168	6 600	107 571	6 741	4.27%
2	**Old Mutual Life**	Life	South Africa	54 313	3 196	55 953	3 507	-2.93%
3	**Liberty Group**	Life	South Africa	48 485	2 853	43 801	2 745	10.69%
4	**Santam**	Non-Life	South Africa	34 067	2 005	31 502	1 974	8.14%
5	**MML Group Limited** [2]	Life	South Africa	27 429	1 697	27 328	1 908	0.37%
6	**Wafa Assurance**	Composite	Morocco	10 425	983	9 089	973	14.70%
7	**Guardrisk Insurance** [2]	Non-Life	South Africa	13 251	820	12 091	844	9.59%
8	**RMA**	Composite	Morocco	8 076	761	7 681	822	5.15%
9	**The Hollard Insurance** [2]	Non-Life	South Africa	12 048	745	11 312	790	6.51%
10	**Mutuelle Taamine Chaabi**	Life	Morocco	7 345	692	6 308	675	16.43%
11	**Old Mutual Insure**	NV	South Africa	11 657	686	11 031	691	5.67%
12	**OUTsurance Insurance** [2]	NV	South Africa	10 253	634	9 407	657	8.99%
13	**Guardrisk Life** [2]	Life	South Africa	9 217	570	8 058	563	14.38%
14	**Axa Assurance Morocco**	Composite	Morocco	6 028	568	5 567	596	8.27%
15	**Sanlam Assurance**	Composite	Morocco	5 955	561	5 621	601	5.93%
16	**Misr Insurance** [2]	Non-Life	Egypt	10 388	552	9 591	611	8.31%
17	**AtlantaSanad**	Composite	Morocco	5 404	509	5 401	578	0.05%
18	**Misr Life Insurance Company** [2]	Life	Egypt	9 100	483	7 653	487	18.91%
19	**Holland Life Assurance** [2]	Life	South Africa	7 013	434	6 855	479	2.30%
20	**Centriq Insurance Company**	Non-Life	South Africa	6 429	378	3 774	237	70.34%
21	**AVBOB Mutual Assurance** [2]	Life	South Africa	5 739	355	5 195	363	10.48%
22	**Bryte Insurance Company**	Non-Life	South Africa	5 934	349	5 388	338	10.14%
23	**Centriq Life Insurance**	Life	South Africa	5 840	344	4 175	262	39.87%
24	**Allianz Life Egypt** [2]	Life	Egypt	6 119	325	5 043	321	21.34%
25	**Discovery Insure Limited** [2]	Non-Life	South Africa	5 195	321	4 385	306	18.47%
26	**ABSA Life**	Life	South Africa	5 014	295	4 624	290	8.42%
27	**Assupol Holdings** [2]	Life	South Africa	4 714	292	4 359	304	8.14%
28	**Escap** [3]	Non-Life	South Africa	4 125	284	4 507	302	-8.49%
29	**Metlife Egypt** [2]	Life	Egypt	4 993	265	4 085	260	22.21%
30	**Mutual & Federal Risk Financing**	Non-Life	South Africa	4 188	246	3 637	228	15.16%
31	**Botswana Life Insurance**	Life	Botswana	3 093	239	3 139	265	-1.46%
32	**Britam Life**	Life	Kenya	28 385	228	25 894	227	9.62%
33	**Sasria** [3]	Non-Life	South Africa	3 152	217	2 786	187	13.16%
34	**MCMA**	Composite	Morocco	2 270	214	2 067	221	9.83%
35	**Moroccoaine Vie**	Life	Morocco	2 269	214	2 339	250	-3.01%
36	**SAA**	Non-Life	Algeria	29 168	212	28 800	206	1.28%
37	**AXA Life Egypt** [2]	Life	Egypt	3 966	211	3 308	211	19.89%
38	**Leadway Assurance**	Composite	Nigeria	92 530	206	70 624	172	31.02%
39	**ABSA Insurance**	Non-Life	South Africa	3 412	201	3 234	203	5.50%
40	**Lombard Insurance Company** [2]	Non-Life	South Africa	3 233	200	2 641	184	22.39%
41	**AIICO Insurance**	Composite	Nigeria	88 323	197	71 646	174	23.28%
42	**CAAT**	Non-Life	Algeria	26 716	194	25 404	182	5.17%
43	**Standard Insurance**	Non-Life	South Africa	3 258	192	3 028	190	7.57%
44	**Miway Insurance**	Non-Life	South Africa	3 251	191	3 171	199	2.52%
45	**Auto and General Insurance** [2]	Non-Life	South Africa	3 068	190	3 027	211	1.35%
46	**ENSA**	Composite	Angola	94 427	188	97 769	174	-3.42%
47	**Momentum Insure Company** [2]	Non-Life	South Africa	2 849	176	2 791	195	2.06%
48	**ICEA Lion Life**	Life	Kenya	20 700	167	20 000	176	3.50%
49	**Custodian and Allied Insurance**	Composite	Nigeria	74 033	165	66 228	161	11.78%
50	**AXA Mansard Insurance**	Composite	Nigeria	68 980	154	60 198	146	14.59%
51	**Jubilee**	Life	Kenya	17 845	144	13 955	123	27.87%
52	**Nedgroup Life Assurance**	Life	South Africa	2 415	142	2 383	149	1.36%
53	**Allianz Assurance Morocco**	Composite	Morocco	1 486	140	1 427	153	4.16%
54	**CASH Assurances**	Non-Life	Algeria	18 796	136	16 097	115	16.77%
55	**SWAN Life**	Life	Mauritius	5 682	126	5 144	115	10.46%
56	**Ethiopian Insurance Coporation** [2]	Composite	Ethiopia	6 500	124	6 058	138	7.30%
57	**STAR**	Composite	Tunisia	386	123	368	128	4.92%
58	**MAMDA**	Non-Life	Morocco	1 278	120	1 172	125	9.04%
59	**CAAR**	Non-Life	Algeria	16 496	120	16 257	117	1.47%
60	**Old Mutual General**	Non-Life	Kenya	14 859	120	13 183	116	12.71%

Figures in millions

2022 rank	Companies	Class of business	Country	2022 turnover		2021 turnover		2021-2022 evolution [1]
				In local currency	In USD	In local currency	In USD	
61	**CAT**	Non-Life	Morocco	1 264	119	1 177	126	7.35%
62	**APA**	Non-Life	Kenya	14 655	118	10 627	93	37.90%
63	**Clientele Life** [2]	Life	South Africa	1 868	116	1 800	126	3.78%
64	**Budget Insurance Company (RF)** [2]	Non-Life	South Africa	1 865	115	1 795	125	3.94%
65	**Compass Insurance Company**	Non-Life	South Africa	1 935	114	1 801	113	7.39%
66	**GA**	Non-Life	Kenya	13 920	112	11 022	97	26.29%
67	**CIC General**	Non-Life	Kenya	13 860	112	11 422	100	21.35%
68	**GIG Egypt** [2]	Non-Life	Egypt	2 003	106	1 463	93	36.87%
69	**SUNU VIE**	Life	Côte d'Ivoire	63 954	104	60 684	105	5.39%
70	**Orient Takaful Insurance Co** [2]	Non-Life	Egypt	1 866	99	1 284	82	45.40%
71	**Allianz Insurance Egypt** [2]	Non-Life	Egypt	1 848	98	1 237	79	49.36%
72	**SANLAM**	Non-Life	Côte d'Ivoire	59 846	98	56 660	98	5.62%
73	**CNMA**	Non-Life	Algeria	13 285	96	12 643	91	5.07%
74	**1 Life** [2]	Life	South Africa	1 515	94	1 498	105	1.10%
75	**Infiniti Insurance** [3]	Non-Life	South Africa	1 332	92	1 283	86	3.79%
76	**Britam General**	Non-Life	Kenya	10 851	87	9 882	87	9.80%
77	**SWAN**	Non-Life	Mauritius	3 848	85	3 246	72	18.54%
78	**MATU**	Non-Life	Morocco	863	81	714	76	20.81%
79	**COMAR**	Composite	Tunisia	253	80	233	81	8.32%
80	**Mutual Benefits Assurance**	Composite	Nigeria	33 786	75	29 299	71	15.31%
81	**ASTREE**	Composite	Tunisia	236	75	218	76	8.06%
82	**GAT**	Composite	Tunisia	235	75	202	70	16.07%
83	**N.E.M. Insurance**	Non-Life	Nigeria	33 369	74	27 875	68	19.71%
84	**Allianz Global Corporate and Specialty**	Non-Life	South Africa	1 260	74	1 151	72	9.51%
85	**Jubilee Health**	Non-Life	Kenya	9 002	72	9 342	82	-3.64%
86	**Maghrebia**	Non-Life	Tunisia	226	72	187	65	20.73%
87	**Bupa Egypt** [2]	Non-Life	Egypt	1 346	71	1 127	72	19.46%
88	**Kenindia**	Life	Kenya	8 879	71	11 127	98	-20.20%
89	**CIC Life**	Life	Kenya	8 801	71	6 997	61	25.78%
90	**Mauritius Union Assurance**	Non-Life	Mauritius	3 174	70	2 586	58	22.76%
91	**Suez Canal Insurance** [2]	Non-Life	Egypt	1 323	70	1 114	71	18.73%
92	**Enterprise Life Assurance**	Life	Ghana	722	70	609	99	18.63%
93	**Nedgroup Insurance**	Non-Life	South Africa	1 143	67	1 111	70	2.93%
94	**Assurances BIAT**	Composite	Tunisia	206	66	171	59	20.35%
95	**CIAR**	Non-Life	Algeria	8 857	64	8 652	62	2.37%
96	**Sanlam Life**	Life	Kenya	7 805	63	8 524	75	-8.44%
97	**Madison**	Non-Life	Kenya	7 750	62	5 785	51	33.97%
98	**GIG Life Egypt** [2]	Life	Egypt	1 161	62	923	59	25.79%
99	**Hollard Specialist Insurance** [2]	Non-Life	South Africa	997	62	863	60	15.48%
100	**SICOM Life**	Life	Mauritius	2 747	61	2 417	54	13.65%

[1] Evolution in local currency [2] End of financial year 30 June [3] End of financial year 31March

Source: Atlas Magazine | 22 February 2024

ALGERIA

• Draft law governing insurance in Algeria

Draft law governing insurance in AlgeriaIn its first reading on 13 December 2023, the Algerian Government examined a draft bill governing the insurance business.

The new texts propose, among other things, updating insurance legislation and promoting the sector's governance by strengthening regulation and establishing a legal framework for Takaful activity. ■

Source: Atlas Magazine | 20 December 2023

• Insurance industry grows by 2.65% in 2023

The Algerian insurance market is estimated to have posted a turnover, including international acceptances, of around DZD168.4bn ($1.25bn) in 2023, an increase of 2.6% over 2022, indicated the National Insurance Council (CNA).

In comparison, the insurance sector in Algeria expanded by 5% in 2022 in terms of premium income.

P&C insurance companies closed the 2023 financial year with a total premium estimated at DZD145.2bn, an increase of 2.9% compared to 2022, according to a statement posted on the CNA's website.

Except for agricultural insurance which saw a decline in premiums, the other P&C branches increased their premium income in 2023. In particular, the motor branch and the fire and miscellaneous risk branch (IRD) grew by 4.7% and 1.01% respectively.

Life insurance business jumped by 4.6% year on year to DZD16.8bn in 2023.

The average annual inflation in Algeria is projected to have been 9.2% in 2023, says a statement issued by an International Monetary Fund (IMF) mission to the country led by Mr Chris Geiregat in December 2023.

Mr Geiregat said in the statement, "Economic growth is projected to reach 4.2% in 2023, supported by robust activity in the hydrocarbon, industry, construction, and services sectors."

The statement added, "Growth in 2024 is expected to remain robust, inflation to moderate, and the current account would record a small surplus as hydrocarbon prices are expected to ease further and imports would pick up moderately." ■

Source: Middle East Insurance Review - 11 January 2024

Côte d'Ivoire

• Ivorian insurance market: 2023 provisional figures

According to provisional data published by Côte d'Ivoire's Association of Insurance Companies (ASACI), the turnover of the local market reached 600 billion FCFA (1 billion USD) in 2023, up 15.1% over one year.

The market is dominated by non-life insurance which, with 349 billion FCFA (587.2 million USD) in written premiums, accounted for 58.3% of the overall 2023 portfolio.

Motor insurance alone reported a 26.4% turnover growth to 110 billion FCFA (185.1 million USD), supported by the digitization of the motor insurance certificate.

For their part, life underwritings amounted to 250 billion FCFA (USD 420.6 million), that is a market share of 41.7%. Life insurance premiums jumped by 12.1% year on year driven mainly by savings, mixed and death protection. These top three branches accounted for more than 87.7% of turnover, a performance maintained over the last five years.

As at 31 December 2023, the benefits paid by Ivorian insurers rose to 294 billion FCFA (494.7 million USD) against 265 billion FCFA (431.3 million USD) at the end of 2022. ■

Atlas Magazine - 26 Jan 2024

• Headline Insurance Forecasts 2023-2027

A positive economic backdrop and expectations for inflation inform our forecast for continued insurance premium growth in Côte d'Ivoire in 2023, although we expect the pace of expansion will slow in the immediate term. Further out, the outlook is mixed; non-life insurance will hold steady at relatively strong levels of growth, while the life segment will experience a continued slowdown through to 2027, as demand will remain subdued for the smaller sub-sector. We note that main risks to our forecasts are to the downside amid political and security risks, in the shape of intra-government tensions and a recent history of military mutinies, following two civil wars earlier this century.

- We forecast that life premiums will rise by 8.4% in local currency terms in 2023 to XOF241.7bn. Over the forecast period to 2027, we expect that premiums will rise by an annual average of 6.6% in local currency terms.
- We expect that non-life premiums will rise by 4.3% in 2023 (a downward revision from 5.2% previously) in local currency terms in 2023, to XOF318.2bn. Across our forecast period to 2027, we project premiums rising by an average of 7.5% per annum in local currency terms, taking the value of premiums to XO436.7bn. ■

Source: Business Monitor Online – 13 July2023

Indicator	2022	2023f	2024f	2025f	2026f	2027f
Gross life premiums written, XOFbn	223.00	241.69	257.18	273.28	289.68	306.34
Gross life premiums written, XOF, % y-o-y	8.4	8.4	6.4	6.3	6.0	5.8
Gross life premiums written, USDmn	357.5	401.6	431.3	466.6	494.6	523.1
Gross life premiums written, USD, % y-o-y	-3.7	12.3	7.4	8.2	6.0	5.8
Gross non-life premiums written, XOFbn	305.00	318.24	346.21	375.01	404.28	436.71
Gross non-life premiums written, XOF, % y-o-y	17.4	4.3	8.8	8.3	7.8	8.0
Gross non-life premiums written, USDmn	489.0	528.8	580.6	640.3	690.3	745.7
Gross non-life premiums written, USD, % y-o-y	4.4	8.1	9.8	10.3	7.8	8.0

f = BMI forecast. Source: National sources, BMI

(See also "CÔTE D'IVOIRE: Insurance Market Fact sheets" – FAIR Review, Issue 195, p40)

EGYPT

• Egypt Insurance Competitive Landscape

Highlight

The Egyptian insurance sector is undergoing regulatory changes which will affect the competitive environment. Universal health insurance coverage was passed in 2017 and its implementation will reverberate through the sector, at the very least until it is fully implemented in 2032. New lines of compulsory cover in the non-life sector are likely to emerge and spur competition when the draft insurance law comes into force. Although state-owned firms loom large in the sector, there is also significant participation by foreign companies and other domestic firms as well.

Takaful, a system of insurance based on the Islamic principles of mutual assistance and donation, has expanded substantially around the world in the last several years. Takaful offerings provide a significant growth opportunity for Egypt's insurance sector going forward.

Latest Developments

- In October 2023, the Egyptian Financial Regulatory Authority (FRA) revolutionized the nation's insurance sector by launching its own actuarial tables, a major shift from the English tables used since 1967. This mandatory tool enables life and capital formation insurers to precisely price products and mandates annual death rate reporting to the FRA, significantly modernizing Egypt's insurance market. The implementation of these actuarial tables signals a maturation of the Egyptian insurance sector and is expected to spur its growth by enhancing product pricing accuracy and industry transparency.
- In August 2023, Misr Insurance, in partnership with the National Bank of Egypt, announced A the launch of Egypt's first US dollar-based pension plan for citizens residing abroad. This innovative pension scheme requires a minimum one-time payment of USD500, providing a practical solution to the ongoing foreign exchange challenges facing the market since the Russian invasion of Ukraine.
- In August 2023, Minister of State for Immigration and Egyptian Expatriates Affairs announced the launch of a social and insurance protection umbrella for Egyptian expatriates in emergency situations, in collaboration with the Ministry of Solidarity
- In Q223, Egypt's Financial Regulatory Authority mandated insurance companies to develop their technological infrastructure to connect their databases with the Authority's, a decision aiming to improve operational efficiency, expedite insurance policy issuance and enhance customer confidence, while also enabling the Authority to study and analyze indicators for informed regulatory and developmental decision-making.
- In Q223, Ayman Kandeel, managing director of AXAA Life Insurance Egypt and chairman of AXA General Insurance, revealed the company's plan to expand in the Egyptian market by forging strategic alliances, expanding distribution channels, creating customized products, and targeting a growth rate of 30% within its premium portfolio, while overcoming challenges presented by the Covid-19 pandemic and nationwide inflation, aiming to increase insurance penetration rates, currently below 1%, and increase awareness about the importance of insurance.
- In March 2023, "Kaf Life Insurance" became a pioneer in the

Egyptian insurance market, transitioning from Takaful insurance to commercial insurance, a first in the country's history facilitated by the Financial Regulatory Authority. This change, overseen by the newly appointed CEO, Dr George Ghobrial, is expected to enhance financial inclusion by introducing innovative, accessible and tech-enabled insurance solutions, marking a significant stride towards modernizing Egypt's life insurance sector.

- In Q123, the government announced that it would begin the process of offering shares in both Misr Insurance and Misr Life over the next 12 months as part of a wider privatization of 32 state-owned companies. The government appears to be adjusting its strategy towards the insurance sector by developing plans for increased private sector cooperation to drive insurance sector penetration and density. The IPO of Misr Life had been announced in Q122 and has been delayed on a number of occasions.
- In February 2023, Egyptian fintech startup Yodawy raised USD16.0mn in Series B funding. The company aims to entirely automate and digitise insurance claims, hospitalization bills and healthcare paperwork to reduce operational inefficiencies.
- In Q422, the Egyptian government noted that it had launched a comprehensive insurance system for foreigners living within the country. The new comprehensive health insurance coverage is aimed at expats and foreigners who are long-term residents within Egypt. It will allow affordable health coverage in exchange for monthly premiums similar to the service for citizens.
- In April 2022, the Egyptian Senate approved a 'Unified Insurance Law', which aims to draw up new and comprehensive rules for regulating the country's insurance industry and market. It seeks to cover the rights of holders of insurance policies and private insurance funds, to streamline insurance rules and align them with new international standards and to speed up digitization reforms and the use of fintech in the insurance sector. It also aims to boost insurance inclusiveness and reach out to lower-income groups that are not currently covered by any kind of insurance, particularly health insurance. The Law has now moved to the House of Representatives.
- In December 2017, the Egyptian parliament approved a comprehensive health insurance bill. The Universal Health Care Act would be implemented gradually over 2018-2035, with compulsory subscription set to generate EGP600.0bn in cover. In February 2022, the Egyptian government stated that it had raised USD582.0mn from a number of sources, including the French Development Agency and the World Bank, to implement its long-term health insurance law by 2030/2035.

Life Insurance

In contrast to many other economies with a similar income level, Egypt life insurance market is roughly equal in size with its non-life sector, accounting for a forecast 50.8% of total underwriting in 2023 and just 0.2% of nominal GDP.

The sector is at an early stage of development and stronger penetration has been hindered by poverty, reduced demand for savings and limited product awareness outside of major urban areas.

We expect life insurance premiums to grow by 19.9% in 2024 to EGP46.9bn and grow by 5.4% in US dollar terms to USD1.3bn, on the back of expected currency pressures and inflation. We expect average annual life sector growth of 18.1% y-o-y, taking total premiums to EGP65.0bn in 2027, up from EGP39.1bn in 2023.

Total US dollar denominated growth is envisaged at just 3.5% to USD1.7bn by YE27.

The leading player in the life sector in Egypt, as in the case of the non-life sector, is state-owned Misr Life, with a consistent market share of almost 31.6% in 2022. The company has a long-established branch network throughout the country and established bancassurance partnerships across the nation.

Allianz Life was the second largest insurer operating in Egypt's life sector in 2022, with an estimated market share of 21.2%, equating to annual gross premiums of around USD319.4mn that year.

The local operations of third-ranked MetLife (premiums of USD260.4mn and a market share of 17.3% in 2022), which partners with Bank of Alexandria, are currently insignificant by the company a global standards, but over the next 15-20 years, an established brand presence is likely to reap significant rewards.

The next largest is AXA with 13.7% of the market. The fifth largest life insurer is Egyptian Life Takaful (4.0% share), one of two takaful insurers in the top 10. The rest of the top 10 includes Suez Canal Life, Chubb Life, Libano-Suisse Takaful and Delta Life.

Non-Life Insurance

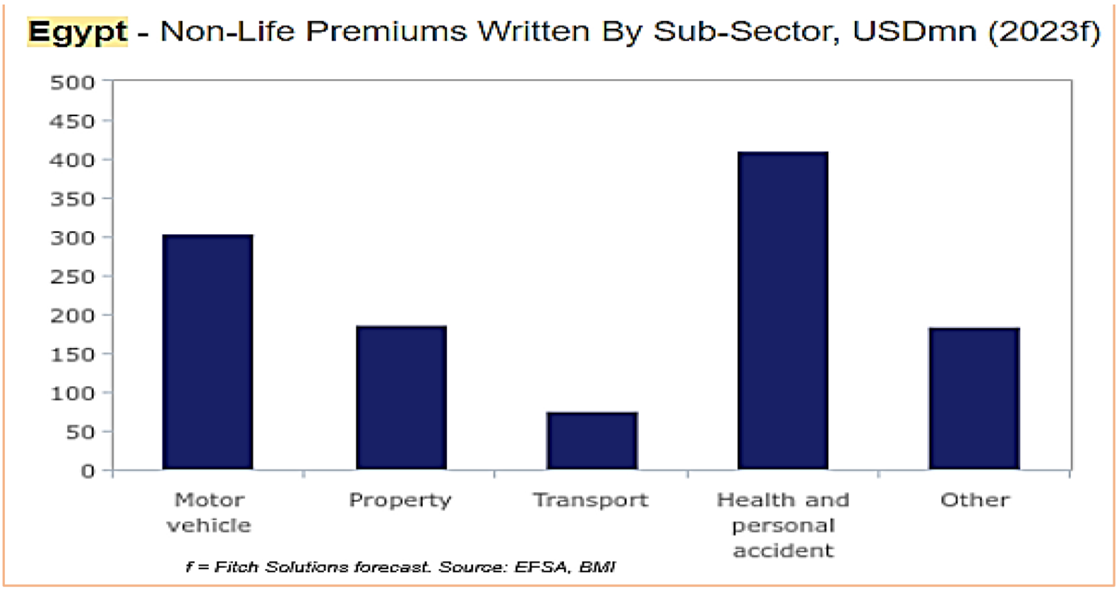
Egypt's non-life sector is forecast to account for 49.2% of the total gross premiums written in 2023. Growth potential in this sector has greatly increased with the recent adoption of universal health insurance and the likelihood that there will be more compulsory lines of insurance in future, following expected implementation of the new insurance law in 2023.

Total non-life premiums are estimated to have grown by 38.7% to EGP37.8bn (USD1.2bn) in 2023 and are now forecast to grow by 16.9% to EGP44.2bn. Our medium-term outlook for 2023-2027 forecasts annual premium growth of 18.5% to EGP62.5bm (USD1.6bn).

Egypt's non-life sector is overwhelmingly dominated by the state-owned market leader Misr Insurance. In 2022, we estimate Misr's market share at over 38% with premiums over USD542mn. This made Misr a significant player in regional terms, considering that the next largest non-life companies GIG Egypt had premiums estimated at around USD104.5mn, and Oriental Takaful at USD97.4mn, giving them shares of 7.3% and 6.8% respectively.

Misr's dominance is a negative for the sector, with product innovation and price competition unlikely to develop substantially while the status quo is ingrained, although the presence of regional major GIG and global Allianz, particularly in the health and property segments, does provide competition.

Few other insurers write significant premiums, with many of them competing for the smaller underdeveloped market. The most significant players in terms of any challenge to Misr's dominance are likely to be the multinational companies that can draw on significant expertise and capital, as well as leverage an internationally established brand. AXA (4.2% share with premiums of USD59.2mn) is well placed to build its market share, with all of the benefits detailed above. Similarly, Allianz (6.8% share in 2022) may also be able to build on the branch network that it has through significant life sector operations.



Motor vehicle insurance became compulsory in 1956 and the most important single sub-sector of Egypt's non-life segment. In 2024, we see positive growth patterns, with an uptick forecast at 12% to EGP11bn (decrease by 1.6%A y-o-y in US dollar terms to USD298.9mn). Over the 2023-2027 forecast period, growth will average 18.2% and 2.9% y-o-y in local currency and US dollar terms respectively. Total motor vehicle premiums are expected to grow to EGP15.0bn (USD396.3mn) by 2027. The sub-sector has grown due to increased demand for cars, while banks that provide car loans require insurance to distribute the loan.

Our medium-term outlook is for motor vehicle premiums to continue growing at a steady rate in absolute terms, as the number of drivers, and potential customers, continues to rise. The main driver of growth in motor vehicle insurance premiums in 2024 will be the further expansion of Egypt's vehicle fleet, which we expect to grow by 0.5% to 7.1mn units, with further growth expected over the forecast period to reach 7.5mn units in 2027. New vehicle sales are expected to see an uptick over the forecast period, particularly imported cars, which should benefit from Egypt's free trade agreement with the EU. Our medium-term outlook is for motor vehicle premiums to continue growing at a steady rate in absolute terms, as the number of drivers, and potential customers, continues to rise. While the penetration of motor vehicle lines will increase, the size of the market relative to the wider non-life sector will be at 23.2% in 2027, down from 25.1% in 2023.

Health insurance currently represents 12% of non-life premiums written. Universal health insurance was mandated in 2017 and is gradually being implemented throughout the country. However, health insurance spending in Egypt remains constrained by the small number of households that are able to afford it. Nevertheless, The 2023 outlook is beginning to improve rapidly, with premiums forecast to grow by 45.2% to EGP8.6bn (USD249.2mn). Over the medium term, we expect an acceleration in economic growth to support somewhat of an expansion in private healthcare expenditure. In terms of health insurance, we expect to see local currency annual growth of 18.4% over the 2023-2027 period, with premiums set to reach EGP13.3bn (3.3% y-o-y in US dollar terms to USD350.9mn).

The steady increase in the number of middle-class households bodes well for health insurers, while a rise in morbidity levels will boost premiums over the long term.

Personal accident cover accounts for 5.9% of non-life premiums written. The segment is at an early stage of development and is growing from a lower base. In many emerging markets, personal accident insurance is a popular product that provides benefits not provided by the state - such as disability benefits or income protection. Although there is certainly scope for this product line to expand, development in Egypt has been limited by low average wages, which will continue to hamper this non-life segment. In 2024, premiums are expected to grow by 19% in local currency terms to EGP5.7bn, and grow by 4.5% in US dollar terms to USD154.6mn. Growth in disposable household incomes will be a key driver, as personal accident lines reap the benefits of the wider growth in healthcare expenditure. This will provide a platform for premiums to grow by an average 17.4% y-o-y in local currency terms over 2023-2027, to reach EGP7.8bn (USD207.5mn), equivalent to 12.6% of total non-life insurance spending. While the penetration and density of personal accident lines will continue growing over the long term, we expect this to continue to form a relatively minor portion of total underwriting activity in the non-life sector.

The property insurance sub-sector will be one of the better performing areas of Egypt's non-life insurance sector in the short term, as premiums remain high in nominal terms. The residential real estate market will be bolstered by a growing (albeit slowing) number of homeowners among the country's middle-class population, especially those who maintained high savings in US dollar accounts. This will support total premium growth in 2024 of 22.2% to EGP7.4bn (USD200.8mn), as economic growth within the country supports residential and commercial real estate and headline infrastructure projects.
Over our medium-term forecast period, we see property insurance premiums growing at quite a strong rate, largely in line with a rise in new homes being built. Egypt's fast-growing population and high marriage rates form the basis for our projections, given the knock-on effects for new residential constructions and subsequent demand for home and property insurance products. Property insurance is set to grow by an average 18.7% in local currency terms over 2023-2027, as households in the country's home-owning middle class expand. By YE27, gross premiums written in the segment are forecast to total EGP10.6bn (USD279.8mn).

Though not among the most important non-life insurance lines in terms of its overall value, we expect the **transport insurance** segment to grow steadily in 2024 and modestly outpace inflation. In 2024, we expect premiums to grow by 35.6% to EGP3.3bn (USD89.4mn). Nevertheless, we note that the Israel - Hamas conflict and the Russia - Ukraine war will present downside risks.
We expect to see the relative size of Egypt's transport insurance market growing over the medium term. While Egypt's exports are set to increase, the government's ambition to increase investment in the transport sector will further facilitate momentum.
Growth in this sub-sector will largely be determined by the country's wider economic performance. Therefore, we expect annual premium growth of 25.3% over the remainder of our forecast period (2023-2027), to reach premiums of EGP6.0bn (USD158.2mn) in 2027, accounting for 9.6% of the total non-life market.

■ Source: Business Monitor Online – 13 December 2023

• *Egypt: Insurance Market Results in 2023*

The insurance premiums collected index - not direct subscriptions - witnessed a growth of 24.6% at the end of the 2022/2023 fiscal year, ending in June of last year 2023. This came according to statements by Mohamed Farid, Head of Financial Supervision, during the third microinsurance conference hosted by Luxor. Pointing out that the premiums collected - not written - by insurance companies amounted to 70 billion pounds in June 2023, compared to 56.2 billion pounds at the end of June of the previous year, an increase of 13.8 billion pounds, a growth of 24.6%.

The compensation bill and paid claims increased by approximately 23.1%. The compensation bill paid in the insurance market amounted to about 33.6 billion pounds at the end of June 2023, compared to 27.3 billion pounds in June 2022, an increase of 6.3 billion pounds, an increase of approximately 23.1 billion pounds.

The net assets of insurance companies in Egypt rose to 242.2 billion pounds at the end of June of the fiscal year 2022/2023, compared to 178.9 billion pounds in the previous fiscal year 2021/2022, an increase of 63.3 billion pounds, an increase of approximately 35.4%.

In a related context, the net investments of insurance companies in Egypt recorded about 208.9 billion pounds at the end of June 2023, compared to 153.4 billion pounds in June 2022, an increase of 55.5 billion pounds, a growth of approximately 36.2%.

Dr. Mohamed Farid, Head of Financial Supervision, indicated that the number of companies that practice microinsurance is 15 companies serving about 6.3 million customers, according to statistics available until June 30, 2023, compared to 5.8 million customers at the end of June of the previous year.

Farid pointed out that micro-insurance premiums amounted to 377 million pounds at the end of June 2023, compared to 365 million pounds in June of the previous year, an increase of 12 million pounds, with a growth rate of 3.3%.

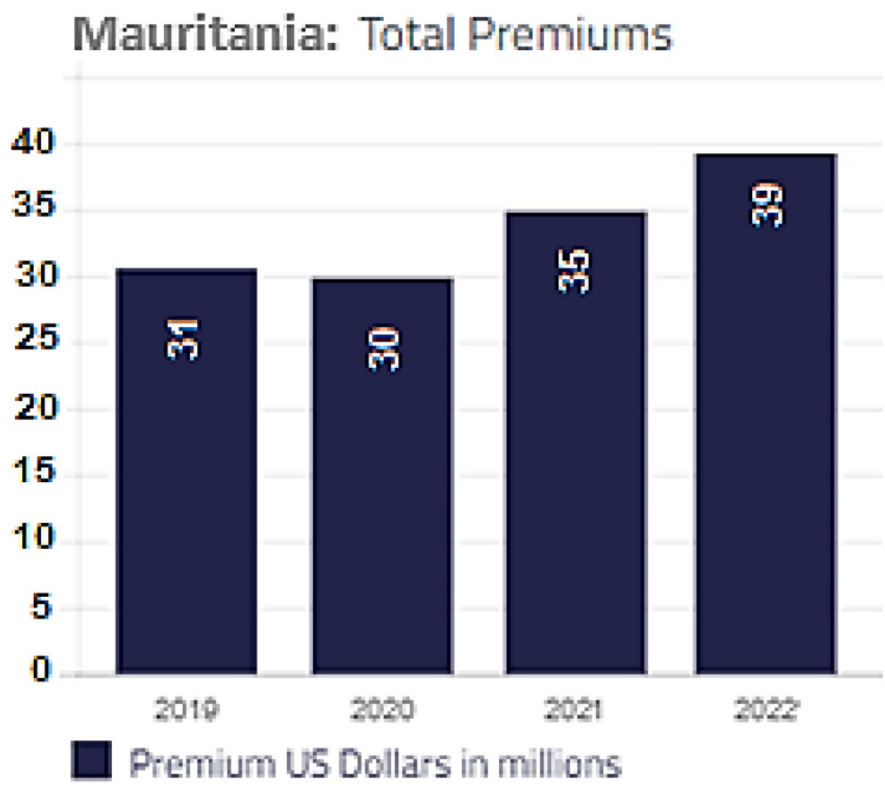
He pointed out that life and property insurance companies shared coverage issues related to micro-insurance, but the relative weight of the number of clients was in favor of life and money formation companies at a rate of 68%, compared to 32% in property insurance companies. ■

Source: FRA Press Release – 4 February 2024

MAURITANIA

• Insurance Market at a Glance

- **Population**: 4.8 million
- **Income Level**: Lower middle
- **Insurance Regulator**: FSC governs the Mauritian insurance industry.
- **Insurance Association**: Mauritania's insurance professionals' association (APAM)
- **Compulsory Insurance**: Motor-third party liability insurance, pleasure craft third-party liability insurance, passenger liability for pleasure craft owners, professional indemnity insurance cover for brokers, marine oil pollution insurance, clinical trials liability and workmen's compensation are some of the classes of compulsory insurance in Mauritius.
- **Non-admitted Insurance**: Non-admitted insurance is not permitted in the Mauritian insurance industry
- **Foreign FDI**: 100% FDI is permitted in the Mauritian insurance industry.
- **Composite Insurance**: Composite insurance is not permitted in the Mauritian insurance industry.
- **Number of Insurance Companies**: Mauritania has 17 insurance companies.
- **Total Premiums**: A combined turnover of slightly less than $40m. The market is dominated by the automobile branch, which is considered to be loss-making.



NAMIBIA

- ***Namibia Agriculture Disaster Risk Finance and Insurance Diagnostic***

This diagnostic report was prepared in response to a technical assistance request from the Government of the Republic of Namibia (GRN) to support the design and implementation of an index-based agriculture insurance program targeting small-scale farmers. Based on initial consultations with the Namibia Financial Institutions Supervisory Authority (NAMFISA), the nonbank financial regulator and lead counterpart, it was agreed to expand the scope of the diagnostic to include disaster risk finance (DRF), but still with a focus on the agriculture sector.

This was done given both GRN's interest in protecting both group of farmers and the increasing consensus that agriculture insurance programs, particularly those that focus on smallholders, are best designed within a broader framework of DRF. This is the case since only smallholder farmers linked to the market can be reached effectively through agriculture insurance programs, while subsistence farmers would need to be protected using other instruments. Further, even among smallholders who can be reached through agriculture insurance, some risks cannot be viably transferred to agriculture insurance markets.

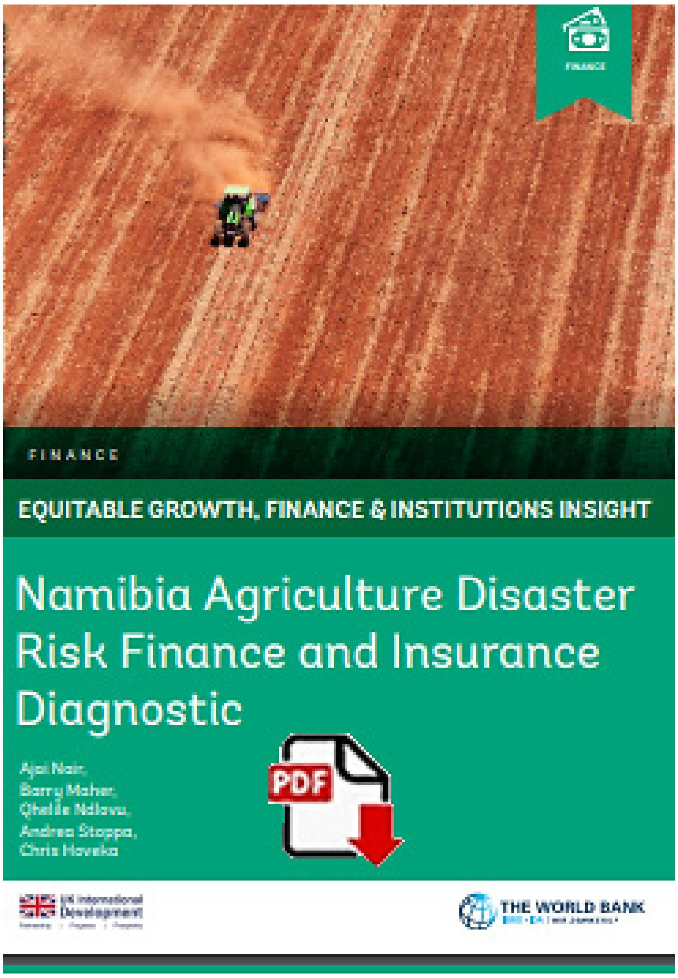
The report is structured as follows:

Chapter 1 presents an overview of the macro- and socioeconomic environment, financial sector, agriculture sector, and agriculture finance landscape in Namibia.

Chapter 2 presents an overview of DRF, Namibia's exposure to disasters, particularly for the agriculture sector, and their impact and discusses Namibia's institutional framework and current approach to DRF.

Chapter 3 presents an introduction of agriculture insurance, the agriculture insurance landscape in Namibia, and the diagnostic's findings. Lastly, chapter 4 presents the diagnostic's recommendations and suggested next steps.

Source: World Bank - February 2024



NIGERIA

• *An Overview of Microinsurance in Nigeria:* A Legal Perspective [1]

By Emmanuel C. Onele | S.P.A. Ajibade & Co.

INTRODUCTION

1.1 Microinsurance is a rapidly growing sector within the insurance industry, offering financial protection to low-income individuals and small businesses in Nigeria. As the country with the largest population in Africa, Nigeria presents both challenges and opportunities for microinsurance providers. The National Insurance Commission ("NAICOM") established the Guidelines for Micro Insurance in Nigeria 2018 (the "Guideline") to serve as a Uniform set of rules, regulation and standard for the conduct of microinsurance business in Nigeria. The Guideline serves as a protection for the consumers and provides that interested applicant must be a Limited Liability Company duly registered by the Corporate Affairs Commission.[2]

1.2 In Nigeria, the Microinsurance sector is an untapped market hence, the introduction of the Guideline is an indication that the Nigerian Microinsurance sector is awakening and considering low-income insurance distribution. The Guidelines defined Microinsurance as insurance developed for low-income populations, with low valued policies provided by licensed institutions, run in accordance with generally accepted insurance principles and funded by premiums.[3] It explained that Microinsurance products are insurance products that are designed to be appropriate for the low-income market in relation to cost, terms, coverage, and delivery mechanism. It also clarifies the scope of Microinsurance for the operators, stating that the sum insured under a Microinsurance policy(ies) shall not be more than N2,000,000 per person per insurer.[4]

1.3 The Guideline provides that the policies and products must be easily deliverable to the target market through unconventional delivery methods such as Micro insurance agents, cooperative societies, mutual benefits associations, micro finance institutions, faith-based organisations, non-governmental organisations, osusu/adash[5] groups, age grade groups, mobile payment system and other registered associations.[6]

2. REGULATORY FRAMEWORK FOR MICROINSURANCE IN NIGERIA

2.1 National Insurance Commission Act ("NAICOM Act"[7])

NAICOM Act is the law establishing NAICOM. NAICOM is the primary regulatory authority overseeing the insurance industry in Nigeria, including microinsurance. It sets the rules and standards that microinsurance providers must adhere to, ensuring consumer protection and financial stability.

2.2 Guidelines for Microinsurance in Nigeria

Nigeria introduced a dedicated microinsurance regulatory framework in 2018[8], which defines microinsurance operations, licensing requirements, and regulatory expectations. This framework aims to facilitate the growth of microinsurance by providing a clear legal foundation for its operations, encourage accessibility while providing market stability and restoring consumer confidence.

2.3 Insurance Act 2004[9]
The Insurance Act of 2004 governs all aspects of insurance in Nigeria, including microinsurance. It establishes the legal framework for insurance contracts, premium rates, and the licensing of insurance companies.

3. CAPITAL REQUIREMENTS AND CATEGORIZATION OF MICROINSURANCE COMPANY IN NIGERIA

3.1 In the Guideline, NAICOM prescribed capital categorization for Micro insurance company. The categories include;[10]

3.1.1 Unit Microinsurer
A unit Microinsurance company is an insurance company that operates within a local community. This insurance company is aimed at getting across to low income earners within a specific time frame in a local community to allow the company get across to as much persons as possible in the given community before a subsequent approval to operate on a bigger scale. Insurance operation of this nature are capped in a 36month time frame. The minimum capital base for setting up a unit microinsurance company is ₦40 million naira which is further categorized into two thresholds namely: a general insurance class at ₦25 million naira capital base and a Life class at ₦15 million naira capital base.

3.1.2 National Microinsurer
A National Microinsurance company is a microinsurance company with operations in six states within at least three geopolitical zones in Nigeria. Insurance companies who meets these criteria can apply to operate as a national microinsurance company. The minimum capital base for setting up a national microinsurance company is ₦600 million naira which is further categorized into two thresholds namely; a general insurance class at ₦400 million-naira capital base and a Life class at ₦200 million naira capital base.

3.1.3 State Microinsurer
A State Microinsurance company is an insurance company with operation in at least 3 states of the federation with 3 different branches in one state. The company branches should be in in different local government areas around the state. The minimum capital base is ₦100 million naira. State microinsurance companies can be further categorized into two thresholds namely, a general insurance class at ₦60 million naira capital base and a Life class at ₦40 million naira capital base.

4. LEGAL CHALLENGES

4.1 Consumer Protection
The aim of Microinsurance is to create an avenue for low income earners to get insurance policies at cheap and convenient rates. Ensuring that microinsurance meet the need of low-income earners without exploitation or subjecting them to unfair treatment could pose legal challenges, as such, regulators should introduce parameters to ensure that rules are strictly complied with thereby protecting consumers from unfair treatment.

4.2 Procuring Approvals and Compliance
Compliance and licensing for microinsurance companies are very important because it ensures that microinsurance companies get the requisite approval before commencing operation. The requirement for securing microinsurance license is voluminous, asset consuming and complex when compared to the operation it is meant for, as local entities may find it challenging to comply with this rules and other regulatory standards.

4.3 Fraud and Claims Management

Fraudulent Claims and other claims management are challenges that could be encountered in insurance operation. Since most microinsurance users are low income earners mostly located in rural areas, there are high tendencies of illiteracy which could inhibit the insured from knowing how to process claims. As such, insurance laws should provide clear rule, frameworks and guidelines for investigating and mitigating fraudulent activities, create safe space for policy holders to report claims and ensure genuine claims are promptly paid.

4.4 Data Protection

As digital platforms become increasingly important for microinsurance distribution, legal frameworks around data privacy, security and protection become paramount. Nigeria's data protection Commission must actualize its function11 of harmonizing data controllers while providing safe space for data usage thereby making sure microinsurance operators protect policyholders' information.

5. ROLE OF LAW IN SHAPING MICROINSURANCE GROWTH

5.1 Section 2.2 of the Guideline for Microinsurance in Nigeria provides for small scale partnership as a way of facilitating microinsurance penetration into communities, small scale institutions and entities. This Guideline encourages partnership and distribution of microinsurance activities between insurance practitioners and other Micro delivery channels such as Microfinance banks, mobile money operators, payment terminal operators, associations, faith-based organisations etc.

5.2 Its pertinent to underscore the role of well-defined laws amongst consumers. A well-defined law with easy enforcement procedure restores confidence to consumer who would be aware that their rights are protected and would be more confident in participating in microinsurance schemes. Happy customers will increase the micro insurance market resulting in market stability.

5.3 The most important role of law is shaping growth in the microinsurance sector is in ensuring product development and innovation. The Insurance Regulatory Sandbox Operational Guideline12 is a step towards such innovation. The guideline creates formal process for firms to conduct live tests of new, innovative products & services, delivery channels, or business models in a controlled environment, with regulatory oversight, subject to appropriate conditions and safeguards. This piece of legal framework encourages innovation by allowing microinsurers design flexible and affordable products tailored to the needs of the low-income population.

6. CONCLUSION

Microinsurance in Nigeria, is a rapidly evolving sector. The regulatory framework, though still evolving, is crucial for fostering growth, ensuring consumer protection, and maintaining market stability. As microinsurance providers continue to innovate and reach underserved populations, legal aspects will play an increasingly significant role in shaping the sector's success, ultimately benefiting low-income individuals and small businesses across the country. ■

Footnotes

1. Emmanuel C. Onele, Associate, S. P. A. Ajibade and Co., Lagos, Nigeria.
2. Overview of the Microinsurance Ecosystem in Nigeria available at https://www.efina.org.ng/wp-content/uploads/2019/02/Overview-of-Microinsurance-Ecosystem-in-Nigeria-April-2018.pdf accessed 20th December 2023.
3. Ibid.
4. Ibid.
5. Osusu/adash describes traditional forms of cooperation in African societies whereby groups of individuals contribute to informal savings and credit associations for their mutual benefit. These associations are found mainly in agricultural production and credit financing, and they substitute for and complement modern cooperative institutions and formal financial systems. See, Osabuohien and Oluyomi Ola-David, 'Development of Economics Studies', available at https://www.in-formality.com/wiki/index.php?title=Esusu_(Nigeria) accessed 22nd December, 2023.
6. BusinessDay Newspaper, 'Companies Shun Microinsurance window on capital requirement, cost of governance' published November 22, 2021 available at https://businessday.ng/insurance/article/companies-shun-microinsurance-window-on-capital-requirement-cost-of-governance/ accessed 22nd December, 2023.
7. National Insurance Commission Act Cap N53 LFN 2004.
8. NAICOM Releases Revised Micro Insurance Guidelines to Boost Inclusion available at https://www.nipc.gov.ng/2018/01/17/naicom-releases-revised-micro-insurance-guidelines-boost-inclusion/ accessed 22nd December, 2023.
9. Cap I17 LFN 2004.
10. Section 2.3 Guidelines for Microinsurance in Nigeria.
11. Section 6 Nigeria Data Protection Act 2023.
12. The Guideline was released by NAICOM in 2018 to provide a safe ground for innovations in a controlled environment.

Source: Mondaq - 05 January 2024

Asia News

• *New code of conduct for insurance market using AI*

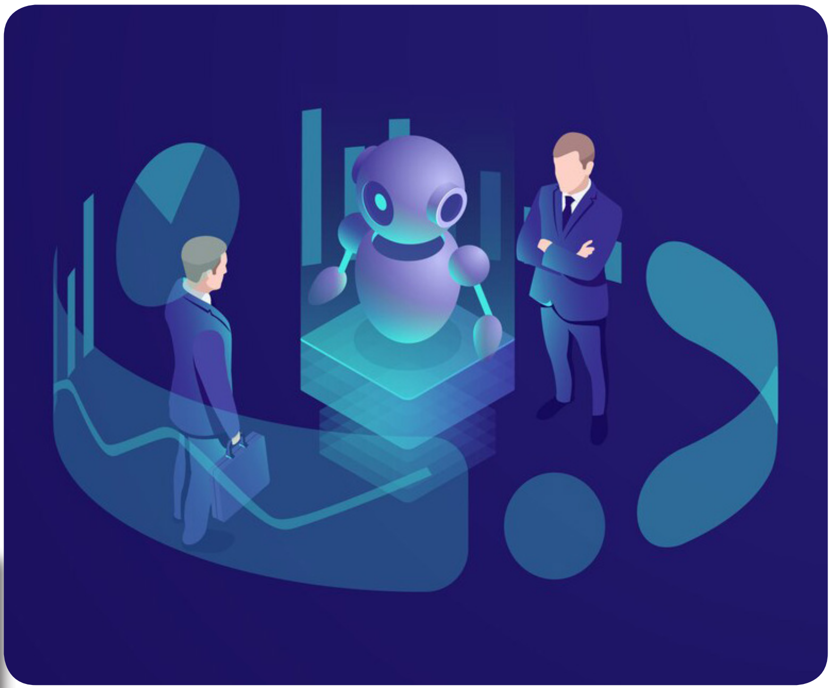
Yesterday saw the launch of an insurance industry first – a voluntary code of conduct for the development, implementation, and use of artificial intelligence (AI) in claims. Led by Eddie Longworth (pictured), director of JEL Consulting, the code is the result of collaboration between 127 experts, united by the ambition to establish and uphold the highest standards of behaviour and ethical responsibility when planning, designing, or utilising AI in the management and settlement of insurance claims.

At the core of the initiative is the ambition to understand the potential and the actuality of AI, Longworth said, and in doing so, lay the foundations required for claims departments to ensure that they are implementing AI applications transparently, safely and securely. If done so, he believes that carriers and the wider insurance supply chain will be able to take advantage of the significant benefits AI can bring their businesses, without endangering policyholders' trust in a fair claims outcome.

His idea for this code of conduct would likely have remained just that, he said, except for the rapid and enthusiastic response of his contacts throughout the market, who have helped bring it to life over the past six or so months. These experts come from all across the insurance value chain and include insurers, lawyers, tech companies and suppliers. It's a testament to the collaborative nature of all involved that the code has been launched – and is now available for any organisation or individual to sign up to.

Where does this code of conduct go next?

"Our objectives for participation are limitless," he said. "There are hundreds of carriers across multiple lines of business and there are 1,000s of suppliers, including tech companies, but just about every supplier is going to be affected by AI in one shape or another. Then there are the consumer organisations and trade associations.



"We don't have ambitions for participation but we certainly have expectations that it will be taken up by a very large number of organisations. And it's a bit like a snowball rolling downhill; once the wheel starts to turn, we hope it will gather pace in the coming weeks."

A great deal of work has gone into making the code of conduct both accessible and applicable to everyone in the insurance market, he said, and with this in mind, there are several principles behind the code. The first three relate to the fairness, accountability and transparency of any AI application or installation to make sure that the outputs of AI are seen and acknowledged by all relevant stakeholders.

"The second thing was [identifying] that there must be a method of justifying AI-influenced decisions," he said. "That's so if it's challenged, noone can ever use the excuse, 'the computer said no'. We can't have any black-box type arrangements whereby we don't know why the decision has been made because we don't know the basis on which it was made. We must never shirk our accountability for AI outcomes.

"And on that basis, therefore, claimants must always have the right to redress with human oversight of the outcomes of that appeals process. We want the people and organisations signing up to the code to give consideration to the issues of potential bias and, where possible, to have an impartial approach to outputs because it's all about how we can build trust and belief."

Accessibility and transparency – the key to the successful implementation of AI

It's with accessibility in mind that the code has been distilled into a single page, Longworth said, because this is not a regulatory document but rather a self-regulatory instrument that is entirely dependent on the morals and ethics of the individuals and organisations that sign up to it. This is about encouraging the wider insurance ecosystem to do the right thing by signing up to these core principles and the ambition at the heart of them to set high standards for the profession.

Adding to this, Consumer Intelligence CEO Ian Hughes emphasised the sheer scope of the potential generative AI has to transform organisations – and the need for this to be tempered by having ethics embedded into AI processes as early as possible. Generative AI has advanced rapidly even in the last year, he said, and this is the time to teach good ethics to these systems, because you won't be able to retrofit them later.

"[This is about] allowing claims organisations and insurers to embrace AI, but at the same understand that we have a moral obligation to the next generation, to the 100 claimants who are totally innocent, so that we don't take them out by training an AI just to find the one person who's the rogue, or just to find that one risk that's the poor risk," he said. "I'm delighted to be part of this and help [identify] the issues about transparency, openness, explainability and fairness – those all also speak to Consumer Duty and the things the FCA is talking about.

"Adoption of this code is not just something that's going to help our business and [promote] good ethics and give us a good future, it's also going to help with regulatory compliance going forward as well. So, I think it's an exciting time."

Bringing the industry together under a shared ambition

Chris Sawford, MD of claims for Verisk in the UK paid tribute to how the UK insurance industry put aside its competitive differences to come together in service of the common goal of this code of conduct. It's a display of teamwork that should not be understated or overlooked, he said, and it also highlights the level of cohesion across the market and its ambition to do the right thing when it comes to AI in claims.

While generative AI is still a relatively new term, he said, AI more generally has been around for quite some time now - but it's the pace and the accessibility of AI outputs which is really transforming business processes. The availability of AI, the availability of data and the capabilities AI possesses are now posing new challenges for the industry, and there are a lot of questions still to be asked and answered around data ownership, deploying AI without bias and, critically, the human impact of AI and it means for humans in the workforce.

The newly launched code of conduct represents a launch pad for the ever-evolving topic of AI and the questions it poses for workforces, workplaces and work processes alike. And what's especially great, Sawford said, is that the code really encapsulates the air of entrepreneurialism and innovation that is inherent within AI – but also channels it in a virtuous direction.

Longworth concluded the Press briefing launch of the code with a clear directive for the industry: "We're asking people to use AI in such a way as we do it once and do it the right way, on behalf of all the stakeholders in the claims and supply chain ecosystem including, and especially, policyholders and claimants." ■

Source: Insurance Business Mag – 1 Feb 2024

GCC

• *GCC Insurance Industry | by Alpen Capita*

UAE-based investment banking advisory firm, Alpen Capital projects the gross written premium (GWP) of the region to grow at a CAGR of 5.3% reaching US$ 44.4 billion by 2028, in its latest GCC Insurance Industry report. The non-life insurance segment is anticipated to grow at a CAGR of 5.4% between 2023 and 2028 reaching US$ 39.6 billion, comprising 89.2% of the region's GWP by 2028.

The report provides a comprehensive overview of the GCC insurance sector, outlining recent trends, growth drivers and challenges. It also profiles select insurance companies in the region.

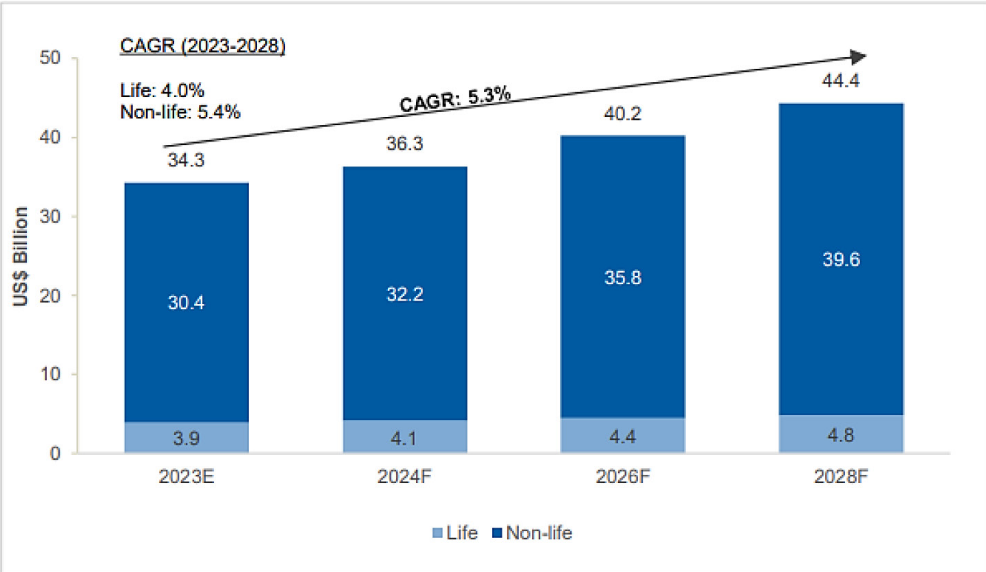
The report was launched over a webinar followed by a panel discussion featuring Fareed Lutfi, Secretary General, Emirates Insurance Association and Gulf Insurance Federation; Sunil Kohli, Chief Executive Officer, Dhofar Insurance Co.; and Krishna Dhanak, Managing Director, Alpen Capital. Hameed Noor Mohamed, Managing Director, Alpen Capital moderated the discussion.

The GCC insurance industry has grown consistently in recent years, propelled by the economic rebound following the COVID-19 slowdown and the successful implementation and advancement of mandatory health insurance across GCC countries. This positive trajectory is expected to accelerate in the long term, fueled by sustained economic diversification initiatives, population growth, and substantial infrastructure development within the region. Both regulators and insurance companies in the GCC are focusing on improving operational efficiency, enhancing customer experience, and diversifying insurance product offerings in collaboration with Insurtech companies. Insurtech is also enabling insurers to provide customized products that cater to individual needs, leading to a further increase in demand for insurance." says Sameena Ahmad, Managing Director, Alpen Capital (ME) Limited.

The insurance industry in the GCC has experienced a surge in M&A activities in the past couple of years driven by strategic plans of the operators to expand their geographical presence, regulatory changes, increased operating expenses, competitive pressures, and a scarcity of available insurance licenses. Regional insurance companies are looking to invest in Artificial Intelligence, Internet of Things, and blockchain in product development to enhance customer support, real-time monitoring of claims and prevent fraudulent claims. We are also witnessing interest for outbound cross-border M&A within the Middle East region from players in the GCC as well as inbound interest from strategic players to enter into the GCC market. Looking ahead, M&A activity in the region is expected to continue and we anticipate a heightened focus on collaborations with Insurtech companies to create new models and enhance operational efficiency", says Krishna Dhanak, Managing Director at Alpen Capital.

According to Alpen Capital, the GCC insurance market is expected to grow at an annualized growth rate of 5.3%, reaching an estimated US$ 44.4 billion in 2028 from US$ 34.3 billion in 2023. The growth outlook remains favorable, driven by resilient economic growth, a sustained increase in population, a rising need for health and life insurance, and ongoing infrastructure development projects.

GCC Insurance Market Size Forecast



The life insurance GWP is projected to grow at a CAGR of 4.0%, increasing from US$ 3.9 billion in 2023 to US$ 4.8 billion in 2028. Meanwhile, the non-life insurance segment in the GCC is estimated to grow at a CAGR of 5.4%, expanding from US$ 30.4 billion in 2023 to US$ 39.6 billion in 2028. This growth is primarily expected to be driven by the expanding tourism sector and a robust pipeline of real estate projects at various stages of completion across the region. Insurance density is expected to increase from US$ 597.6 in 2023 to US$ 699.5 in 2028, while insurance penetration is anticipated to change marginally during the same period.

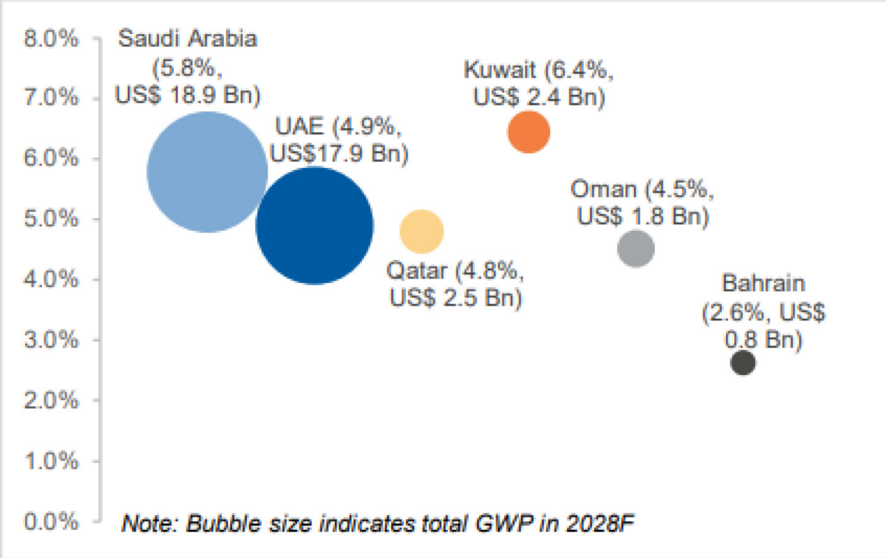
Saudi Arabia surpassed the UAE to become the largest insurance market in the GCC in 2022, driven by massive infrastructure development and an increasing demand for motor and medical insurance. Alpen Capital anticipates this trend to persist, forecasting a CAGR of 5.8% for the Kingdom between 2023 and 2038. The UAE's insurance market is expected to grow at a CAGR of 4.9%, while Kuwait is projected to witness the highest growth rate in the GCC at a CAGR of 6.4%, attributed to steady population growth between 2023 and 2028 and increased government investments in infrastructure.

The report highlights sustained growth momentum buoyed by increased domestic demand, ongoing reform initiatives, booming tourism segment, and a rebound in the hydrocarbon market as factors driving growth within the insurance industry.

Furthermore, economic diversification strategies are anticipated to drive increased spending on sustainable and alternative infrastructure projects, thereby augmenting the region's insurable assets.

The GCC insurance market is poised to benefit from a rising population that is expected to reach 63.4 mil-

GCC Insurance Market Growth (CAGR: 2023E – 2028F)



lion by 2028, representing a CAGR of 2.0% since 2023. The ongoing expansion of mandatory medical and business lines is likely to contribute to an increased demand for insurance products, stimulating overall growth in the insurance industry.

However, the industry is not devoid of its challenges. The fragmented and highly competitive nature of the market fosters price competition to secure business, posing a threat to profit margins for insurers. The implementation of the IFRS 17 standard has introduced complex accounting frameworks, compelling insurers to substantially change their existing processes, proving particularly challenging for medium-sized providers. Rising cession rates and hardening of the reinsurance market has the potential to disrupt business models and adversely affect reinsurance revenues and underwriting margins of insurers.

Furthermore, claims inflation and increasing tax rates could potentially impact core business lines, especially motor and medical insurance segments that account for a major portion of the GWP of GCC insurers.

The report notes that the GCC region stands as an early adopter of global digital transformation, presenting significant opportunity for insurers to develop a digital ecosystem, enhancing customer experience while reducing customer acquisition costs. To build a more secure ecosystem, the GCC governments are prioritizing personal data protection, creating opportunities for new products such as cyber insurance.

GCC's focus on digitalization is creating several opportunities for Insurtech companies to reshape the insurance industry using technology, data, and customer-focused approaches. Furthermore, the region is witnessing a rise in credit insurance driven by the complexities of global trade and economic uncertainties.

The GCC insurance industry is undergoing significant transformation, fueled by favorable demographics, robust economic factors, advancement of mandatory health insurance, technological advancements, and a growing demand for innovative products. The region's insurance landscape is maturing, with supportive government regulations continuously seeking to enhance both the regulatory environment and operational efficiency to ensure a sustainable business model. ■

Source: GCC Insurance Industry – by Alpen Capita, Jan 2024

AZERBAIJAN

• *AZERBAIJAN, FY2023: life insurance generates over half of all market premiums*

By Marina MAGNAVAL

At the end of 2023, the insurance market of Azerbaijan grew by almost 26% to AZN 1.222 million (EUR 651.46 million). However, paid claims increased by 35% y-o-y, reaching AZN 587.32 million (EUR 312.97 million), as the data published by the National Bank show.

It is noteworthy that the shares of life and non-life insurance in the market portfolio remained virtually unchanged. Life insurance still accounts for just over half of all GWP. The largest classes of insurance in terms of premiums are voluntary life insurance (AZN 545.205 million), medical insurance (AZN 121 million) and MTPL (~AZN 171 million).

On the claims side it's worth noting rapid growth in insurance against fire and other perils (5,179%), as well as in cargo insurance, aircraft insurance, agricultural plants, GTPL and immovable property insurance.

At the end of 2023, there were 21 insurers operating in the market. PASHA LIFE remains the leader (AZN 517.47 million), second and third places are still occupied by PASHA Insurance (AZN 293.09 million) and Ateshgah life (AZN 71.58 million). Total market share of these three companies has grown to 72%. ■

Source: XPRIMM - 31 January 2024

• *State Insurance Commercial Company Terminated*

by Bureau 28a

Decree dated and effective 31 January 2024 of the President of the Republic of Azerbaijan terminates (liquidates) the State Insurance Commercial Company of the Republic of Azerbaijan doing business as Azərsığorta (Azarsigorta, Azersigorta) State Insurance Commercial Company (or Azerbaijani Republic State Insurance Company), tax ID: 1400079571.

The President of the Republic exercised the role of the company's general meeting as far as the company's termination (and reorganization) was concerned. Other roles of the meeting were exercised by Azerbaijan Investment Holding (AIH).

The liquidation is reported to have been initiated by the management and supported by the board of the company. It is further reported the liquidation commission will be formed including representatives of the Ministry of Finance of the Republic and AIH. The creditors are expected to have at least 60 calendar days to file their claims against the company. ■

Source: Mondaq - 06 February 2024

INDIA

- ***India's insurance sector to lead G20 growth:*** **Swiss Re Institute**

Swiss Re forecasts 7.1% growth for the Indian insurance industry between 2024 and 2028, well above advanced or emerging market averages.

Swiss Re has released a positive note about the expected growth of India's insurance industry.

Over the next five years (2024–2028), total insurance premiums are forecast to grow by 7.1% in real terms, well above the global (2.4%), emerging (5.1%) and advanced (1.7%) market averages.

The Swiss Re Institute forecasts total premiums will more than double (inflation adjusted) over the next decade (2024-2034), and insurance penetration will increase from 3.8% currently to 4.5% in 2034.

India's economy has remained resilient and is estimated to expand by 6.7% in 2023, supported by private consumption and fixed investment, the reinsurer said.

Economic growth, an expanding middle class, innovation and regulatory support are driving insurance market growth in India.

"India has made strong progress in developing the insurance sector and there remains significant potential for growth given the country's low insurance penetration," said Mahesh Puttaiah, head group economic Sigma research Bangalore, Swiss Re Institute.

India's Insurance Regulatory and Development Authority of India (IRDAI) has a target that all citizens should have "appropriate life, health and property insurance cover" by 2047 and has announced several initiatives and reforms to this end, Swiss Re observed.

In terms of segment split, Swiss Re noted the life market accounts for about three quarters of total insurance premiums in India and is forecast to grow at an annual average of 6.7% for 2024-2028, while non-life premiums (including health) are expected to expand by an average of 8.3%.

The country continues to be exposed to many natural catastrophes including earthquakes, floods, tropical cyclones, drought and wildfires, with an average annual economic loss of $8bn (inflation adjusted) over the last decade (2013-2022).

However, insurance protection against natural catastrophe risks is low, the Swiss Re Institute emphasised; its resilience analysis indicates that 93% of exposures in India are uninsured.

Challenges to closing this nat cat protection gap, listed by the reinsurer, include: climate change effects; lack of awareness and low perception of risk; poor risk assessment for public sector infrastructure projects; and underwriting challenges.

Managing the risks entail mitigation and also risk transfer solutions, the reinsurer noted. While insurance can help cushion the financial losses, it is necessary to have physical risk mitigation structures in place in the first place.

"India has also made good progress on risk mitigation measures for tropical cyclones, such setting up early warning systems. But there is a long way to go on this front for other hazards, for example floods," Puttaiah.

"The insurance industry has solutions to help individuals and companies to manage financial losses that result from natural catastrophes, while at the state level, re/insurance solutions can support governments in relief and rehabilitation work, in reinstating crucial services and in the rebuilding of public infrastructure," he added. ■

Sources: Global Reinsurance - 18 January 2024

- ***IRDAI consolidates regulations in shift towards principle-based rules***

Efforts are underway currently by the IRDAI to comprehensively review and consolidate regulations, ensuring a more coherent and efficient regulatory framework for the insurance sector, according to the insurance sector's watchdog.

In a statement, the regulator says that as a result, notification was given on 23 January 2024 of the first consolidated regulation, IRDAI (expenses of management, including commission, of insurers) regulations, 2024.

"This consolidation is a testament to the commitment to simplify the regulatory landscape and reduce the burden of compliance on insurance companies. The move not only enhances transparency and accountability but also provides insurers with the flexibility needed to navigate a dynamic business landscape effectively.

As the industry evolves, this forward-thinking approach lays the groundwork for a more robust and adaptable insurance sector, fostering innovation and competitiveness while ensuring the protection of policyholders' interests," said the IRDAI.

The IRDAI amended the regulations pertaining to expenses of management (EoM) and payment of commissions in March 2023 as it aimed at promoting a favourable business environment and empowering boards of insurance companies to make operational decisions with sufficient flexibility,

The amendments seek to strike a balance between operational flexibility and oversight by capping the EoM limits at the company level (from the erstwhile segmental level) for general and health insurance segments and streamlining the monitoring process for life insurance. ■

Source: Asia Insurance Review - 29 January 2024

IRAN

• *Iran Insurance Snapshot*

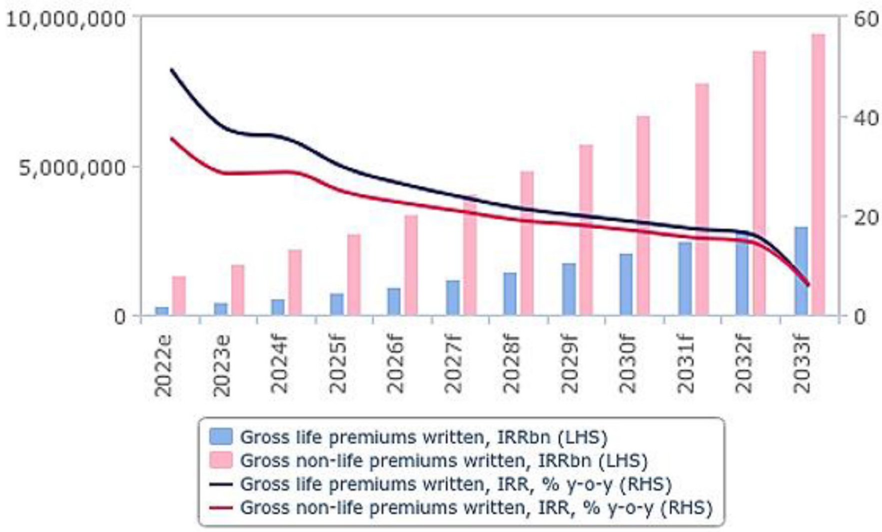
Iran's insurance sector continues to face challenges as additional sanctions are imposed on the market. While there are substantial growth rates observed across all insurance lines when measured in local currency, this is primarily attributed to the depreciation of the exchange rate and appears more moderate when assessed in terms of USD.

The limited levels of disposable income in the population restrict the demand for both basic and niche insurance products. It is important to highlight the untapped growth potential resent in the Iranian insurance sector. The removal of sanctions and the reintegration of Iran into the global economic market hold the key to unlocking this potential, paving the way for significant economic growth in Iran.

Latest Trends and Developments

- As of January 2024, we now forecast a 30.1% growth in total premium, with non-life premiums expected to grow by 28.7%. However, we expect the growth to stabilise at around 18.6% y-o-y on average until the end of the forecast in 2033.
- In December 2023, the hacking of 160mn insurance records was confirmed, with the data hacked from the Expert Information Technologists (Fanavaran) company.
- In April 2023, the minister of economic affairs and finance of Iran called for growth expansion in the insurance sector, tying the success of insurers with broader economic improvement.
- In September 2022, insurance regulator, the Central Insurance Company of Iran, announced that it was launching a four-year transformation plan for the insurance industry that would act as a roadmap ensuring a sustainable future for the industry

Iran - Insurance Premiums by Sector (2022-2033)



e/f = BMI estimate/forecast. Source: Central Insurance of Iran, BMI

Gross Insurance Premiums Written (Iran 2022-2027)

Indicator	2022e	2023e	2024f	2025f	2026f	2027f
Gross life premiums written, IRRbn	324,580.23	445,243.39	602,683.83	780,945.43	985,958.80	1,219,646.28
Gross life premiums written, IRR, % y-o-y	49.5	37.2	35.4	29.6	26.3	23.7
Gross non-life premiums written, IRRbn	1,346,117.83	1,728,725.26	2,224,641.41	2,773,228.76	3,397,757.64	4,105,543.32
Gross non-life premiums written, IRR, % y-o-y	35.6	28.4	28.7	24.7	22.5	20.8
Total gross premiums written, IRRbn	1,670,698.06	2,173,968.64	2,827,325.24	3,554,174.19	4,383,716.45	5,325,189.60
Total gross premiums written, IRR, % y-o-y	38.1	30.1	30.1	25.7	23.3	21.5

e/f = BMI estimate/forecast. Source: Central Insurance of Iran, BMI

Gross Insurance Premiums Written (Iran 2028-2033)

Indicator	2028f	2029f	2030f	2031f	2032f	2033f
Gross life premiums written, IRRbn	**1,480,951.35**	**1,777,596.73**	**2,109,857.42**	**2,475,022.52**	**2,875,023.43**	**3,039,393.78**
Gross life premiums written, IRR, % y-o-y	**21.4**	**20.0**	**18.7**	**17.3**	**16.2**	**5.7**
Gross non-life premiums written, IRRbn	**4,884,361.97**	**5,770,645.94**	**6,748,658.37**	**7,792,471.26**	**8,933,423.26**	**9,471,004.94**
Gross non-life premiums written, IRR, % y-o-y	**19.0**	**18.1**	**16.9**	**15.5**	**14.6**	**6.0**
Total gross premiums written, IRRbn	**6,365,313.31**	**7,548,242.67**	**8,858,515.78**	**10,267,493.78**	**11,808,446.69**	**12,510,398.72**
Total gross premiums written, IRR, % y-o-y	**19.5**	**18.6**	**17.4**	**15.9**	**15.0**	**5.9**

f = BMI forecast. Source: Central Insurance of Iran, BMI

■ Sources: Business Monitor Online - 24 January 2024

JORDAN

• *Insurance Market Profile*

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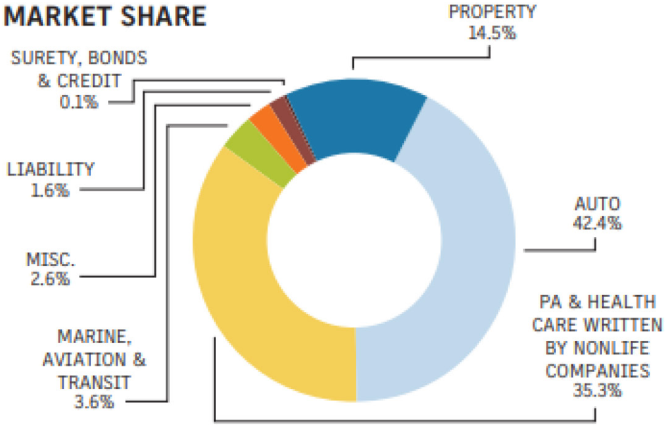
GLOBAL P/C MARKET RANKING

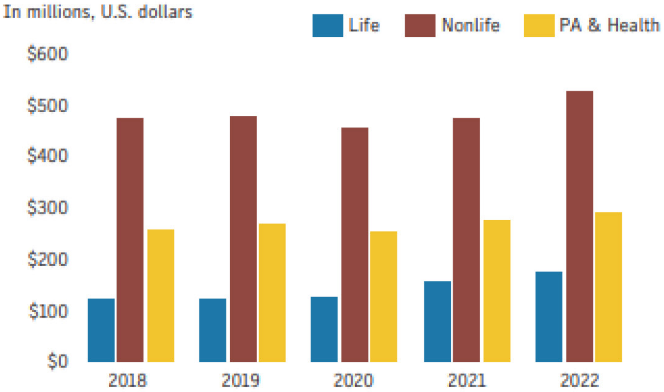
The Jordanian insurance market is small and relatively underdeveloped but continues to demonstrate growth in overall income. Profitability has fluctuated, with auto insurance key to positive or negative results. Recent changes to capital and solvency requirements may result in some mergers and acquisitions involving smaller companies, and some composite companies may choose to withdraw from the life market to focus on nonlife insurance. An ongoing concern is the long-term sustainability of the auto third-party liability market due to inadequate premium levels, although there are expected to be legislative changes in the near future to address this. The Jordan Insurance Federation launched an electronic platform for compulsory auto insurance in 2022, and online distribution of other lines of business is slowly increasing.

MARKET SHARE

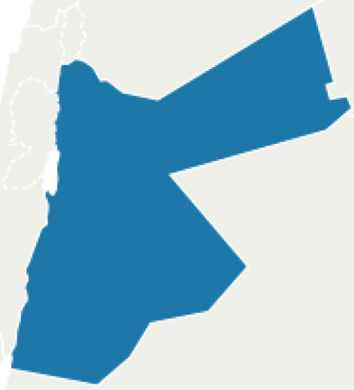


MARKET GROWTH

In millions, U.S. dollars



Source: Axco Global Statistics/Industry Associations and Regulatory Bodies



AREA
34,495
square miles

POPULATION
11.09
million

MARKET CONCENTRATION
46.4%
market share of top five insurers

2023 GDP CHANGE (PROJECTED)
2.6%

Insurance companies in Jordan: 2022's turnover

In thousands

Companies	2022 turnover (1)		2021 turnover		2021-2022 evolution (2)	2022 shares
	JOD	USD	JOD	USD		
Gulf Insurance Group Jordan (GIG)	100 162	141 272	89 758	126 598	11.59%	14.20%
Jordan Insurance	74 135	104 563	61 920	87 334	19.73%	10.51%
Solidarity First Insurance	56 108	79 137	46 604	65 732	20.39%	7.95%
Middle East Insurance	45 264	63 842	40 335	56 890	12.22%	6.42%
Al Nisr Al Arabi Inurance	44 947	63 395	47 417	66 879	-5.21%	6.37%
Euro Arab Insurance Group	40 462	57 069	31 398	44 285	28.87%	5.74%
MetLife	39 869	56 233	36 328	51 238	9.75%	5.65%
Jerusalem Insurance	33 257	46 907	24 765	34 930	34.29%	4.71%
Jordan French Insurance	31 505	44 436	32 716	46 144	-3.70%	4.47%
Islamic Insurance	31 214	44 026	25 188	35 526	23.92%	4.42%
United Insurance	27 817	39 234	22 491	31 722	23.68%	3.94%
Arabia Insurance Jordan	27 198	38 361	21 213	29 920	28.21%	3.86%
Arab Jordanian Insurance Group	24 868	35 075	22 034	31 078	12.86%	3.53%
Delta Insurance	24 712	34 855	18 673	26 337	32.34%	3.50%
National Insurance	24 042	33 910	19 833	27 973	21.22%	3.41%
Medgulf Insurance	22 374	31 557	16 823	23 728	33.00%	3.17%
Al Manara Inslamic Insurance	17 019	24 004	18 363	25 900	-7.32%	2.41%
Jordan International (Newton)	15 084	21 275	22 453	31 669	-32.82%	2.14%
Arabi Union International	14 275	20 134	18 862	26 604	-24.32%	2.02%
Arab Assureurs	11 181	15 770	13 831	19 508	-19.16%	1.58%
Philadelphia Insurance	9	13	2 900	4 090	-99.69%	0%
Grand total	**705 502**	**995 068**	**633 905**	**894 085**	**11.29%**	**100%**

(1) Preliminary figures (2) Growth rate in local currency Source : https://jif.jo
Exchange rate on 31/12/2021: 1 JOD = 1.41044 USD ; 31/12/2020: 1 JOD = 1.41044 USD

COMPULSORY INSURANCE

- Auto third-party liability for bodily injury and property damage
- Workers compensation (state scheme)
- Professional liability for insurance and reinsurance brokers, insurance consultants, coverholders and third-party administrators
- Medical malpractice
- Public liability for hotels and restaurants
- Clinical trials liability
- Aviation liability
- Liability insurance for air carriers for injury to passengers and damage to baggage or goods during international journeys
- Shipowners liability for oil pollution damage (financial guarantee or insurance)

NONADMITTED

Nonadmitted insurance is not permitted in Jordan because the law provides that insurance must be purchased from locally licensed insurers, with some exceptions.

INTERMEDIARIES

Local brokers and agents are required to be locally licensed to do insurance business. They are not allowed to place business with nonadmitted insurers.

MARKET PRACTICE

Jordanian insurance buyers comply strictly with the requirements of the insurance law that risks be insured locally. If required by a multinational client, a risk can be subject to fronting.

MARKET DEVELOPMENTS

Updated December 2023

- In 2022, total nonlife premium was JOD 577.9 million ($815.09 million), an increase of 8.6% compared with the previous year. The nonlife account is dominated by auto and private medical expenses insurance. Auto accounted for 42.4% and PMI for 35.3%. Property accounted for 14.5%, and other classes, such as liability, marine aviation, transit, surety bonds, credit and miscellaneous classes accounted for the remaining 8%
- Minimum capital requirements for insurers and reinsurers went into effect in May as follows: nonlife company or life company — JOD 8 million ($11.28 million); composite company — JOD 16 million ($22.57 million); and reinsurance company — JOD 100 million ($141.04 million). Existing companies have until March 31, 2025, to comply with the new requirements.
- The small nonlife companies Al Safwa and Holy Land were recently placed in liquidation and have left the market. The companies had a combined share of less than 3% of the nonlife market in 2020. Following the exit of these two companies there were 21 licensed insurance companies in Jordan, comprising 15 composites, five nonlife-only companies and one pure life company.
- It was announced toward the end of 2022 that Al Manara Insurance — the 16th largest nonlife insurer in Jordan in 2022, with premium income of JOD 17.02m ($24 million) — had received approval from the Central Bank to offer takaful products. Al Manara Insurance has been rebranded as Al Manara Islamic Insurance. This brought the total number of takaful operators in Jordan to three.

Sources: Atlas Magazine – 25 May 2023 & Business Insurance Magazine - January 2024

KAZAKHSTAN

- *Insurance Market in 2022*

Key Highlights

- The Committee for the Control and Supervision of the Financial Market and Financial Organizations under the National Bank of Kazakhstan is responsible for supervision and control of Kazakhstani insurance industry.
- Composite insurance is not permitted in Kazakhstani insurance industry.
- 100% FDI is permitted in Kazakhstani insurance industry.
- The government of Kazakhstan imposes corporate income tax at 20%; capital gains are taxed at 20% and exempts dividends from taxation.
- The placement of non-admitted insurance is not permitted in the insurance industry of Kazakhstan

Global Data - Aug 2023

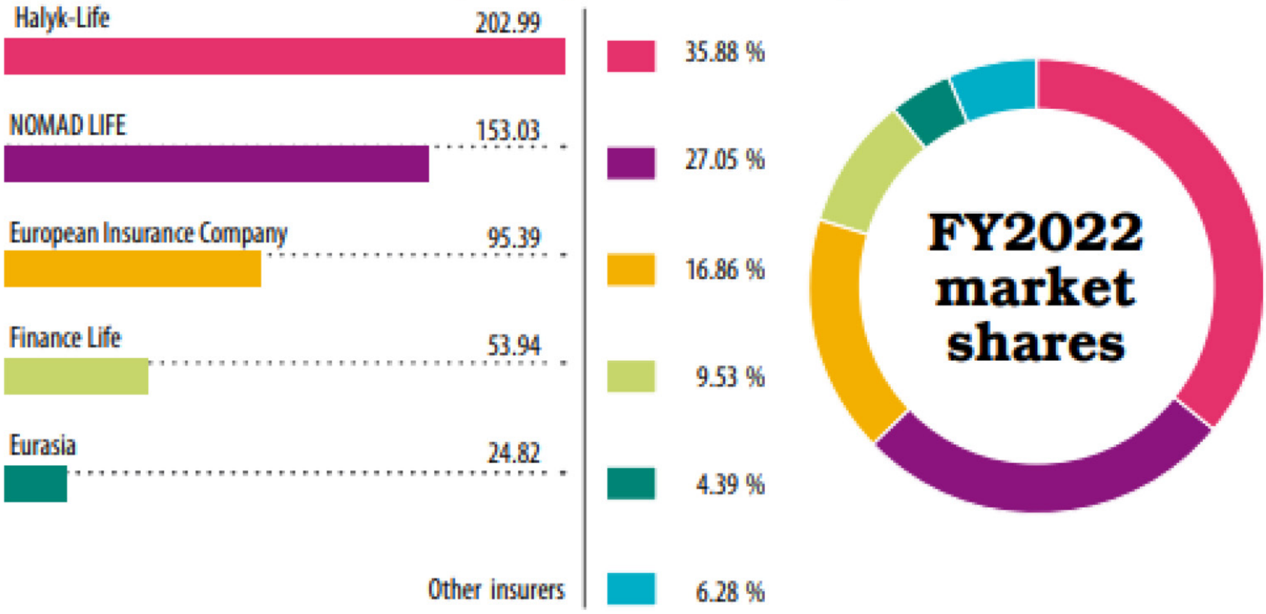
Market's main indicators-timeline

		2018	2019	2020	2021	2022
GDP, current prices	KZT billion [1]	61,819.54	69,532.62	70,649.03	83,951.59	103,883.15
	EUR billion [3]	140.70	162.90	136.88	172.11	210.78
GDP per capita, current prices	KZT [1]	3,360,561	3,731,953	3,742,579	4,304,503	5,263,307
	EUR [3]	7,649	8,743	7,251	8,825	10,679
Unemployment rate	% of total labor force [1]	4.83	4.79	4.93	4.90	4.90
Population	Millions [1]	18.40	18.63	18.88	19.50	19.74
KZT/EUR exchange rate	End of period [2]	439.37	426.85	516.13	487.79	492.86
Gross written premiums	KZT million [2]	384,845.93	508,512.27	568,134.50	814,816.36	899,597.78
	EUR million [3]	875.90	1,191.31	1,100.76	1,670.42	1,825.26
Paid claims	KZT million [2]	95,176.77	221,498.52	149,916.23	130,604.49	196,339.08
	EUR million [3]	216.62	518.91	290.46	267.75	398.37
Insurance penetration degree	% in GDP [3]	0.62%	0.73%	0.80%	0.97%	0.87%
Insurance density	EUR/capita [3]	47.61	63.94	58.31	85.65	92.48

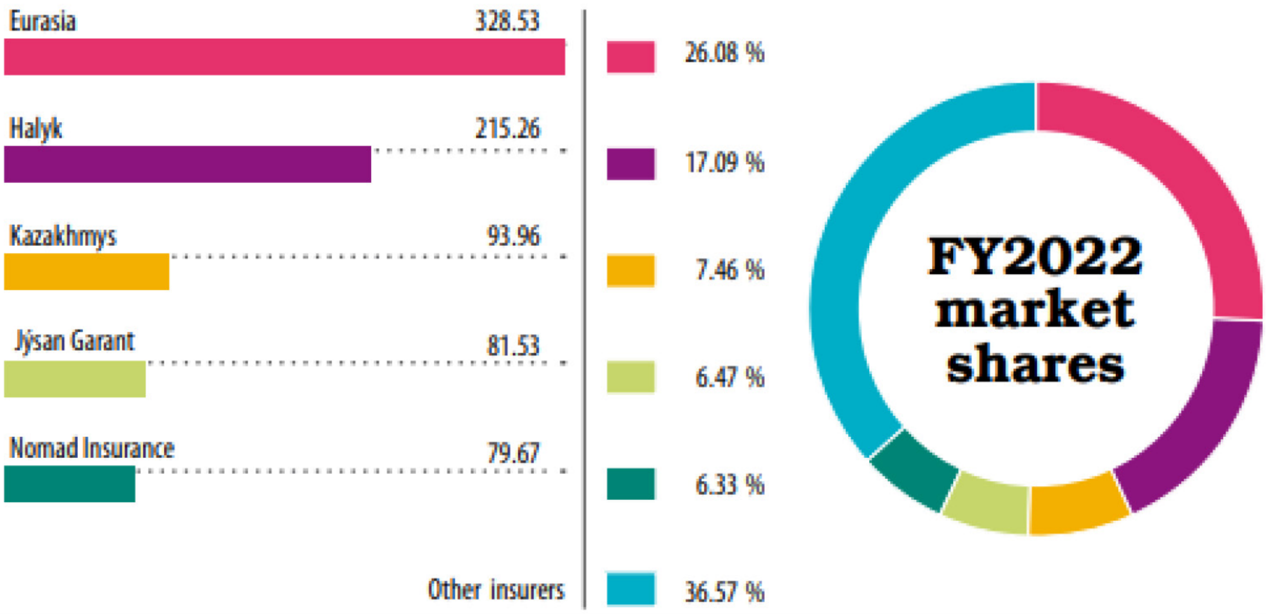
Market porfolio at December 31st, 2022

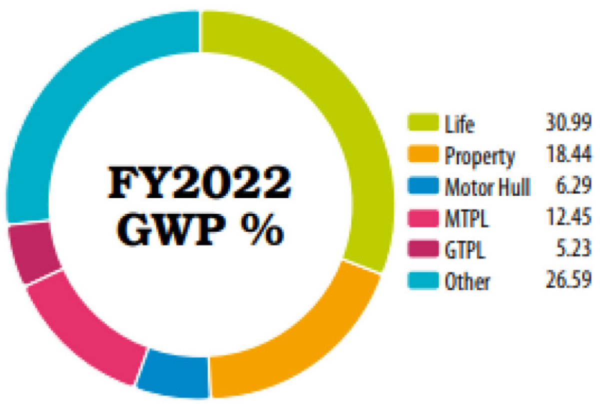
Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2022	2021	Change	2022	2021	Change	2022	2021
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	1,825.26	1,670.42	9.27	398.37	267.75	48.78	100.00	100.00
TOTAL LIFE	565.73	645.83	-12.40	68.39	57.97	17.97	30.99	38.66
Life insurance (v)	380.96	364.10	4.63	23.80	17.70	34.50	20.87	21.80
Annuity (v)	184.78	281.73	-34.41	44.59	40.28	10.71	10.12	16.87
TOTAL NON-LIFE	1,259.53	1,024.59	22.93	329.97	209.77	57.30	69.01	61.34
Accidents (v)	74.68	68.45	9.10	7.22	4.01	79.88	4.09	4.10
Sickness (v)	109.02	81.84	33.21	54.70	47.93	14.11	5.97	4.90
Property insurance (v)	336.62	300.03	12.20	81.22	27.82	192.00	18.44	17.96
Overall motor insurance	342.04	281.89	21.34	131.13	98.77	32.77	18.74	16.88
Motor Hull (v)	114.74	75.32	52.33	31.39	21.17	48.30	6.29	4.51
MTPL (c)	227.30	206.57	10.04	99.74	77.60	28.53	12.45	12.37
CARGO (v)	33.94	23.68	43.33	1.94	1.87	3.56	1.86	1.42
GTPL (v)	95.51	66.66	43.28	5.19	3.25	59.41	5.23	3.99
Financial losses (v)	26.22	33.02	-20.58	7.26	2.78	161.25	1.44	1.98
Worker against accidents (c)	143.71	86.67	65.82	13.86	12.81	8.16	7.87	5.19

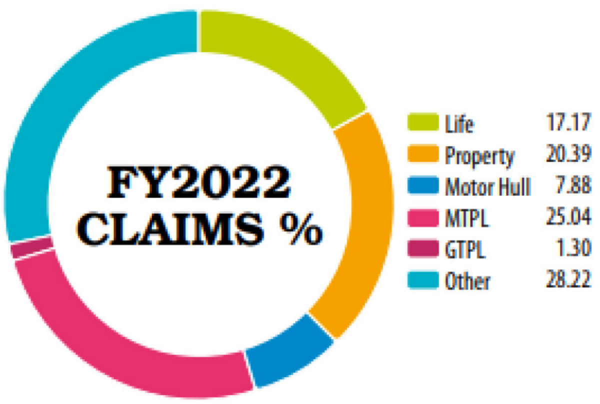
TOP 5 Life insurance (GWP, EUR million)



TOP 5 Non-Life insurance (GWP, EUR million)







KAZAKHSTAN

• *The insurance market grew by more than 25% in January-November 2023*

by Marina MAGNAVAL

The insurance market in January-November 2023 amounted to KZT 876.1 billion (~EUR 1.74 billion), which is 25.5% more y-o-y. The main growth driver is voluntary property insurance, Allinsurance.kz wrote.

According to the National Bank of Kazakhstan, compulsory insurance amounted to KZT 173.3 billion (+13.8%). The growth occurred mainly in compulsory employee accident insurance (+30.3%).

Voluntary personal insurance for 11 months of 2023 amounted to KZT 313.9 billion (+23.1%). The growth was mainly due to an increase in accident insurance (+73.6%). Voluntary property insurance for the period amounted to KZT 389.0 billion (+33.7%). The growth was mainly due to an increase in motor vehicle insurance by 94.2% and property insurance by 18.1%.

Total paid claims for January-November 2023 amounted to KZT 244.3 billion (~EUR 0.48 billion), which is 47.7% more than for the same period in 2022. This was mainly due to an increase in paid claims in property and life insurance.

As of December 1, 2023, the insurance sector of the Republic of Kazakhstan was represented by 25 insurance companies, of which 9 are life insurers.

The assets of the insurance sector at the end of November 2023 amounted to KZT 2.4 trillion (+18.2% from the beginning of 2023), mainly because of revaluation of assets in foreign currency. The largest share is occupied by securities – 71.6% (KZT 1.7 trillion). Liabilities of the insurance sector at the end of November 2023 amounted to KZT 1.5 trillion (+19.4%) because of an increase in insurance reserves.

Total equity of insurers at the end of November reached KZT 899 billion (+16.0% y-o-y). The net loss on the insurance market in November 2023 amounted to KZT 8.1 billion, mainly due to revaluation of foreign currency (since the beginning of 2023 – KZT 188.2 billion). ■

***EUR 1 = KZT 502.95 (01.12.2023)**

Source: XPRIMM - 9 January 2024

TAIWAN

• *Travel service giant enters insurance broking market*

Taiwan's biggest travel agency, Lion Travel Service, yesterday announced that it is entering the insurance brokerage business by establishing a wholly-owned subsidiary, Lion International Insurance Brokerage Company.

The move is due to the increasing demand for travel insurance in Taiwan, reported Central News Agency. The new broking company has a capital of NT$30m ($955,400).

Chairman of Lion Group Wang Wenjie said that after growing in Taiwan, the insurance brokerage will develop business overseas and work towards a public listing. Mr Wang said that he hoped that the group would be able to inject new thinking into the sector.

According to statistics from the Tourism Administration Department of the Ministry of Transportation and Communications, the number of outbound trips by Taiwanese from January to November 2023 totalled around 10.74m.

In November 2023, the number of outbound trips recovered to about 81.6% of the total seen in November 2019 before the spread of the COVID-19 pandemic. This proportion was a new post-pandemic high. ■

Source: Asia Insurance Review - 24 January 2024

THAILAND

• Overview of Draft Amendments to Thailand's Insurance Laws

In December 2023, Thailand's Office of Insurance Commission (OIC) presented draft amendments to the country's laws for life and non-life insurance, pointing to significant modifications ahead for the laws governing insurers. These amendments primarily aim to:

- Elevate governance standards within the insurance industry.
- Support compliance with the Financial Sector Assessment Program (FSAP) of the International Monetary Fund and the World Bank.
- Address current regulatory enforcement issues.
- Harmonize governance standards for insurance businesses with those for financial institutions.

The draft amendments involve changes to a wide range of regulatory areas; key changes include the following:

Corporate Governance

- Expanding the definition of directors to include representatives of foreign insurers' branches in Thailand.
- Imposing the same standards of care and obligations on "persons having the authority to manage the company" as on directors.
- Requiring OIC approval for appointment and reelection of directors.
- Expanding the list of prohibited connected transactions to include lease of property.

Shareholding Requirements

- Requiring mandatory reporting to the OIC for individuals holding 5% or more of shares in an insurance company.
- Requiring regulatory approval for 10% shareholding and prohibiting exceeding the limit without OIC approval or compliance with subregulations.

Dividend Payments

- Empowering the OIC to issue subregulations on dividend payments from both life and non-life insurance companies.

Products and Distribution

- Permitting directors, staff, and employees to sell insurance products after obtaining relevant training from the OIC.
- Granting insurers discretion to set group insurance premium rates following regulations, methods, and conditions set out by the OIC without having to obtain OIC approval.
- Allowing insurers to underwrite foreign currency-based insurance.
- Allowing insurers to offer additional benefits beyond policy stipulations in compliance with the relevant OIC subregulations.

Capital Fund and Finance

- Establishing minimum capital fund requirements of approximately THB 1 billion for non-life and THB 5 billion for life insurers.
- Imposing sanctions if the capital fund falls below the required amount.

Other Issues

- Allowing outsourcing under future subregulations.
- Requiring auditors approved by both the SEC and the OIC to report corruption and be liable for misconduct of insurers that they audit.
- Extending actuarial license validity to five years (from two years) and requiring insurers to appoint at least one full-time actuary.

Business Transfers and Amalgamations

- Simplifying the novation process for insurance policies during business transfers.
- Stipulating that ongoing court cases are assigned to the transferee or the new company after completion of an amalgamation.
- Introducing additional offenses and liability for directors and management officers found liable for asset mismanagement, conflicts of interest, or fraudulent acts.

The amendments are currently under review by the cabinet, and the process of finalizing and enacting them still requires a significant amount of time. We will continue to monitor and provide updates on the status of these drafts.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances. ■

Source: Mondaq - 15 January 2024

• *Insurance regulator expects market to reach US$28bn by 2026 on positive growth factors*

The new secretary-general of the Office of the Insurance Commission (OIC) expects the insurance industry will generate premiums of THB1tn ($28bn) by 2026.

Mr Chuchat Pramunphon, who was appointed as OIC secretary-general in October 2023, said this as he outlined the policies and operational direction of the OIC for 2024, according to local media reports.

He indicated that the overall insurance premiums of the insurance industry were already in the range of THB891.6bn-THB927.4bn in 2023. Life insurance premiums rose by 3.92% compared to 2022 while non-life insurance premiums rose by 5.16%, translating to growth of 4.5% for the industry as a whole.

He noted that the insurance industry is seeing a more favourable trend in the wake of continued recovery after the COVID-19 pandemic and as the economy expands. Signs of a rebound in the insurance market include low policy surrender rates and the high growth of health insurance sales. Demand for insurance has also increased given the ageing society and the use of technology.

3-year strategic plan

Mr Chuchat said that the OIC's three-year strategic plan for 2024-2026 will focus on "stability, prosperity and protection". The strategy aims to sharpen the competitiveness of the insurance sector, promote knowledge and understanding of insurance among the public and support the use of insurance as a tool for managing risks by individuals and businesses.

Measures to be taken include allowing insurers to invest in alternative assets, revamping the pricing structure of health insurance and adjusting the system for calculating the risk of emerging diseases. In addition, a comprehensive insurance business training centre will be built to groom a new generation of insurance executives. ■

Source: Asia Insurance Review - 19 January 2024

THAILAND

THRE is expected to show a more stable underwriting performance in 2024

Thai Reinsurance Public Company (THRE) is expected to show a more stable underwriting performance in 2024, with the combined ratio maintained below 100%, says Fitch Ratings.

Business growth is likely to be driven by the accident and health line as well as conventional business in a hard market. The combined ratio stood at 98% in 9M23, improved from 112% in 9M22. This was due to the absence of COVID-19-related health policies in 2023.

Fitch expects THRE's return on equity (ROE) to improve slightly from 2023, stabilising at around 4%-6%. Annualised ROE was 5% in 9M23, against -9% in 9M22.

Fitch also believes the reinsurer will remain selective and retain tight underwriting terms and conditions, with inflationary pressure on claims to be offset by premium adjustments.

Ratings affirmed

Fitch has affirmed THRE's Insurer Financial Strength (IFS) Rating at 'A-' (Strong). The outlook is 'Stable'. The affirmation reflects THRE's 'Strong' capitalisation, 'Favourable' company profile and Fitch's expectation of steady earnings from 2024.

Apart from underwriting results, other major rating drivers include:

Solid Capitalisation: Fitch's Prism Model estimate places THRE in the 'Extremely Strong' category with an extensive buffer, supported by a recovery in earnings from pandemic-related policies in 2023. Fitch expects this to be sustained in 2024.

THRE's risk-based capital (RBC) ratio stood at 338% at end-September 2023, against 364% at end-2022 (2021: 275%), and was significantly above the regulatory requirement of 140%.

'Favourable' Company Profile: Fitch assesses THRE's company profile as 'Favourable', based on a 'Favourable' business profile and 'Moderate/Favourable' corporate governance. The assessment is underpinned by THRE's unique position as Thailand's only local non-life reinsurer, consistently capturing 30%-40% of local ceded premiums, despite its small operating scale. THRE's business strength lies in its well-diversified portfolio and capability to cater for non-conventional business lines.

Investment Shift for Better Returns: THRE's asset management strategy has been conservative, but Fitch believes the reinsurer will increase its exposure to risky assets, including equity investments, for higher investment yields in 2024. Cash, deposits and fixed-income instruments comprised more than 80% of its total invested assets, with a Fitch-calculated risky assets ratio of around 35% at end-September 2023, well below Fitch's criteria guidelines for the 'A' IFS category. ■

Source: Middle East Insurance Review - 25 January 2024

UAE

• *S&P expects strong revenue growth of 15-20% for UAE-listed insurance companies in 2023*

By Hazem Hussein / Muhammad Aamir

- Standard & Poor's (S&P) Global Ratings Agency expects robust revenue growth for insurance companies listed in the United Arab Emirates, with insurance premiums forecast to surge by 15 to 20 percent in 2023 compared to 2022.
- In an interview with the Emirates News Agency (WAM), Emir Mujkic, Director, Lead Analyst, Insurance Ratings at S&P, anticipated a 5 to 10 percent growth rate for the car insurance sector.
- He stated that profitability of listed insurance companies increased reporting a 19 percent jump in net profits year-on-year for the first nine months of 2023.
- Mujkic predicted similar gains for the entire year. He attributed this primarily to improved investment returns fueled by favourable economic conditions and recent structural advancements within the sector.
- He expected this trend to continue in 2024, fueled by rising car insurance premiums and higher interest rates further bolstering investment returns.
- While acknowledging the evolving nature of the life insurance segment in the UAE, Mujkic emphasised that S&P's assessment of the property and casualty insurance and health insurance sectors aligns with their global benchmarks for these types of insurance.
- Emir Mujkic clarified that the UAE's property & casualty (P&C) and health insurance sectors boast strong growth prospects, bolstered by recent health insurance acquisitions. Favourable factors include low risk products, high market entry barriers, and supportive regulatory frameworks. This robust outlook positions the UAE market as one of the GCC's most profitable for P&C and health insurance, primarily driven by the top five listed companies' outstanding performance.
- S&P's observations reveal a trend of increasing business concentration in the UAE insurance sector, referring that the top five players exhibit robust net profit growth among other insurance companies in the market. This suggests a potential shift towards market consolidation.
- On the topic of global regulatory alignment, Mujkic commended the UAE's strong governance and transparency practices. Both traditional and Islamic insurance companies adhere to International Financial Reporting Standards (IFRS) for financial reporting and generally engage international accounting firms for audits. Notably, all local insurers successfully implemented the new IFRS 17 accounting standards in 2023.
- Mujkic observed significant consolidation within the takaful (Islamic insurance) segment, citing mergers that have nearly halved the number of listed takaful companies over the past two years.
- He attributed this trend to a combination of merger & acquisition activities and the need for smaller companies to mitigate costs through expansion.
- Intense competition and cost pressures are likely to fuel further integration among small and medium-sized insurance companies, according to Mujkic. ■

Source: Emirates News Agencies (WAM) - 30 January, 2024

See also "UAE: Insurance Market Overview"
FAIR Review, Issue 197, p100

UZBEKISTAN

• *Insurance Market Key Highlights*

Uzbekistan Insurance Market Report Overview The gross written premium of the Uzbekistan insurance market was UZS6,231.7 billion ($561.3 million) in 2022. The market is expected to achieve a CAGR of more than 10% during 2023-2027.

Uzbekistan Insurance Market Trends

Agriculture insurance and medical insurance are some of the key trends impacting the Uzbekistan insurance market. For instance, in December 2022, Semurg Insurance introduced garden and vineyard insurance. This insurance plan protects grape farmers in the event of a lower crop yield, and provides for compensation payouts, protecting them from financial risks. Swiss Re was involved in developing this insurance policy.

Furthermore, from July 2023, a new medical insurance system will be introduced in Tashkent and Navoi. Significant capital is being invested into the healthcare system, to equip 72 polyclinics and 40 hospitals in the city.

Uzbekistan Insurance Market by Segments

The key segments in the Uzbekistan insurance market are life insurance and general insurance. The general insurance segment dominated the market in 2022.

Life Insurance: The growth in the life insurance sector in Uzbekistan can be attributed to the expansion of the classification of life insurance activities, which contributed to the creation of new types of insurance classes such as 'life insurance to cover liabilities', 'long-term voluntary pension insurance', and 'life insurance with capital return'.

General Insurance: The Uzbekistani general insurance sector accounted for more than 75% of the total insurance industry's GWP. In 2022, the penetration of the general insurance sector remained less than 1%, which is lower than the emerging and developed markets' average.

Uzbekistan Insurance Market – Competitive Landscape

The key companies in the Uzbekistan insurance market are Uzbekinvest National Insurance, New Life, Alskom Vita, Apex Life Limited Liability, Ozbekinvest Hayot, Euroasia Life, Kafolat Hayot, Agroshayot, and Alfa Life among others. Uzbekinvest National Insurance was the largest insurer in 2022, accounting for a more than 44% share of GWP. It was followed by Apex Insurance and New Life Insurance. ■

ReportLinker GlobalData

Governance, Risk and Compliance

- The State Inspectorate for Insurance Supervision under the Ministry of Finance regulates the Uzbek insurance industry.
- The key law that governs the insurance industry in the country is the Law on Insurance Business 2002.
- Composite insurance is not permitted in the Uzbek insurance industry.
- FDI is not permitted in the Uzbek insurance industry.
- Non-admitted insurance is prohibited in Uzbekistan.
- Key classes of compulsory insurance include motor third-party liability insurance, professional indemnity cover for auditors, notaries, and customs officers' liability and employer's liability insurance.

• *UZBEKISTAN: Insurers invested over UZS 6.2 trillion in the economy in 2023*

by Marina MAGNAVAL

The total charter capital of insurance companies in Uzbekistan in 2023 exceeded UZS 2.3 trillion (~EUR 0.17 billion) and increased by 22.6% y-o-y, the National Agency for Prospective Projects of Uzbekistan (NAPP) reports on its website.

The volume of insurers' investments in the economy exceeded UZS 6.2 trillion/~EUR 0.45 billion (+29.4%). At the same time, the investment portfolio of insurance companies consists mainly of highly liquid assets - 65.6% of deposits in commercial banks and 22.1% in securities and shares, as was noted at the press conference dedicated to the results of the Agency's activities in 2023.

The total amount of insurance paid claims reached UZS 2 trillion, of which UZS 1.5 trillion were paid in general insurance and UZS 453.5 billion were paid in life insurance.

The number of concluded insurance contracts reached 9.1 million units, which is 14.9% more than in 2022.

In addition, work was carried out to protect the rights of consumers of insurance services - at the end of 2023, the state authority received 3,132 appeals (+161%), of which 2,600 appeals (83%) were resolved positively and UZS 19.7 billion were paid.

***EUR 1 = UZS 13,667 (31.12.2023)**

Source: XPRIMM - 13 February 2024

VIETNAM

• *Increased Regulatory Scrutiny of Bancassurance to Impact Vietnam Insurance Industry:* **Best's Commentary**

A change in Vietnam law pertaining to the distribution and purchase of insurance products through the bancassurance channel is expected to constrain sales growth over the near term, more so for life side products than the non-life side of the business, according to a new AM Best report.

The Best's Commentary, "Increased Regulatory Scrutiny of Bancassurance to Impact Vietnam Insurance Industry," states that amendments to Vietnam's Law on Credit Institutions is geared toward improving financial conduct and restoring consumer confidence in the country's bancassurance channel.

The new law takes effect in July and focuses primarily on credit institutions operating in Vietnam, such as banks, foreign bank branches and leasing companies; however, it includes a restriction prohibiting credit institutions from bundling the sale of non-compulsory insurance products alongside any financial services. The amended law is expected to benefit consumers by giving policyholders the ability to choose only products they require at competitive prices. AM Best expects that the regulatory shift will generate near-term headwinds for Vietnam's insurers.

"Bancassurance is an important distribution channel, especially for the life segment, accounting for approximately 20% of total life insurance premiums and 14% of total non-life insurance revenue in 2022," said Ken Lau, senior financial analyst, AM Best. "Some insurers derive a higher proportion of premiums from bancassurance due to strategic partnerships or corporate affiliations with banking groups."

Business acquired through Vietnam's bancassurance channel has grown considerably in the run-up to 2023, owing to rising insurance demand, economic growth and increased tie-ups between banks and insurance companies. However, following complaints from the clients of banks and insurance companies related to unfair sales practices and the subsequent regulatory scrutiny, revenue sourced through bancassurance may have peaked. Many banks reported double-digit declines in revenue from insurance services in the first three quarters of 2023 from the prior year period.

The fallout has had a material impact on the broader insurance industry, resulting in an 8.3% decline in insurance premiums to VND 227 trillion (USD 9.2 billion) in 2023, the first fall in a decade after years of double-digit growth, according to the report. The contraction was attributable mainly to a year-over-year decline of 12.5% in life insurance premiums, according to estimates from the General Statistics Office of Vietnam. ■

Source: AM Best - 13 MARCH 2024


BEST'S COMMENTARY

March 13, 2024

Increased Regulatory Scrutiny of Bancassurance to Impact Vietnam Insurance Industry

Top- and bottom-line growth attributable to the bancassurance channel will be constrained over the near term

[Full copy of this Best's Commentary report]

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A.M.Best Rating

On 21.4.2023 A.M.Best reaffirmed the Syndicate the following ratings:

Financial Strength Rating (FSR) B+ (Good) with stable outlook.
Issuer Credit Rating (ICR) bbb- with stable outlook

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CHINA

Insurance Market Overview

by Hussein Elsayed

Official Name: *The People's Republic of China (PRC)*

Location: *China is located in East Asia, bordered by the Pacific Ocean on its east coast and by 14 countries, including North Korea, Russian Federation, Mongolia, Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Pakistan, India, Nepal, Bhutan, Burma, Laos and Vietnam.*

Surface Area: *9.6 mn Sq km. (China is the world's third largest country, after Russia and Canada).*

Time Zone: *UTC/GMT +8 hours.*

Income Category: *upper middle income*

Religion: *30-80% of the populations practice some kinds of Chinese folk religions and Taoism, 10-16% are Buddhists, 2-4% are Christians, and 1-2% are Muslims.*

Language: *The official language of China is the Mandarin, which known as 'Hanyu' or 'Putonghua', belonging to Sino-Tibetan. | English is commonly used as a second language, especially in commerce.*

Political System: *The National People's Congress (NPC) is the national legislature of China. With 2,977 members in 2023, it is the largest parliamentary body in the world.*

Under China's current Constitution, the NPC is structured as a unicameral legislature, with the power to legislate, to oversee the operations of the government, and to elect the major officials of state. Its delegates are elected for a five-year term through a multi-tiered electoral system. According to the Constitution, the NPC is the highest state institution within China's political system.

Each year, Chinese government agencies—including ministries, commissions, and other key organizations—announce priorities and goals for their work for the coming 12 months. These priorities provide guidance about how policymakers seek to implement high-level government plans and meet development goals. Such reports provide important information for companies as they conduct strategic business and government affairs planning in China.

Climate: *Its climate ranges from extremely dry, desertlike conditions in the northwest to tropical monsoon in the southeast, and China has the greatest contrast in temperature between its northern and southern borders of any country in the world..*

Natural Hazards: *China is one of the countries in the world that suffers the most natural disasters. The main natural perils include flood, windstorm, earthquake, drought and typhoon. The natural disasters in China have the characteristics of wide scope of distribution, high frequency/fatalities and cause enormous economic losses.*

River flood: High | Urban flood: High | Coastal flood: High | Earthquake: High | Landslide: High | Tsunami: High | Volcano: High | Cyclone: High | Water scarcity: High | Extreme heat: High | Wildfire: High

ThinkHazard! WORLD BANK GROUP

(I) CHINA: Socio-Economic Information

Region	Eastern Asia	UN membership date	24 October 1945
Population (000, 2023)	1 425 887 [a,b,c]	Surface area (km2)	9 600 000 [d]
Pop. density (per km2, 2023)	148.5 [a,b,c]	Sex ratio (m per 100 f)	104.2 [a,b,c]
Capital city	Beijing	National currency	Yuan Renminbi (CNY)
Capital city pop. (000, 2023)	20 035.5 [e,f]	Exchange rate (per US$)	7.0 [b,c]

Economic indicators	2010	2015	2023
GDP: Gross domestic product (million current US$) [b]	6 087 188	11 061 570	17 734 131 [d]
GDP growth rate (annual %, const. 2015 prices) [b]	10.6	7.0	8.1 [d]
GDP per capita (current US$) [b]	4 515.1	7 936.7	12 437.2 [d]
Economy: Agriculture (% of Gross Value Added) [g,h]	9.9	8.7 [i]	7.6 [i,d]
Economy: Industry (% of Gross Value Added) [h]	46.4	41.0 [g,j]	39.6 [g,j,d]
Economy: Services and other activity (% of GVA) [g,h]	43.7 [k]	50.3 [l]	52.8 [l,d]
Employment in agriculture (% of employed) [b,m]	36.7	28.6	24.4 [d]
Employment in industry (% of employed) [b,m]	28.7	29.2	28.2 [d]
Employment in services & other sectors (% employed) [b,m]	34.6	42.2	47.3 [d]
Unemployment rate (% of labour force) [b,m]	4.5	4.6	4.6
Labour force participation rate (female/male pop. %) [b]	63.7 / 78.1	62.7 / 75.8 [m]	60.4 / 72.0 [m]
CPI: Consumer Price Index (2010=100)	100	115	115 [n,c]
Agricultural production index (2014-2016=100) [b]	88	101	109 [d]
International trade: exports (million current US$) [b]	1 577 764	2 273 468	3 593 601 [c]
International trade: imports (million current US$) [b]	1 396 002	1 679 564	2 715 998 [c]
International trade: balance (million current US$) [b]	181 762	593 904	877 604 [c]
Balance of payments, current account (million US$) [b]	237 810	293 022	401 855 [c]

Major trading partners						2022
Export partners (% of exports)	United States	16.2	China, Hong Kong SAR	8.3	Japan	4.8
Import partners (% of imports)	Other Asia, nes	8.8	Republic of Korea	7.4	Japan	6.8

Social indicators	2010	2015	2023
Population growth rate (average annual %) [b]	0.7	0.6	-0.0 [a,c]
Urban population (% of total population) [b]	49.2	55.5	60.3 [f]
Urban population growth rate (average annual %) [b,o]	3.5	2.9	...
Fertility rate, total (live births per woman) [b]	1.7	1.7	1.2 [a,c]
Life expectancy at birth (females/males, years) [b]	78.3 / 73.1	79.8 / 74.4	81.3 / 76.0 [a,c]
Population age distribution (0-14/60+ years old, %) [b]	18.5 / 12.8	18.4 / 15.6	17.2 / 18.6 [a,c]
International migrant stock (000/% of total pop.) [b,p]	849.9 / 0.1	978.0 / 0.1	1 039.7 / 0.1 [q]
Refugees and others of concern to the UNHCR (000)	301.1 [b,p]	301.6 [b]	1.1 [r,c]
Infant mortality rate (per 1 000 live births) [b]	13.0	8.9	5.9 [a,c]
Health: Current expenditure (% of GDP)	4.2	4.9	5.6 [q]
Health: Physicians (per 1 000 pop.)	1.5	1.8	2.4 [q]
Education: Government expenditure (% of GDP)	3.8	3.8	3.5 [s]
Education: Primary gross enrol. ratio (f/m per 100 pop.)	98.0 / 99.8	96.4 / 96.2	104.6 / 103.7 [d]
Education: Lowr. sec. gross enrol. ratio (f/m per 100 pop.)	100.8 / 99.8	... / ...	... / ...
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	76.1 / 77.5	81.1 / 77.4	85.5 / 83.8 [d]
Intentional homicide rate (per 100 000 pop.)	1.0	0.7	0.5 [q]
Seats held by women in the National Parliament (%)	21.3	23.6	24.9 [t]

Environment and infrastructure indicators	2010	2015	2023
Individuals using the Internet (per 100 inhabitants) [b]	34.3	50.3 [m,u,v,w]	73.0 [d]
Research & Development expenditure (% of GDP) [b]	1.7	2.1	2.4 [q]
Threatened species (number) [b]	859	1 040	1 419 [c]
Forested area (% of land area)	21.4	22.4	23.4 [q]
CO2 emission estimates (million tons/tons per capita) [b]	7 943.8 / 5.8	9 248.0 / 6.6	10 190.6 / 7.2 [q]
Energy production, primary (Petajoules) [b]	88 642	100 963	111 744 [q]
Energy supply per capita (Gigajoules) [b]	75	86	98 [q]
Tourist/visitor arrivals at national borders (000) [b]	55 664	56 886	7 967 [q]
Important sites for terrestrial biodiversity protected (%)	8.6	9.5	10.1 [c]
Pop. using safely managed drinking water (urban/rural, %)	89.7 / ...	93.8 / ...	97.9 / ... [c]
Pop. using safely managed sanitation (urban/rural %) [b]	53.4 / 15.3	69.8 / 24.0	84.7 / 36.7 [c]
Net Official Development Assist. received (% of GNI) [b]	0.01	0.00	0.00 [d]

a Projected estimate (medium fertility variant). **b** For statistical purposes, the data for China do not include those for the Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) and Taiwan Province of China. **c** 2022. **d** 2021. **e** Refers to all city districts (excluding Yanqing District) meeting the criteria such as contiguous built-up areas, being the location of the local government, being a Street or Having a Resident Committee. **f** 2019. **g** Includes taxes less subsidies on production and imports. **h** Data classified according to ISIC Rev. 4. **i** Excludes irrigation canals and landscaping care. **j** Excludes publishing activities, recycling. Includes irrigation canals. **k** Excludes repair of motor vehicles and motorcycles, personal and household goods. **l** Excludes repair of personal and household goods. **m** Estimate. **n** Index base: 2015=100. **o** Data refers to a 5-year period preceding the reference year. **p** Refers to foreign citizens. **q** 2020. **r** Indo-Chinese population is no longer considered as refugees since June 2022. **s** 2018. **t** Data are as at 1 January of reporting year. **u** Population aged 6 years and over. **v** Users in the last 6 months. **w** Data refer to permanent residents.

World Statistics Pocketbook 2023

(II) CHINA: Insurance Market

Key Highlights

- ***On 18 May 2023NAFR officially became the regulatory and supervisory body of the insurance industry. Before this, the CBIRC had been put into operation for more than five years. With the formation of the NAFR, the CBIRC dissolved effectively.***
- ***VAT is imposed at a rate of 6% on insurance products replacing business tax of 5%.***
- ***Non-admitted insurance is not permitted in the Chinese insurance industry.***
- ***Aviation liability insurance, motor third-party liability insurance and social security are the key classes of compulsory insurance in China.***
- ***FDI is permitted up to 100% in non-life insurance and 51% in life insurance business.***

(A) Historical Landmarks and Regulatory Environment

- In 1805, insurance was first introduced to China from Britain when merchants established the Jiandan Marine Insurance Co in Guangzhou.
- In 1865, the first Chinese company, the Shanghai Yihe Insurance Co, was formed in Shanghai.
- In October 1949, following the establishment of the People's Republic of China, all insurance operations were nationalized under the state owned People's Insurance Company of China (PICC) which ceased its domestic business from 1959 to 1979 and has gradually resumed its domestic business since 1979.
  During the next few decades, a number of insurance subsidiaries were established as a result of the reorganization of PICC, and other domestic commercial insurance companies were also established.
- In the 1970s and 1980s PICC started to write an inwards reinsurance account which left its successor, China Re.
- In 1992, The first foreign licence was granted to the American International Group (AIG) to open life and property branches in Shanghai in 1992.
- In 1995, The first Insurance Law of China was enacted. It developed a segregated insurance market structure between the life and non-life insurance businesses by prohibiting the same insurer from engaging in both life and non-life insurance.
- In 1999, The China Insurance Regulatory Commission (CIRC) became the insurance supervisor in place of the People's Bank of China (PBOC).
- In 2001, Establishment of the Insurance Association of China (IAC) .
  China joined the World Trade Organization and agreed to extend equal treatment to foreign insurance companies over a period of three years.
- In 2005, The compulsory cession to China Re (Group) Co was phased out and replaced with a priority cession to domestic reinsurers.
- In 2006, Compulsory motor third party liability (MTPL) was introduced on a nationwide basis.
- In 2009, A revised insurance law came into effect on 1 October and the priority cession to domestic reinsurers was abolished.
- In 2013, Foreign insurers were allowed to enter the MTPL market.
- In 2014, On 10 August the State Council released its Opinions on Accelerating the Development of a Modern Insurance Industry, otherwise known as the New Opinions. The New Opinions act as a blueprint for the development of the insurance industry to 2020.
- In 2015, The CIRC started to part-liberalise voluntary motor rating.
- In 2016, The new solvency system known as the China Risk-Oriented Solvency System (C-ROSS) came into full effect on 1 January.

- On March 7 2018, the China Banking and Insurance Regulatory Commission (CBIRC) announced new rules (which took effect from April 10 2018) under which a single shareholder cannot control more than one-third of an insurance firm's registered capital, and investors cannot entrust others to hold shares in an insurer.
- In July 2019, changes were made to encourage more foreign investment in financial services. Insurers are no longer required to a have a minimum of 30 years' operating history before entering the Mainland Chinese market.
- In January 2020, Beijing removed its 51% foreign ownership limit on insurance companies, allowing foreign entities to wholly own insurance companies in Mainland China.The CBIRC is also planning to scrap foreign ownership limits on insurance asset management companies.
- In November 2021, the CBIRC updated the regulations governing the supervision of insurance groups, with a focus on tightening risk management requirements.
- In April 2022: The Chinese regulatory authority has agreed to promote and guide insurance companies in the development and marketing of online motorcycle insurance policies.
- In April 2023, the China Banking and Insurance Regulatory Commission announced new regulations on a trial basis to improve the agricultural insurance actuarial system. The regulation stipulates actuarial rules related to agricultural insurance, which mainly include the composition of premium rates, retroactive adjustment of premium rates, and assessment of insufficient premium reserves. Moreover, insurers are required to decide the premium rates based on non-life insurance actuarial principles.
- In May 2023, the Insurance Association of China issued new standards to unify the online operation of agricultural insurance underwriting and settlement. The implementation of new guidelines will help local regulatory agencies and insurance institutions with faster underwriting and claim settlements and improve the overall management of agricultural insurance.
- On 18 May 2023, the National Administration of Financial Regulation (NAFR) was formed on the basis of the China Banking and Insurance Regulatory Commission (CBIRC).
  In the overhaul, the NAFR absorbed the China Banking and Insurance Regulatory Commission (CBIRC) and some functions from the securities regulator and the central bank.
  The enlarged NAFR will have 27 departments - one more than the former CBIRC. Most of the commission's departments have been retained but some have been combined, making way for new ones.
  The changes give the NAFR greater responsibility to combat illegal financial practices, including giving advice on cases that involve new business models and multiple localities and ministries.
  The powers of the Financial Consumer Protection Bureau have also been expanded under the NAFR following a number of high-profile scandals, including last year's Henan rural bank run in which 40 billion yuan (HK$43.2 billion) in deposits disappeared.
  The National Administration of Financial Regulation (NAFR) will consider lowering the bar for foreign financial institutions to become shareholders of mainland insurers based on the principle of equal treatment
- On 17 July 2023; China has released a guideline to boost the healthy development of the cybersecurity insurance sector. The guideline was jointly released by the Ministry of Industry and Information Technology and the National Financial Regulatory Administration.
  As a new type of insurance service, cybersecurity insurance will improve enterprises' ability to cope with cybersecurity issues, thus promoting the digital transformation of the country's small and medium-sized enterprises.
- October 2023: China Re has completed the creation of China Reinsurance Digital Technology, a subsidiary dedicated to providing technology services to the Chinese group's member companies.
  The new entity has a registered capital of 200 million CNY (27.4 million USD), fully financed by the reinsurer. China Re is building a powerful technology engine with the aim of becoming a major global reinsurance group.

- In 2024 The Insurance Association of China (IAC) has issued rules to regulate the bancassurance operations of life insurers, complementing moves made in the past six months by the National Administration of Financial Regulation (NAFR).
- The National Administration of Financial Regulation (NAFR) has issued the "Notice on Matters Related to Regulating the Bancassurance Business of Life Insurance Companies".

▪ Industry Regulators

On April 8 2018, the CBIRC was formally unveiled in Beijing. The banking and insurance regulators were merged in an effort to improve the macro-prudential framework, alongside the People's Bank of China and the securities regulator. The insurance sector is regulated by the CBIRC, which operates under the State Council. Previously, the sector was supervised by the CIRC, with the CIRC also an agency of the State Council, taking over the role that was previously held by the central bank.

On 18 May 2023, the National Administration of Financial Regulation (NAFR) was formed on the basis of the China Banking and Insurance Regulatory Commission (CBIRC). It incorporates the daily regulatory responsibilities of the People's Bank of China over financial holding companies and other financial groups, as well as relevant responsibilities for financial consumer protection. As of the transfer of said responsibilities, NAFR officially becomes the regulatory and supervisory body of the insurance industry. The dissolution of the CBIRC takes effect as a result of these changes after over five years of operation.

▪ Key Legislation: Sources of Insurance and Reinsurance Law:

The key legislation for the regulation of insurance activities in Mainland China is the Insurance Law, which was first adopted at the 14th Meeting of the Standing Committee of the Eighth National People's Congress on June 30 1995. The law has been amended twice since it was adopted, which included a major overhaul in 2009 and revised in 2015.

There are also additional documents that are regularly issued by the Mainland Chinese regulators that govern the conduct of the insurance sector.

- The Insurance Law of the People's Republic of China .
- Judicial Interpretations on Several Issues Concerning the Application of the Insurance Law issued by the Supreme People's Court (hereinafter referred to as the "Interpretations of the Insurance Law");
- The Civil Code of the People's Republic of China and its related Interpretations promulgated by the Supreme People's Court, which mainly governs the general rules and regulations not specified in the Insurance Law and issues regarding the reinsurance;
- Other relevant laws promulgated by the National People's Congress (for instance, the Maritime Law of the People's Republic of China is applicable to marine cargo insurance and marine hull insurance); and
- Regulations and guidelines issued by the National Administration of Financial Regulation (NAFR) and other relevant authorities.

Additionally, procedural issues are mainly governed by the Civil Procedural Law of the People's Republic of China (referred to as the "Civil Procedural Law") and its relevant Interpretation promulgated by the Supreme People's Court. For specific industries, respective laws apply, for instance, with respect to marine insurance disputes, the Special Maritime Procedure Law of the People's Republic of China applies.

▪ Industry Association

Insurers in Mainland China are also represented by the insurance trade association, the Insurance Association of China (IAC), which was established in February 23, 2001.

中国保险行业协会
INSURANCE ASSOCIATION OF CHINA

In accordance with Article 182 of the Insurance Law, companies shall join the IAC. Insurance agents, insurance brokers and insurance appraisers are allowed to join the IAC.
As of April 2023, there are 347 members of the Insurance Association of China (IAC), among which are 13 insurance group (holding) companies, 86 property insurance companies, 93 life insurance companies, 14 reinsurance companies, 18 insurance asset management companies and 69 insurance intermediaries.

Form and Structure of Insurers

Insurers and reinsurers are subject to different regulatory regimes in terms of licensing, qualification and business operation.
Insurers are categorized into two major types: (i) life insurers, that may underwrite life insurance, health insurance and accident insurance; and (ii) P&C insurers, that may underwrite property and casualty insurance, liability insurance and short-term health insurance and accident insurance.

To incorporate an insurance company in the mainland of China, the following requirements shall be met:

1. *The principal shareholders shall have sustainable profitability and no record of significant violations of laws and regulations in the past three years and the net assets shall be more than CNY 200 million.*
2. *The articles of association are in conformity with the Insurance Act and the Company Law of the People's Republic of China.*
3. *The minimum registered capital shall be more than CNY 200 million.*
4. *The directors, supervisors and senior management personnel shall have professional knowledge and experience in business operations and related licences.*
5. *A sound organisational structure and management system.*
6. *Business premises and other facilities relative to the insurance business that conform to the requirements.*

The application shall be submitted to CBIRC who shall determine within 60 days. In case CBIRC permits, the insurance company shall be established within one year and apply to CBIRC for license.

Capital Requirements

The minimum registered and paid-in capital of an insurer is RMB 200 million or its equivalent in a foreign currency.
A broker with a nationwide business permit must have a paid-in capital of no less than RMB 50 million, whereas a broker with only a regional business permit must have a paid-in capital of no less than RMB 10 million.
For a professional agent, the paid-in capital must be no less than RMB 50 million for nationwide business and no less than RMB 20 million for regional business.

Foreign ownership of subsidiaries or establishment of branches

- *FDI is permitted up to 100% in non-life insurance and 51% in life insurance business.*
- *In order to be considered for a branch, joint venture or subsidiary licence, foreign insurers must have total assets of at least USD 5bn; and meet other conditions which China Banking and Insurance Regulatory Commission (CBIRC) deems prudently necessary.*
  There is a minimum number of mandatory positions that a foreign insurance/reinsurance entity in China must fulfil, which is considered high compared with other international jurisdictions. CBIRC has removed the requirement for the persons in these positions to take the qualification exam as of 1 February 2021.

Distribution of Products

Insurance products are commonly distributed through:

- *an individual employed or engaged by insurer;*
- *an insurance agency, including professional insurance agency and sideline insurance agency (such as bancassurance);*
- *an insurance broker; or*
- *online platforms or over the telephone.*

Compulsory Insurances

List of Compulsory Insurances

- *Motor third party liability (national).*
- *Liability for transport of hazardous materials (most municipalities and provinces).*
- *Inter-city carriers' liability for injury to passengers and damage to their personal property (national).*
- *Local carriers' liability for injury to passengers and damage to their personal property (most municipalities and provinces).*
- *Nuclear liability (national).*
- *Shipowners' liability against marine oil pollution (financial guarantee or insurance) (national).*
- *Third party liability of general aviation operators for damage on the ground.*
- *Liability for international air carriage.*
- *Workers' compensation (local government schemes in urban areas).*
- *Work-related injury insurance for coal miners (national).*
- *Work-related injury insurance for construction work (national).*
- *Employers' liability for workers in hazardous industries (known as production safety liability insurance) (national).*
- *Employers' liability and third party liability for high-risk industries (Beijing).*
- *Third party liability for spread of fire in public venues such as cinemas and hotels (some municipalities).*
- *Third party liability for boiler or gas explosion (some municipalities).*
- *Third party liability for schools (national).*
- *Third party liability for travel agents (national).*
- *Food safety liability (some municipalities and provinces).*
- *Medical malpractice for hospitals and doctors (national).*
- *Pharmaceutical liability (some provinces and municipalities).*
- *Clinical trials liability (some municipalities).*
- *Professional indemnity for lawyers, architects, engineers etc (some municipalities).*
- *Professional indemnity for accounting firms (national).*
- *Professional indemnity for insolvency practitioners (national).*
- *Professional indemnity (or a cash guarantee) for insurance agencies and insurance brokers (national).*
- *Environmental liability insurance (some provinces and municipalities).*
- *Elevator safety insurance (Jiangsu Province).*
- *Inherent defects liability insurance (some provinces and municipalities)..*

Pools:

- *China Agricultural Reinsurance Pool (CARP)*
- *China Residential Earthquake Insurance Pool (CREIP)*
- *China Nuclear Insurance Pool (CNIP)*
- *Other pools: Most experimental compulsory liability insurances are written by local coinsurance groups which might be described as pools.*

Position of Non-Admitted Insurers

Non-admitted insurance is not permitted in the Chinese insurance industry.

Risk Based Capital –insurers:

China's Solvency II type regime has been fully implemented since 2016, which includes a three-pillar structure. One of the three pillars is the requirement of capital quantification, which obliges an insurer to identify and quantify categories of risks (such as insurance risks, market risks, credit risks, reputation risks, etc.) and support such risks with a comparable amount of capital.

The regime keeps developing – CBIRC officially implemented a phase II update on the Solvency II type regime from late 2017. The amended Solvency Measures on Insurance Companies was implemented by CBIRC effective from March 1, 2021, which has been long awaited by the market. Also, on December 30, 2021, CBIRC officially issued the Solvency Regulatory Rules II, which signalled a successful completion of the phase II update.

Policyholder Protection:

Funded by industry levies. In the event of insolvency or revocation of licence of a non-life insurer whose assets are insufficient to pay benefits, a non-life policyholder protection fund covers 100 per cent of losses up to RMB50,000 and thereafter, 90 per cent of losses for individual policyholders and 80 per cent for corporate policyholders.
In the event of insolvency or revocation of licence of a life insurer, the policies are required to be transferred to a new insurer and the policyholder protection fund will make up the shortfall in supporting assets to 90 per cent of individual policyholder liabilities and 80 per cent of corporate policyholder liabilities.
Notwithstanding the above, CBIRC is currently in the process amending the rules on the policyholder protection fund. In January 2022, a draft regulation on this topic was published by CBIRC for market comments.

Taxation of Premiums

Insurance companies can be authorised to collect the following taxes and surcharges on behalf of tax authorities:

- *VAT (currently 6%);*
- *urban maintenance and construction tax (7% for a taxpayer in a city; 5% for a taxpayer in a county town or town; 1% for a taxpayer living in a place other than a city, county-level town, or town); and*
- *education and local education surcharges payable by individual insurance agents for providing insurance agency services to insurance companies (3%).*

Property insurance contracts, including property, liability, guarantee and credit insurance contracts, are subject to stamp duty (0.3% of the insured amount). Personal insurance companies are not subject to stamp duty.

Insurers and reinsurers are subject to enterprise income tax of 25%.

Reinsurance Business:

- Direct insurers may write inwards reinsurance without an additional licence, though they must meet the eligibility requirements to be registered with the reinsurance registration system established by the CBIRC.
- The onshore market is dominated by the state-owned China Re P&C.

- Inwards reinsurance written by direct insurance companies must be identified in a way that distinguishes it from direct business.
- The reinsurance market in China had been growing steadily in recent years, driven by increasing demand for risk management solutions and the Chinese government's initiatives to support the development of the insurance industry. CBIRC had implemented policies to encourage foreign reinsurers to enter the market and to support the growth of domestic reinsurers.
- Inwards reinsurance may only be written at head office level by appropriately experienced underwriters and not by branches.
- In order to be successfully registered a reinsurer must meet the following requirements:
  - *if a reinsurance treaty leader or the largest reinsurer on a treaty, a minimum rating by Standard & Poor's of "A-", by AM Best of "A-", by Moody's of "A3" or by Fitch of "A-"*
  - *if writing treaty business in a non-leading capacity, a minimum rating by Standard & Poor's of "BBB", by AM Best of "B++", by Moody's of "Baa" or by Fitch of "BBB"*
  - *capital and surplus of at least CNY 200mn (USD 30.23mn) if a professional reinsurer, or CNY 100mn (USD 15.12mn) if a treaty-leading direct insurer*
  - *meeting the solvency standards of the jurisdiction where the reinsurer is registered*

  if the reinsurer is a branch, its head office should meet the requirements listed above
- Under C-ROSS Phase II (effective from 1 January 2022), in order to avoid a credit risk charge of 49.9% (Phase I previously 58.8%) for all cessions, offshore reinsurers will need to collateralise their reinsurance assets upon requirement from the ceding company (it is not mandatory). Doing so will lower the credit risk charge they face to 7.7% (Phase I previously 8.7%), assuming they meet the additional solvency requirement.
- In recent years, China has also established several reinsurance hubs, such as the Shanghai International Insurance Hub and the Beijing-Tianjin-Hebei Insurance Exchange, to promote the development of the reinsurance market.

Alternative Risk Transfer (ART)

ART transactions are relatively uncommon in China; in practice, the more prevalent approaches involve insurance-linked securities and captive insurance.

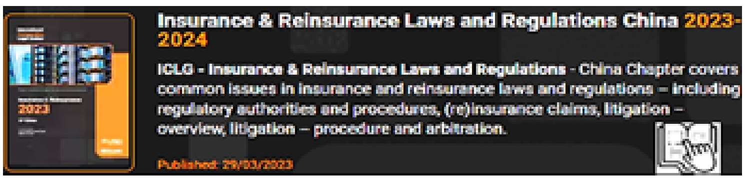
Catastrophe Bonds

These are the most common insurance-linked securities. Chinese insurance companies have issued catastrophe bonds overseas. The CBIRC issued the Notice on Matters Concerning Domestic Insurance Companies Issuing Catastrophe Bonds in the Hong Kong Market to support domestic insurance companies in issuing catastrophe bonds in the Hong Kong market. According to this Notice, the issuance of catastrophe bonds will involve reinsurance arrangements (contracts) between domestic insurance companies and their special-purpose insurance companies established in Hong Kong. However, catastrophe bonds themselves are not recognised as insurance or reinsurance contracts by regulators.

Captive Insurance Company

Insurance products issued by captive insurance companies are recognised as insurance contracts. According to the Notice on Issues Concerning the Supervision of Captive Insurance Companies, the business scope of captive insurance companies is limited to property insurance related to the group's parent company, as well as accident and short-term health insurance for employees.

Further Reading



(B) CHINA: Insurance Market Statistics & Performance

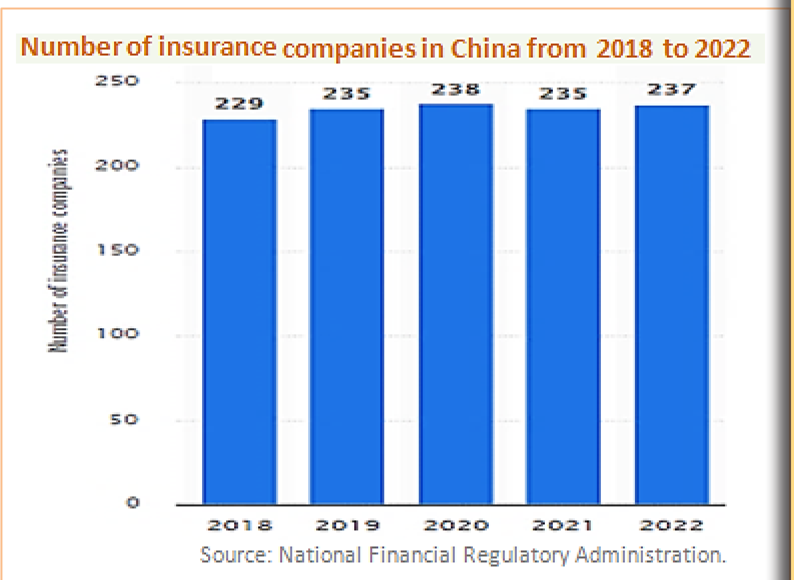
➢ *Market Structure:*

The number of registered insurance companies in China has steadily increased in the last decade.

As of the end of 2020, there were 245 insurance companies, including 12 insurance groups, 88 property insurance companies, 14 reinsurance companies, 76 life insurance companies, 10 pension insurance companies, 7 health insurance companies, 33 insurance asset management companies, and 5 other companies.
In addition, there were 2,639 professional insurance intermediaries nationwide, including 5 insurance intermediary groups, 1,764 professional insurance agencies, 497 insurance brokers, and 373 insurance adjusters. There were approximately 8.44 million registered individual insurance agents nationwide.

Among the 245 insurance companies as of December 2020, 66 are foreign or Sino-foreign joint venture insurance companies. In addition, there are 117 foreign representative offices, and 17 foreign professional insurance intermediaries. In 2020, the original insurance premium income of foreign insurance companies was CNY 352.44 billion ($49.19 billion), accounting for a market share of 7.8%.

In 2022, China's insurance industry recorded 237 providers. According to industry experts, the size of the Chinese insurance market was projected to surpass that of the United States by the end of the decade. Chinese insurance providers were among the world's largest enterprises.



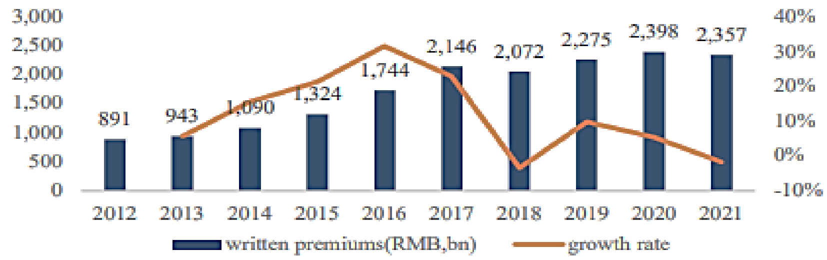
As of April 2023, there are 347 members of the Insurance Association of China (IAC), among which are:

13 insurance group (holding) companies;
86 property insurance companies;
93 life insurance companies;
14 reinsurance companies;
18 insurance asset management companies;
and 69 insurance intermediaries.

➢ *China: Economic and Technical Indicators of Insurance*

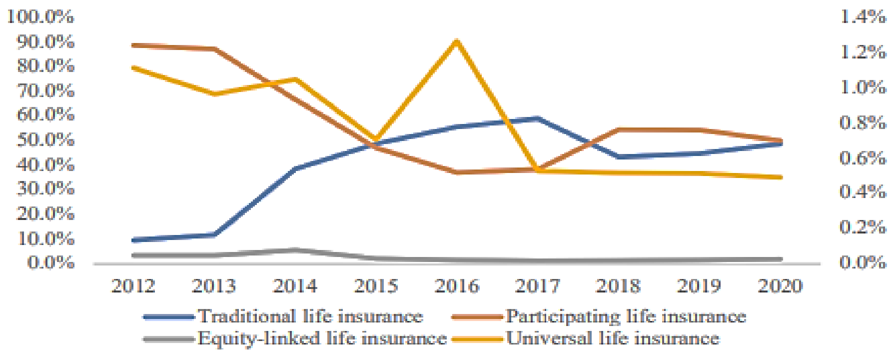
▪ Life and Nonlife Insurance Market:

Life Insurance Premiums and Growth Rate: 2012-2021



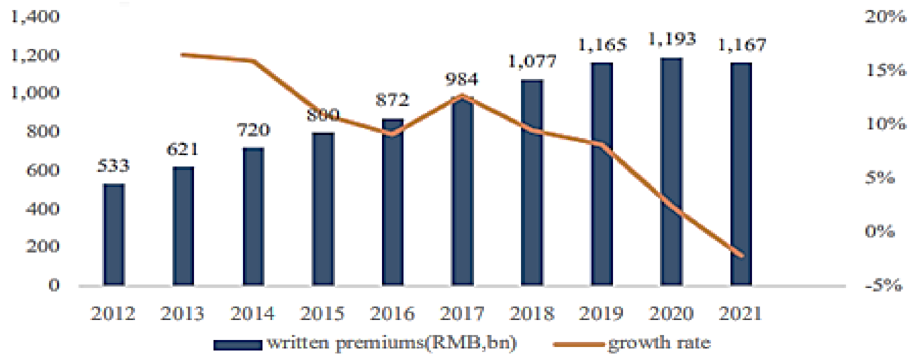
Source: China National Financial Regulatory Administration.

Market Share of Different Types of Life Insurance



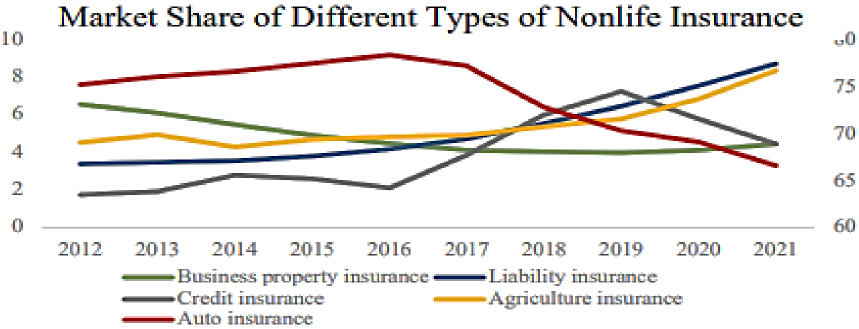
Source: Insurance Statistics Yearbook 2013-2021.

Nonlife Insurance Premiums and Growth Rate



Source: China National Financial Regulatory Administration.

Market Share of Different Types of Nonlife Insurance



Source: China National Financial Regulatory Administration.

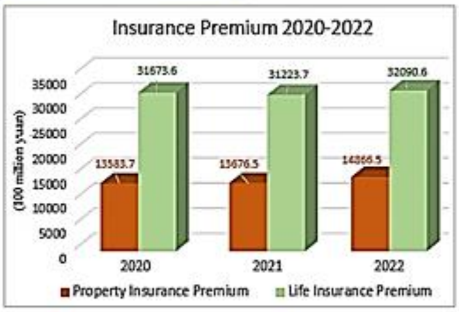
The premium of primary insurance received by the insurance companies totaled 4,695.7 billion yuan in 2022, up by 4.6 percent over that of the previous year on a comparable basis.

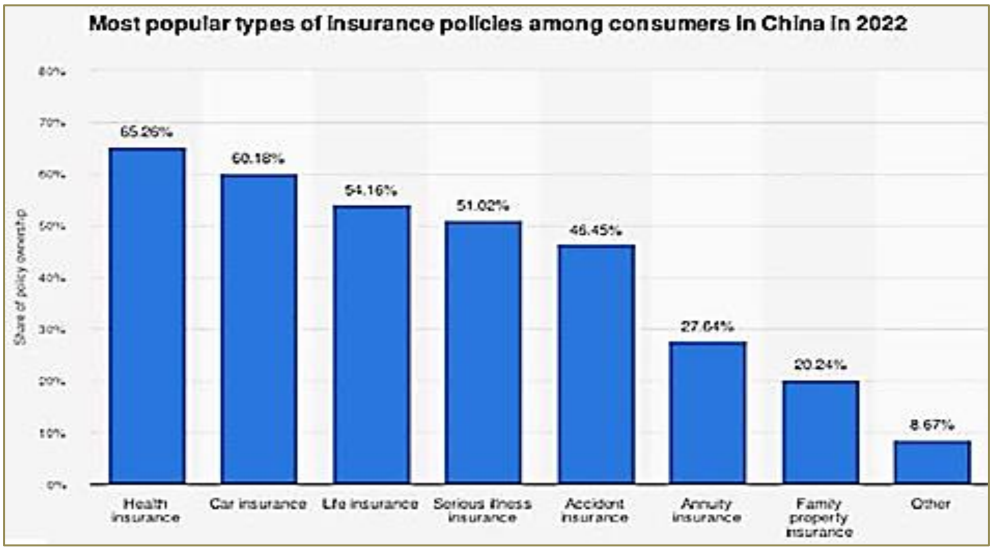
Of this total, life insurance premium of primary insurance amounted to 2,451.9 billion yuan, health and casualty insurance premium of primary insurance 972.6 billion yuan, and property insurance premium of primary insurance 1,271.2 billion yuan.

Insurance companies paid an indemnity worth of 1,548.5 billion yuan, of which life insurance indemnity was 379.1 billion yuan, health and casualty insurance indemnity 393.7 billion yuan, and property insurance indemnity 775.7 billion yuan.

(100 million yuan)

Item	2020		2021		2022	
	Premium	Claim and Payment	Premium	Claim and Payment	Premium	Claim and Payment
Total	**45257.3**	**13907.1**	**44900.2**	**15608.6**	**46957.2**	**15485.1**
Property Insurance Companies	**13583.7**	**7880.4**	**13676.5**	**8848.0**	**14866.5**	**9078.2**
Enterprise Property Insurance	490.3	245.1	519.8	290.6	553.4	256.8
Family Property Insurance	90.8	33.6	98.2	39.4	164.1	32.5
Motor Vehicle Insurance	8244.8	4725.5	7772.7	5343.8	8210.2	5138.1
Engineering Insurance	138.4	63.3	143.7	81.4	145.1	71.4
Liability Insurance	901.1	395.1	1018.4	460.3	1147.5	508.0
Export Credit Insurance	204.9	138.4	203.9	131.2	236.8	105.6
Guarantee Insurance	688.6	559.1	521.2	397.4	551.7	512.1
Ship Insurance	57.7	39.5	57.8	38.7	66.2	33.9
Freight Transport Insurance	136.0	69.0	167.7	74.6	177.9	82.5
Special Risks Insurance	72.2	45.0	72.7	21.2	61.0	27.9
Agriculture Insurance	814.9	592.5	975.8	720.2	1219.3	868.9
Health Insurance	1114.2	757.7	1378.1	959.8	1580.1	1121.9
Accident Injury Insurance	540.9	168.0	627.3	200.7	574.1	199.3
Other Insurance	89.0	48.7	119.3	88.4	179.1	119.2
Life Insurance Companies	**31673.6**	**6026.7**	**31223.7**	**6760.6**	**32090.6**	**6407.0**
Life Insurance	23981.9	3715.1	23571.8	3540.3	24518.6	3791.4
Health Insurance	7058.5	2163.5	7068.9	3068.7	7072.8	2477.7
Personal Accident Insurance	633.2	148.1	582.9	151.7	499.2	137.9





Source: www.gov.cn – 1 March 2023

China: Insurance Companies' GWP & Solvency Ratio:

S&P Global Ratings

P/C insurers' market position	Gross premium (mil. RMB)		Market share (%)		Core solvency ratio (%) 2022 *	Comprehensive solvency ratio (%) 2022 *
	2021	2022	2021	2022		
PICC Property & Casualty Insurance Co. Ltd.	449,533	487,533	32.90	32.80	201.90	229.30
Ping An P&C Insurance Company of China Ltd.	270,113	298,074	19.80	20.10	177.60	220.00
China Pacific Property Insurance Co. Ltd.	154,237	170,377	11.30	11.50	166.10	202.40
China Life Property & Casualty Insurance Co. Ltd.	91,606	98,343	6.70	6.60	209.10	248.10
China United Property Insurance Co. Ltd.	55,716	60,343	4.10	4.10	153.50	192.50
China Continent P&C Insurance Co. Ltd.	43,496	46,361	3.20	3.10	235.00	260.00
Sunshine Property and Casualty Insurance Co. Ltd.	40,933	40,409	3.00	2.70	142.80	223.90
Taiping General Insurance Co. Ltd.	27,971	28,667	2.00	1.90	110.30	186.10
ZhongAn Online P&C Insurance Co. Ltd.	20,480	23,660	1.50	1.60	285.20	299.10
Yingda Taihe Property Insurance Co. Ltd.	10,682	11,657	0.80	0.80	238.10	257.10
Huatai Property & Casualty Insurance Co. Ltd.	7,946	9,020	0.60	0.60	236.90	253.30
Bank of China Insurance Co. Ltd.	5,771	5,800	0.40	0.40	312.80	337.90
AXA Tianping Property & Casualty Insurance Co. Ltd.	5,944	6,075	0.40	0.40	202.60	202.60
Alltrust Property Insurance Co. Ltd.	7,666	7,254	0.60	0.50	214.30	214.30
Allianz Jingdong General Insurance Co. Ltd.	4,335	5,257	0.30	0.40	156.80	174.00

RMB--Renminbi. P/C--Property and casualty. C-ROSS--China Risk-Oriented Solvency System.
Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administration.

*2022 solvency ratios are under C-ROSS II. RMB--Renminbi. P/C--Property and casualty. C-ROSS--China Risk-Oriented Solvency System.
Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administration

Life insurers' market position	Gross premium (mil. RMB)		Market share (%)		Core solvency ratio (%) 2022 *	Comprehensive solvency ratio (%) 2022 *
	2021	2022	2021	2022		
China Life Insurance Co. Ltd.	618,327	615,200	19.80	19.20	143.50	206.80
Ping An Life Insurance Company of China Ltd.	457,035	439,277	14.60	13.70	124.10	219.70
China Pacific Life Insurance Co. Ltd.	211,685	225,343	6.80	7.00	132.00	218.00
Taiping Life Insurance Co. Ltd.	149,129	154,002	4.80	4.80	96.80	193.70
New China Life Insurance Co. Ltd.	163,470	163,099	5.20	5.10	140.50	238.20
*Taikang Life Insurance Inc.	164,722	170,840	5.30	5.30	105.80	211.60
PICC Life Insurance Co. Ltd.	96,847	92,702	3.10	2.90	118.00	204.00
China Post Life Insurance Co. Ltd.	85,809	91,434	2.70	2.80	74.00	133.70
ICBC-AXA Assurance Co. Ltd.	46,574	49,122	1.50	1.50	94.00	154.00
Sunshine Life Insurance Co. Ltd.	60,827	68,295	1.90	2.10	107.70	156.20
AIA Co. Ltd. (China)	45,330	51,037	1.50	1.60	231.20	383.90
CCB Life Insurance Co. Ltd.	48,397	50,016	1.50	1.60	73.00	124.00
ABC Life Insurance Co. Ltd.	29,400	33,266	0.90	1.00	82.90	151.50
CITIC-Prudential Life Insurance Co. Ltd.	26,827	31,189	0.90	1.00	127.80	218.40
BoComm Life Insurance Co. Ltd.	16,941	18,144	0.50	0.60	108.50	197.10

RMB--Renminbi. C-ROSS--China Risk-Oriented Solvency System.
Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administration

*2022 solvency ratios are under C-ROSS II. RMB--Renminbi. C-ROSS--China Risk-Oriented Solvency System. Source: Companies' quarterly C-ROSS solvency reports, National Financial Regulatory Administrati

Ref: China Insurance: Change Is Painful - *by S&P Global Ratings, 21 Jun, 2023*

China's insurance sector total assets

The total assets of China's insurance sector amounted to 27.1 trillion yuan (3.97 trillion U.S. dollars) at the end of 2022, official data showed Wednesday.

This figure was 2.3 trillion yuan more than that at the beginning of 2022, said CBIRC.

Assets of Insurance Companies (100 million yuan)

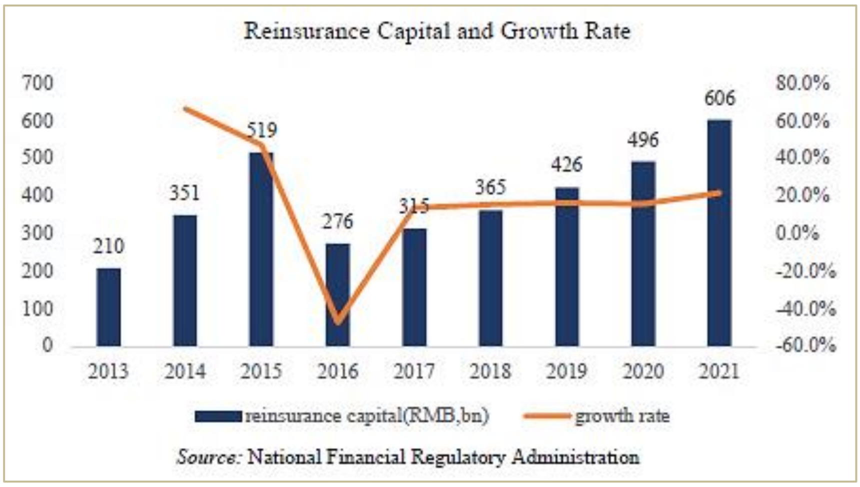
Year	Total Assets	Property Insurance Companies	Life Insurance Companies	Reinsurance Companies	Domestic Funded Insurance Companies	Foreign-funded Insurance Companies
2020	232984.30	23422.59	199789.74	4956.29	216367.12	17076.79
2021	248874.05	24512.74	213894.93	6057.45	228766.77	20107.28
2022	271467.47	26707.95	233744.86	6719.45	248909.94	22557.53

The total assets of the sector grew steadily in 2022 as it continued to strengthen efforts to serve the real economy, the commission said.

Combined insurance premium incomes stood at 4.7 trillion yuan, while expenditure on compensation and payment reached 1.5 trillion yuan in 2022.

Reinsurance Business:

The reinsurance market in China had been growing steadily in recent years, driven by increasing demand for risk management solutions and the Chinese government's initiatives to support the development of the insurance industry. CBIRC had implemented policies to encourage foreign reinsurers to enter the market and to support the growth of domestic reinsurers.



Source: National Financial Regulatory Administration

According to a report by Swiss Re, the reinsurance market in China grew by 8.5% in 2020, outpacing the global reinsurance market's growth rate of 5.5%. The report also highlighted that China is the world's fourth-largest reinsurance market and the second largest one in the Asia-Pacific region, behind Japan.

According to NFRA, at the end of 2021, the total assets of reinsurance companies were CNY 605.7 billion ($84.6 billion), and the annual compound growth rate was 12.5% from 2013 to 2021.

In recent years, China has also established several reinsurance hubs, such as the Shanghai International Insurance Hub and the Beijing-Tianjin-Hebei Insurance Exchange, to promote the development of the reinsurance market.

➢ *CHINA Insurance Market: SWOT Analysis*

FitchSolutions

Strengths	▪ In absolute terms, Mainland China's insurance sector is huge, with a potential consumer market of about 1.4bn people. ▪ Both the life and non-life sub-sectors are at an early stage of development, with penetration and density still low. ▪ Rising salaries and household income levels provide a longterm platform for growth in motor vehicle and other insurance lines. ▪ Demographic changes, including a rapidly ageing population, are driving demand for health and life insurance coverage.
Weaknesses	▪ Despite the overall size of the population, the market for insurance products remains largely confined to urban, middleclass residents. ▪ With the exception of the motor insurance market, awareness of and demand for non-life products remain quite limited. ▪ Competition is extremely fierce in more mature segments, including motor insurance. ▪ Rising capital requirements make it difficult for smaller insurers to expand into new markets.
Opportunities	▪ Health insurance is a rapidly growing segment, with longterm potential. A rise in morbidity will increase the uptake of private health insurance. ▪ Product innovation and investments in e-commerce sales channels will support momentum. ▪ The new rules pertaining to foreign ownership of life insurance companies that came into effect in 2020 will result in increased foreign capital. ▪ Property insurance remains a small line, indicating that there is considerable potential in this segment of the market. ▪ The continued urbanisation of China's population will create rising demand for property and other insurance lines. ▪ Uncertainty surrounding the stability of China's pension system will drive consumers to the life insurance market. ▪ The market's rapidly expanding financial services sector will drive demand for credit and financial guarantee, general liability and other corporate insurance lines.
Threats	▪ The authorities continue to exert pressure on online insurance providers by tightening the compliance framework. ▪ Adverse regulatory changes could hamper foreign investors and create barriers for new entrants. ▪ An economic slowdown remains a key source of downside risk. ▪ A slowdown in the property market could affect property premiums and have contagion effects throughout the wider economy. ▪ Further Covid-19-related restrictions could affect economic growth and household spending. ▪ Life insurance faces competition from other conduits for organised savings, both in the mainstream financial system and in China's sprawling shadow finance system.

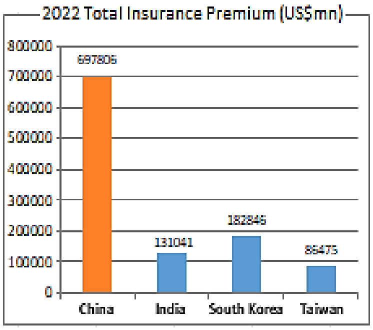
Source: Business Monitor Online, 18 September 2023

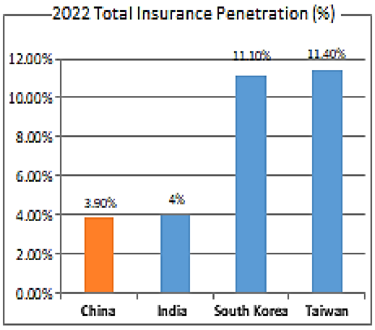
➢ CHINA Insurance Market: Regional Comparison

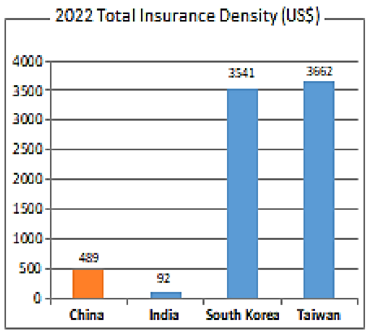
ASIA-PACIFIC INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
Singapore	83.75	75.00	92.50	71.62	78.90	95.00	77.11	84.27	80.51	1
Hong Kong, China	76.25	60.00	92.50	71.28	74.26	100.00	67.47	80.48	76.13	2
South Korea	83.75	82.50	85.00	63.16	75.51	60.00	78.92	71.35	74.27	3
Australia	70.00	80.00	60.00	62.08	66.83	90.00	84.64	86.78	72.82	4
Taiwan, China	78.75	75.00	82.50	59.71	71.13	70.00	75.62	73.37	71.81	5
Japan	77.50	72.50	82.50	53.57	67.93	65.00	81.12	74.67	69.95	6
New Zealand	51.25	57.50	45.00	67.66	57.81	90.00	80.45	84.27	65.75	7
Mainland China	72.50	70.00	75.00	43.49	60.90	55.00	60.30	58.18	60.08	8
Malaysia	52.50	47.50	57.50	61.06	55.93	75.00	61.20	66.72	59.16	9
Thailand	60.00	55.00	65.00	53.35	57.34	70.00	58.44	63.07	59.06	10
India	65.00	60.00	70.00	42.99	56.20	45.00	64.31	56.59	56.31	11
Macao, China	40.00	27.50	52.50	64.27	49.71	65.00	55.67	59.40	52.61	12
Philippines	45.00	40.00	50.00	46.40	45.56	75.00	56.21	63.72	51.01	13
Indonesia	48.75	42.50	55.00	47.68	48.32	55.00	57.12	56.27	50.71	14
Vietnam	46.25	40.00	52.50	42.53	44.76	55.00	50.14	52.08	46.96	15
Sri Lanka	18.75	15.00	22.50	40.16	27.32	45.00	46.13	45.68	32.82	16
Mongolia	11.25	15.00	7.50	48.56	26.17	40.00	53.45	48.07	32.74	17
Fiji	18.75	20.00	17.50	42.28	28.16	50.00	32.63	39.58	31.59	18
Pakistan	21.25	17.50	25.00	37.23	27.64	40.00	35.75	37.45	30.59	19
Bangladesh	21.25	22.50	20.00	36.93	27.52	20.00	46.74	36.04	30.08	20
Cambodia	7.50	15.00	0.00	39.96	20.48	40.00	30.24	34.14	24.58	21
Regional Average	50.00	47.14	52.86	52.19	50.88	61.90	59.70	60.58	53.79	

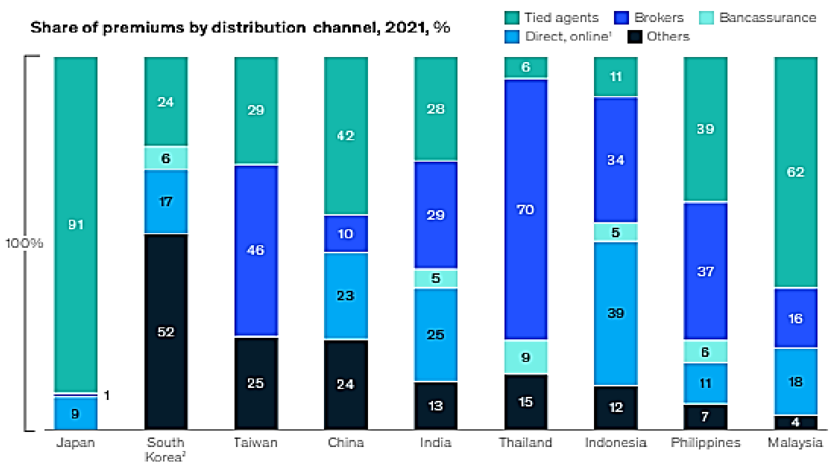
Note: May include territories, special administrative regions, provinces and autonomous regions.
Scores out of 100; higher score = lower risk. Source: BMI FitchSolutions







Source: wwwhttp://www.sigma-explorer.com/



Source: Global Insurance Report 2023: The future of Asia P&C insurance - by McKinsey & Company

➢ *CHINA: Insurance Market Forecast:*

- We forecast growth of 8.2% y-o-y for total gross premiums written in Mainland China in 2023, up from growth of 4.4% in 2022. Growth will be slightly faster in the smaller non-life insurance segment, which will account for 48.6% of total premiums written, although from 2027 this sector will be the larger of the two. Total premium growth will slow to 7.7% y-o-y in 2024.
- For the life sector, we forecast premium growth of 4.9% and 5.5% y-o-y in 2023 and 2024respectively, compared to 4.0% in 2022. We forecast annual average premium growth of 6.4%across our 10-year forecast period to 2032, down from a pre-pandemic five-year average of 16.5%.Growth will be mostly driven by market liberalization and rising household incomes.
- We forecast premium growth in the slightly smaller non-life insurance sector of 11.9% and 10.0%y-o-y in 2023 and 2024 respectively, up from 4.9% in 2022.A We forecast average annual premium growth of 9.8% between 2023 and 2027, thus outperforming the life sector and the insurance sector as a whole, but still below pre-pandemic five-year average growth of 15.8% y-o-y.

Gross Insurance Premiums Written (Mainland China 2022-2027)

Indicator	2022	2023e	2024f	2025f	2026f	2027f
Total gross premiums written, CNYbn	4,623.80	5,014.05	5,380.60	5,786.53	6,270.20	6,785.69
Total gross premiums written, CNY, % y-o-y	4.4	8.4	7.3	7.5	8.4	8.2
Gross life premiums written, CNYbn	2,451.90	2,599.51	2,713.46	2,878.52	3,093.95	3,325.45
Gross life premiums written, CNY, % y-o-y	4.0	6.0	4.4	6.1	7.5	7.5
Gross non-life premiums written, CNYbn	2,171.90	2,414.54	2,667.14	2,908.01	3,176.25	3,460.24
Gross non-life premiums written, CNY, % y-o-y	4.9	11.2	10.5	9.0	9.2	8.9

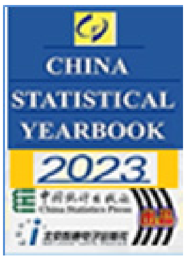
e/f = BMI estimate/forecast. Source: CBIRC, BMI

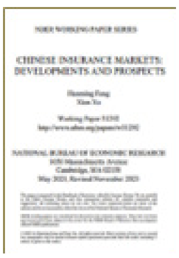
Gross Insurance Premiums Written (Mainland China 2028-2032)

Indicator	*2028f*	*2029f*	*2030f*	*2031f*	*2032f*
Total gross premiums written, CNYbn	7,321.84	7,899.07	8,496.60	9,127.39	9,737.97
Total gross premiums written, CNY, % y-o-y	7.9	7.9	7.6	7.4	6.7
Gross life premiums written, CNYbn	3,573.12	3,835.90	4,114.97	4,406.46	4,708.37
Gross life premiums written, CNY, % y-o-y	7.4	7.4	7.3	7.1	6.9
Gross non-life premiums written, CNYbn	3,748.72	4,063.18	4,381.64	4,720.93	5,029.60
Gross non-life premiums written, CNY, % y-o-y	8.3	8.4	7.8	7.7	6.5

f = BMI forecast. Source: CBIRC, BMI

References & Resources





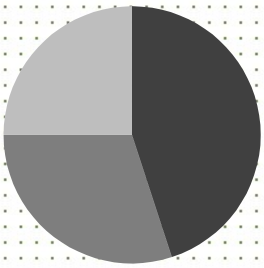
FAIR AVIATION POOL

FAIR AVIATION POOL's UNDERWRITING CAPACITY

TREATY

eaty (Non Proportional)
$ 4 000 000

eaty (Proportional)
$ 4 000 000



FACULTATIVE

Facultative (Airline)
<u>HULL</u> **$ 4 000 000**
<u>LIABILITY</u> **$ 26 000 000**

Facultative (Non Airline)
<u>HULL</u> **$ 3 000 000**
<u>LIABILITY</u> **$ 15 000 000**

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NIGERIA

Insurance Market Overview

by Hussein Elsayed

Official Name: *Federal Republic of Nigeria*

Location: *Nigeria is a country in West Africa, borders Niger in the north, Chad in the northeast, Cameroon in the east, and Benin in the west.*

Surface Area: *923,769 km^2.*

Time Zone: UTC+01:00.

Income Category: lower-middle-income

Religion: *It is estimated that 50 percent of Nigerians are Muslim, 40 percent are Christian, and that the remaining 10 percent practice various indigenous.*

Language: *English (official)*
Hausa, Igbo, Yoruba (National languages)

Government: *Federal presidential constitutional republic.*

Climate: *Nigeria is characterized by three distinct climate zones, a tropical monsoon climate in the south, a tropical savannah climate for most of the central regions, and a Sahelian hot and semi-arid climate in the north of the country. This leads to a gradient of declining precipitation amounts from south to north.*

The southern regions experience strong rainfall events during the rainy season from March to October with annual rainfall amounts, usually above 2,000 mm, and can reach 4,000 mm and more in the Niger Delta.

The central regions are governed by a well-defined single rainy season (April to September) and dry season (December to March). The dry season is influenced by the Harmattan wind from the Sahara. The rest of the year is hot and dry. Northern areas have a high degree of annual variation in its rainfall regime, which results in flooding and droughts.

Mean annual temperature for Nigeria is 26.9°C , with average monthly temperatures ranging between 24°C (December, January) and 30°C (April). Mean annual precipitation is 1,165.0 mm. Rainfall is experienced throughout the year in Nigeria, with most significant rainfall occurring from April to October and with minimal rainfall occurring November to March.

Highest temperatures occur during the dry season, and vary little from the coast to inland areas. Similar to rainfall, the relative humidity in Nigeria decreases from the south to the north, with an annual mean of 88% around Lagos.

Natural Hazards: *River flood: High | Urban flood: High | Coastal flood: High | Water scarcity: High | Extreme heat: High | Wildfire: High | Landslide: Medium | Volcano: Medium | Tsunami: Low | Earthquake: Very low*

ThinkHazard! WORLD BANK GROUP

(I) NIGERIA: Socio-Economic Information

Region	Western Africa	UN membership date	07 October 1960
Population (000, 2023)	218 541 [a,b]	Surface area (km2)	923 768 [c]
Pop. density (per km2, 2023)	240.0 [a,b]	Sex ratio (m per 100 f)	102.2 [a,b]
Capital city	Abuja	National currency	Naira (NGN)
Capital city pop. (000, 2023)	3 095.1 [d,e]	Exchange rate (per US$)	460.0 [b]

Economic indicators	2010	2015	2023
GDP: Gross domestic product (million current US$)	363 360	494 583	430 923 [c]
GDP growth rate (annual %, const. 2015 prices)	8.0	2.7	3.6 [c]
GDP per capita (current US$)	2 257.6	2 688.0	2 019.3 [c]
Economy: Agriculture (% of Gross Value Added) [f,g]	23.9	20.9	23.7 [c]
Economy: Industry (% of Gross Value Added) [g,h]	25.3	20.4	31.9 [c]
Economy: Services and other activity (% of GVA) [g]	50.8	58.8	44.4 [c]
Employment in agriculture (% of employed) [i]	41.3	37.0	35.2 [c]
Employment in industry (% of employed) [i]	10.2	12.2	12.7 [c]
Employment in services & other sectors (% employed) [i]	48.4	50.9	52.2 [c]
Unemployment rate (% of labour force) [i]	3.8	4.2	5.8
Labour force participation rate (female/male pop. %) [i]	56.8 / 64.0	51.7 / 61.2	52.2 / 65.6
CPI: Consumer Price Index (2010=100) [j]	100	159	421 [k,b]
Agricultural production index (2014-2016=100)	87	99	108 [c]
International trade: exports (million current US$)	86 568	48 433	52 610 [i,b]
International trade: imports (million current US$)	44 235	33 831	55 148 [i,b]
International trade: balance (million current US$)	42 333	14 602	- 2 538 [i,b]
Balance of payments, current account (million US$)	13 111	- 15 439	1 019 [b]

Major trading partners						2022
Export partners (% of exports) [i]	India	16.4	Spain	11.8	France	6.3
Import partners (% of imports) [i]	China	24.7	Netherlands	10.3	India	8.8

Social indicators	2010	2015	2023
Population growth rate (average annual %)	2.8	2.5	2.4 [a,b]
Urban population (% of total population)	43.5	47.8	51.2 [e]
Urban population growth rate (average annual %) [l]	4.8	4.6	...
Fertility rate, total (live births per woman)	6.0	5.6	5.1 [a,b]
Life expectancy at birth (females/males, years)	51.4 / 50.5	52.2 / 51.5	54.0 / 53.3 [a,b]
Population age distribution (0-14/60+ years old, %)	44.3 / 4.9	44.3 / 4.8	43.0 / 4.7 [a,b]
International migrant stock (000/% of total pop.) [m,n]	990.5 / 0.6	1 199.1 / 0.7	1 308.6 / 0.6 [o]
Refugees and others of concern to the UNHCR (000)	10.6 [p]	1 510.2	3 216.8 [b]
Infant mortality rate (per 1 000 live births)	86.4	81.6	71.9 [a,b]
Health: Current expenditure (% of GDP) [q]	3.3	3.6	3.4 [o]
Health: Physicians (per 1 000 pop.)	0.4 [r]	0.4 [s]	0.4 [c]
Education: Primary gross enrol. ratio (f/m per 100 pop.)	81.0 / 89.1 [i]	83.6 / 89.2	86.2 / 85.3 [e]
Education: Lowr. sec. gross enrol. ratio (f/m per 100 pop.)	43.7 / 49.6	47.4 / 51.0	48.9 / 50.4 [t]
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	38.4 / 44.5	41.6 / 46.3	35.2 / 38.1 [t]
Intentional homicide rate (per 100 000 pop.)	...	...	21.7 [e]
Seats held by women in the National Parliament (%)	7.0	6.7	3.6 [u]

Environment and infrastructure indicators	2010	2015	2023
Individuals using the Internet (per 100 inhabitants) [i]	11.5	24.5	55.4 [c]
Research & Development expenditure (% of GDP)	0.1 [v,w]	...	...
Threatened species (number)	297	333	461 [b]
Forested area (% of land area)	25.5	24.6	23.7 [o]
CO2 emission estimates (million tons/tons per capita)	89.0 / 0.4	121.8 / 0.5	128.5 / 0.4 [o]
Energy production, primary (Petajoules)	10 591	10 636	9 932 [o]
Energy supply per capita (Gigajoules)	33	33	32 [o]
Tourist/visitor arrivals at national borders (000)	1 555	1 255	518 [c]
Important sites for terrestrial biodiversity protected (%)	79.9	79.9	79.9 [b]
Pop. using safely managed drinking water (urban/rural, %)	30.7 / 13.9	33.9 / 16.8	35.7 / 21.2 [b]
Pop. using safely managed sanitation (urban/rural %)	25.6 / 24.1	30.0 / 25.2	36.6 / 26.6 [b]
Net Official Development Assist. received (% of GNI)	0.60	0.51	0.83 [c]

a Projected estimate (medium fertility variant). **b** 2022. **c** 2021. **d** Data refers to the urban agglomeration. **e** 2019. **f** Excludes irrigation canals and landscaping care. **g** Data classified according to ISIC Rev. 4. **h** Excludes publishing activities, recycling. Includes irrigation canals. **i** Estimate. **j** Rural and urban areas. **k** Calculated by the UN Statistics Division from national indices. **l** Data refers to a 5-year period preceding the reference year. **m** Refers to foreign citizens. **n** Including refugees. **o** 2020. **p** Data as at the end of December. **q** Data based on calendar year (January 1 to December 31). **r** 2009. **s** 2013. **t** 2018. **u** Data are as at 1 January of reporting year. **v** Excluding business enterprise. **w** 2007.

World Statistics Pocketbook 2023

(III) NIGERIA: Insurance Market

Key Highlights

- *The Nigerian insurance industry is regulated by NAICOM.*
- *Workers' compensation insurance, motor third-party liability, healthcare professional liability insurance, and builder's liability insurance are compulsory.*
- *The government of Nigeria allows 100% foreign direct investments in the insurance industry.*
- *Composite insurance is permitted in Nigeria.*
- *Non-admitted insurance is not permitted.*

(A) Historical Landmarks and Regulatory Environment

- Early 20th c Insurance was introduced into Nigeria by British merchants acting as agents for UK insurers.
- 1920 The Royal Exchange established the first full branch.
- 1949 Three other British companies joined the market.
- 1950s Joint venture companies were started.
- 1963 American International (later AIICO) started a collection centre.
- 1969 National Insurance Corporation of Nigeria (NICON) was formed by Federal Government Decree, No 22.
- 1970s The first locally owned companies were registered.
- The insurance Decree of 1976 was the first effective legislation promulgated to regulate insurance business in Nigeria.
- 1977 The Nigeria Reinsurance Corporation was established by Federal Government Decree, No 49 in order to receive obligatory cessions from the local market.
- 1980s to date Over 100 new companies were formed.
- 1997 Insurance Decree, No 2 of 1997 was issued to incorporate all previous legislation and to substantially increase capital requirements.
- The National Insurance Commission was established in the country through the National Insurance Commission (NAICOM) Act 1997. The commission was set up to address the issue of ineffective regulation, supervision and control of insurance business in the economy which were largely in the hands of indigenous investors since the enactment of the Nigerian Enterprises Promotion Decree, 1977.
- 1999 Privatisation Decree was introduced.
- 2003 Insurance Act, No 1 of 2003 repealed and replaced Insurance Decree, No 2 of 1997.
- 2007 Radically increased capital requirements in February 2007 reduced the number of insurers from 103 to 53 by January 2008.
- 2010 The Employee's Compensation Act, No 13 of 2010 created a state-run workers' compensation scheme run by the Nigeria Social Insurance Trust Fund (NSITF) management board.
- Banking regulations came into effect requiring banks to divest non-banking business including insurance. For those wishing to maintain an interest in the insurance sector it became necessary to set up a holding company structure.
- 2013 Microinsurance and takaful were both acknowledged by supervisory guidelines.
- A new Pension Reform Act came into effect on July 1 2014. The new Act replaced the Pension Reform Act of 2004
- 2015 The incoming government appointed a new commissioner of insurance, the first since 2007.
- Regulatory changes were adopted in 2017, after the National Pension Commission (Pencom) directed NAICOM to bring annuity assets under the custodianship of Pension Fund Custodians (PFCs) in October 2016.

- The National Insurance Commission (NAICOM) introduced specific microinsurance guidelines effective from 1 January 2018. Their main objectives are to regulate market entry and exit, set up minimum operating standards and ensure consumer protection in the area of microinsurance. The guidelines replace previous regulation, apply to all operators, including intermediaries and loss adjusters, within the microinsurance market and require a specific licences and qualifications.
- In mid 2019, firms had to gear up for additional potential regulatory changes as the NAICOM announcement that insurance companies needed to further increase their capital bases, in line with the introduction of the Minumum Paid-up Share Capital Policy. This indicated that life insurance companies have to raise their minimum capital base to NGN8.0bn (from NGN2.0bn in 2017).
- As part of its drive to enforce the application of compulsory classes and increase insurance penetration, NAICOM then issued draft operational guidelines for the introduction of state insurance producers (SIP) in November 2018. Effective 1 January 2019 the SIPs would have been a new type of insurance intermediary, under the jurisdiction of the country's 36 states, with a focus on the placement and management of compulsory covers within those states. The proposal was immediately challenged by the Nigerian Council of Registered Insurance Brokers (NCRIB) and withdrawn by NAICOM on 20 December 2018. Commenting on these developments some sources felt that NAICOM did not sufficiently involve market players in what would have been major structural changes to the market.
- In April 2020, Tremendoc and AXA Mansard Health Limited announced a strategic partnership to provide AXA Mansard customers 24/7 access to licenced doctors on its mobile application through chat, audio and video calls.
- In February 2020, Tangerine Life (formerly Metropolitan Life Insurance Nigeria) acquired a majority stake in ARM Life Insurance.
- In August 2020, Verod Capital Management Limited announced that it completed the acquisition of 100% of Nigeria's AXA Mansard Pensions Limited.
- In response to a lockdown caused by the Covid-19 pandemic, in 2020, companies such as Old Mutual launched electronic channels to ensure customers can make claims through digital e-commerce web portals.
- In February 2022, FSD Africa and Nigeria's NAICOM partnered to launch BimaLab, which is an accelerator programme aimed to boost development and adoption of digital solutions in the insurance sector, with the aim of increasing the coverage of insurance in the country.
- In May 2022, Nigeria passed the National Health Insurance Authority Bill 2022, a new insurance law aimed at expanding coverage for 89.0mn vulnerable citizens unable to afford the costs of health care.
- At least 16 insurance companies have been given approval by the National Insurance Commission (NAICOM), to underwrite agricultural insurance across the country.
- In December 2022, Regulator eases rules to allow insurers to partner with more than 1 bank according to the revised bancassurance guidelines released by NAICOM.
- In 2023, The National Insurance Commission (NAICOM) has revealed that it has drawn up a 10-year strategic roadmap for the insurance market to elevate the industry.
- The National Insurance Commission (NAICOM) has licensed eight microinsurers and four takaful companies in a bid to improve financial inclusion gap.
- The National Insurance Commission (NAICOM) has released regulatory sandbox operating guidelines, that came into effect on 1 May 2023.
- The National Economic Council has strongly advised Nigeria to implement a national insurance policy against disasters, Minister of Budget and Economic Planning, Atiku Bagudu, said at a media briefing after the 137th council's meeting.
- The National Insurance Commission (NAICOM) is encouraging insurance companies to reduce their environmental footprint in their internal operations and business activities.
- The insurance industry is at the finalisation stage of the risk-based supervision (RBS) system, according to head of corporate communications and market development at NAICOM.

- The federal government and the National Insurance Commission (NAICOM) have started discussions to establish new guidelines for the insurance of government assets.
- Insurance companies in Nigeria have yet to implement International Finance Reporting Standard 17 (IFRS 17), although insurers in several other countries around the world started to adopt the standard from 1 January 2023. Several insurance companies operating in Nigeria have missed the deadline set by NAICOM for the full implementation of the new IFRS 17 accounting standard. Insurers were required to adopt the new accounting framework by 31 December 2023.
- In February 2024, members of the House of Representatives called for review of the current disaster policy framework for national development to put in place a new national disaster insurance scheme to ensure public confidence.

Insurance Regulator

National Insurance Commission (NICOM) http://naicom.gov.ng
It is part of the Federal Ministry of Finance and was formed in accordance with National Insurance Commission Decree, No 1 of 1997.

- *The functions of NAICOM include establishing standards for the conduct of insurance businesses, approving rates for insurance premiums and commissions, as well as standards and warranties, and regulating transactions between insurers and reinsurers inside and outside Nigeria. NAICOM also ensures adequate protection of strategic government assets and other properties, and protects insurance policyholders, beneficiaries and third parties to insurance contracts.*
- *The inspectorate department of NAICOM carries out routine and special investigations of operators to ensure that they operate according to the provisions of the relevant Regulation and Policy Guidelines set out in the 2003 Insurance Act. In serious cases of breach of the provisions of the law and insolvency, the Commission has powers to suspend an operator from carrying on business, withdraw licences, take over the management, or liquidate the company or firm.*

Key Insurance Legislations & Regulations:

The following regulatory provisions govern the insurance sector in Nigeria:

- 1997 NAICOM Act: Established the Committee and outlined its objectives and functions, as well as dealing with failed and failing insurers.
- 2003 Insurance Act of 2003: Defined different types of insurance, set penalties for individuals not having insurance and regulated the process of obtaining insurance protection. It also laid out the process for registration of insurers and stipulated the types of investments they can hold.
- the Code of Corporate Governance for Licensed Pension Fund Operators 2008;
- PenCom's Regulation for Compliance Officers (April 2009);
- 2010 Local Content Act: Aimed to increase the participation of Nigerian insurance companies in the insurance of oil and gas risks. The law requires that all life insurance, 70.0% of non-life insurance and 40.0% of marine insurance businesses are underwritten locally.
- Basic of solvency margin operational Guidelines, 2011.
- the Code of Corporate Governance for Public Companies 2011;
- the Central Bank of Nigeria (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulations 2013;
- the National Insurance Commission (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulations 2013;

- the Operational Guidelines 2013 – Takaful Insurance Operators;
- the Prudential Guidelines for Insurers and Reinsurers (July 2015);
- 2014 Pension Reform Act: Stipulated that Nigerian employers must contribute to employees' pensions if they employ more than 15 staff members. This act also repealed the 2004 Pension Reform Act.
- the Central Bank of Nigeria's Revised Guideline for Finance Companies in Nigeria 2014;
- Microinsurance guidelines 2018: Their main objectives are to regulate market entry and exit, set up minimum operating standards and ensure consumer protection in the area of microinsurance.
- the Amended Investment Regulations – February 2018;
- the Nigerian Code of Corporate Governance 2018;
- the National Pension Commission (PenCom) Data Privacy Policy;
- the Federal Competition and Consumer Protection Act Merger Review Regulations 2020;
- the Corporate Governance Guidelines for Insurance and Reinsurance Companies in Nigeria 2021;
- National Health Insurance Authority Bill 2022, a new insurance law aimed at expanding coverage for 89.0mn vulnerable citizens unable to afford the costs of health care.
- Bancassurance guidelines 2017 and its recent modification to bancassurance practices came in December 2022, when NAICOM published new guidelines for the distribution channel.
- the Nigerian Insurance Industry ICT Guideline (N3IG) Version 1.0;

Compulsory Insurances

List of Compulsory Insurances

- Workers' compensation (state scheme).
- Motor third party bodily injury.
- Nigerian waters.
- Property owners' liability cover against collapse, fire, earthquake, storm and flood for buildings to which the public have access.
- Third party liability for construction projects of more than two floors.
- Marine cargo imports.
- Liability for vessel and tanker owners against oil pollution of
- Aviation liability insurance.
- Professional indemnity for insurance brokers.
- Professional indemnity for healthcare providers.
- Fidelity guarantee insurance for banks.
- Liability insurance in respect of clinical trials.
- Shipowners' liability against marine oil pollution (financial guarantee or insurance).

Pools:

The pools operating in the Nigerian market are as below.

- **The National Liability Pool:** deals with risks such as third party motor liability, directors' and officers' liability, product liability and other more specialist liability covers.
- **The African Aviation Pool:** is managed by Africa Re. Membership is taken from companies across Africa.
- **The African Oil and Energy Pool:** is managed by Africa Re. Membership is taken from companies across Africa.
- **The Energy and Allied Risks Insurance Pool of Nigeria (EAIPN)** was inaugurated in January 2015. The pool managed by Africa Re, was set up with the assistance of NAICOM .

Insurance Professional Bodies:

- **The Nigerian Insurers Association (NIA)** represents the majority of Nigerian insurers and reinsurers. This organization is involved in setting standards for the industry, protecting the interests of its members and liaising with the government and NAICOM. A major NIA project is currently establishing an industry-wide database to reduce fraud including the use of false motor and marine insurance certificates.
- **The Nigerian Council of Registered Insurance Brokers (NCRIB)** was established in 1962 to advance the interests of the broking sector of the industry. It is associated with the NIA and NAICOM. The NCRIB arbitrates between the individual organizations within its own membership and also between its members and third parties.
- **The Institute of Loss Adjusters of Nigeria (ILAN)**.
- **Risk Managers Association of Nigeria (RMAN)**.
- **The Chartered Insurance Institute of Nigeria (CIIN)** founded in 1959 closely liaises with the CII of the UK on examination matters.
- **The Professional Insurance Ladies Association of Nigeria (PILA)**

NIGERIAN INSURERS ASSOCIATION

FOUNDED 1962

Form, Company Registration and Licences

- A license is required to operate in the Nigerian insurance industry. Since the establishment of insurance companies in the country is supervised and regulated by the NAICOM, an application for registration as an insurer should be made to them in a prescribed form, accompanied by a business plan and such other documents as the NIACOM may direct from time to time.
- Separate licences are issued in respect of life, non-life and reinsurance business. Composite companies are permissible; life and non-life insurances are, however, subject to separate licensing applications. If the NAICOM is satisfied that the applicant is meeting the stipulated conditions, it will register the applicant as an insurer and will issue a certificate of registration.
  Where such company is incorporated or established, approval for new products must first be sought and obtained before they may be introduced into any class or category of insurance.

Foreign Ownership:

There are currently no restrictions on foreign investment in insurance sector organizations, which may be up to 100%.

Capital Requirements

In order to solidify Nigerian insurers, NAICOM moved to increase the minimum capital requirements. In May 2019 it published a circular increasing the minimum capital for companies across the market. Life insurance underwriting firms would have to raise their minimum capital from N2bn ($4.8m) to N8bn ($19.1m), while general or non-life insurance underwriting firms were expected to increase theirs from N3bn ($7.1m) to N10bn ($23.8m).
Nigerian insurers were expected to be in compliance with the change as of June 30, 2020, although this deadline was later pushed back to December 31, 2020. The pandemic led NAICOM to extend the deadline further for insurers, stating that capital increases could be done in two phases and would have to be fully completed by December 2021. However, in July 2022 the Federal High Court of Lagos ruled that NAICOM did not have the authority to unilaterally raise the minimum capital requirements for insurers without first amending the Insurance Act of 2003.

As of May 2023 the new minimum capital requirements for insurance companies had yet to be implemented. If enacted, the new limits would help insurance companies be more financially stable and increase public trust in the sector. Smaller operators would likely merge or be absorbed by competitors.

- **Position of Non-Admitted Insurers:**

Non-admitted insurance is not permitted in Nigerian insurance industry. However, exceptional risks can be insured with unauthorized insurer, provided prior approval is obtained from NAICOM.

- **Risk Based Capital –insurers:**

In furtherance of the Commission's commitment towards the transition to Risk-Based Supervision (RBS), beyond the rudimentary observance of rules in the compliance-based supervision, a comprehensive Framework for risk-based supervision is approved for the regulation of the industry as well as the RBS Inspection Manual covering the pre and post inspection activities. In the same vein, several regulatory guidelines and circulars including the code of corporate governance were issued by the Commission to ensure strong and efficient governance, internal control and good market conduct practices in the sector.

- **Statutory Tariffs**

Other than for compulsory motor liability cover, there are no statutory tariffs.

- **Reinsurance Business:**

- Reinsurance in Nigeria is governed by the Insurance Act, No 1 of 2003. This act specifically states that no person may transact insurance or reinsurance business with an insurer or reinsurer not registered in terms of the act.
- Circular No NAICOM/DPR/CIR/25/2019 titled Minimum Paid-up Share Capital Policy for Insurance and Reinsurance Companies in Nigeria was issued by NAICOM on 20 May 2019. It increased the minimum paid-up share capital for reinsurance companies from NGN 10bn (USD 31.74mn) to NGN 20bn (USD 63.47mn).
  The legislation states that for new companies 50% of the minimum prescribed paid-up share capital must be deposited with the central bank on application. On registration 80% is returned with interest. Existing companies had to deposit 10% of the minimum prescribed paid-up share capital with the central bank.
- Section 4 of the Prudential Guidelines for Insurers and Reinsurers in Nigeria, 2015 regulates the requirements of reinsurance and the process to be followed for reinsurance placements abroad.
  International Reinsurance (Inwards): A lot of foreign business is derived from the various African pooling arrangements. Africa Re accepts a lot of inwards business from outside of Nigeria, but is not strictly speaking a Nigerian company given its special status. The local reinsurance companies, especially Continental Re, accept international inwards business, but there are no market statistics to indicate the amounts involved.
- It is mandatory for 5% of the treaty programme to go to Africa Re.
- Under the terms of the Nigeria Oil and Gas Industry Content Development Act, signed into law on 23 April 2010, non-life insurances, with the exception of marine insurance, in respect of the local hydrocarbons industry must be placed 70% with the local insurance industry. Marine insurance is required to be placed 40% in the local market. A local broker must be used.
- There are no specific requirements in respect of reinsurer security or financial rating for reinsurers, other than for oil and gas reinsurances where capacity is provided by a foreign reinsurer, in which case it shall be with a company having a minimum financial strength rating of "A-" (Standard and Poor's) or "A" (AM Best).
- Reinsurance programmes are, however, subject to scrutiny by the supervisory authorities. Reinsurance programmes are also subject to the standard foreign currency controls.
- Under the terms of the Nigeria Oil and Gas Industry Content Development Act, signed into law on 23 April 2010, non-life insurances, with the exception of marine insurance, in respect of the local hydrocarbons

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- There are no specific requirements in respect of reinsurer security or financial rating for reinsurers, other than for oil and gas reinsurances where capacity is provided by a foreign reinsurer, in which case it shall be with a company having a minimum financial strength rating of "A-" (Standard and Poor's) or "A" (AM Best). Reinsurance programmes are, however, subject to scrutiny by the supervisory authorities. Reinsurance programmes are also subject to the standard foreign currency controls.
- Catastrophe excess of loss covers are available to the market but are not universally used. Catastrophe programmes cover the standard range of perils including earthquake, windstorm and flood.
- Non-admitted reinsurance is not permitted.
- Alternative risk transfer does not play a significant role in local insurance arrangements.

(B) Insurance Market Statistics & Performance

Number of insurance companies:

The latest figures published by the National Insurance Commission (NAICOM) indicate that the number of licensed insurance operators in Nigeria has gone up from 54 to 67 in 2023. The Nigerian insurance market now comprises.

12 composite companies, 27 non-life entities, 13 life companies,
3 reinsurers, 8 microinsurance companies 4 takaful companies

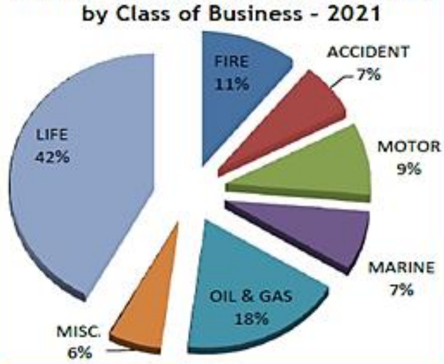
Life and Non-Life main indicators

Gross Premium Income: Non-Life & Life Businesses: 2017 - 2021

Currency: ₦ Million

Year	Fire	Gen. Accident	Motor	Marine &Aviation	Oil &Gas	Misce-lleneous	Life Business	Industry Total
2017	41,432.58	27,678.31	45,083.60	16,916.21	67,520.53	21,167.38	152,559.81	372,358.42
2018	45,036.60	28,782.71	40,149.33	26,472.04	82,236.87	22,733.62	180,799.76	426,210.93
2019	52,968.16	34,878.19	43,878.79	27,927.89	94,705.48	26,988.11	226,883.43	508,230.05
2020	47,888.27	36,587.63	47,515.23	33,107.78	91,877.70	25,735.09	231,876.15	514,587.85
2021	68,116.52	41,088.72	57,297.24	47,326.82	114,416.82	37,550.96	265,618.64	631,415.72

Distribution of Gross Premium Income by Class of Business - 2021



Annual Growth Rates of Net Premium Income (%)

Year	Fire	Gen Accident	Motor	Marine &Aviation	Oil &Gas	Miscellaneous	Life Business
2017	(3.7)	(7.1)	3.8	(2.6)	34.2	1.6	18.5
2018	18.3	(2.4)	(8.3)	39.5	57.1	35.4	19.9
2019	16.7	11.1	12.4	12.7	(6.5)	(2.9)	24.9
2020	(21.0)	15.4	8.7	(3.5)	(13.2)	14.3	2.2
2021	66.1	7.4	18.2	68.6	24.7	26.8	12.3

Source: NAICOM Annual Insurance Report 2021

Retention Ratios:

Retention Ratios for Non-Life and Life Insurance Business; 2017 To 2021

Year	Non-Life Insurance (%)	Life Insurance (%)
2017	57.6	91.0
2018	60.7	92.1
2019	56.3	91.7
2020	55.2	91.6
2021	55.7	89.8

Retention (%) of Non-Life Insurance by Class of Business

Year	Fire	Gen Accident	Motor	Marine &Aviation	Oil &Gas	Miscellaneous
2017	47.4	72.2	89.1	62.5	37.9	50.3
2018	51.6	67.7	91.8	55.7	48.9	63.4
2019	51.2	62.1	94.5	59.5	39.7	51.8
2020	45.1	68.3	94.9	48.4	35.5	62.1
2021	52.2	65.3	93.0	57.1	35.6	54.0

Claims Paid:

Gross Claims Paid - Non-Life & Life Insurance In: 2017 -2021

Currency: ~~N~~ Million

Year	Fire	General Accident	Motor	Marine &Aviation	Oil & Gas	Misce-lleneous	Life Business	Industry Total
2017	23,636.03	9,994.79	20,849.42	5,570.08	44,174.34	9,717.26	72,506.11	186,448.03
2018	20,348.49	11,175.70	17,455.64	13,303.84	51,141.10	7,052.83	131,712.61	252,190.21
2019	30,967.18	13,246.25	19,764.95	11,349.68	20,148.05	5,919.15	123,776.03	225,171.29
2020	33,626.45	14,945.24	19,068.71	12,922.09	35,182.12	8,182.53	123,307.79	247,234.93
2021	54,742.44	17,829.65	26,752.70	10,743.18	40,048.72	14,424.71	159,263.25	323,804.65

Premiums and Claims Statistics, 2021

Currency: ~~N~~ Million

Description	Gross premium	Net premium	Gross claims	Net claims
Non-Life Insurance Business	365,797.1	203,680.3	164,541.4	91,817.4
Life Insurance Business	265,618.6	238,622.9	159,263.3	150,361.7

Total Assets:

Total Assets 2017 - 2021

Currency: ~~N~~ Million

Year	2017	2018	2019	2020	2021
Non-Life Business	709,357.5	730,360.2	691,641.5	850,940.7	1,132,170.2
Life Business	419,116.3	599,585.9	833,461.0	1,201,282.3	1,089,577.2
Total	1,128,473.9	1,329,946.0	1,525,102.4	2,052,223.0	2,221,747.4

Source: NAICOM Annual Insurance Report 2021

▪ Top Nigerian Insurance Companies

Top 10 Life Insurance Companies in 2020

Gross Premiums, USDmn

	2015	2016	2017	2018	2019	2020
AIICO	126.0	87.5	37.3	87.0	121.4	131.9
FBN Life	50.5	39.1	63.4	84.9	122.6	108.9
Custodian Life	36.8	47.9	40.4	44.7	71.7	72.6
Leadway Assurance	162.2	124.6	200.4	181.5	181.2	64.4
Mutual Benefit Life	17.9	16.3	15.2	19.3	27.6	30.0
AXA Mansard	18.9	14.1	11.6	15.5	25.8	20.8
Capital Express	7.9	11.4	7.7	11.1	14.4	17.6
Lasaco	9.8	8.8	7.4	11.0	18.4	17.4
African Alliance	73.8	51.1	20.6	16.9	23.7	16.6
Cornerstone	11.3	7.1	5.4	8.6	12.5	15.5

Top 10 Non-Life Insurance Companies in 2020

Gross Premiums, USDmn

	2015	2016	2017	2018	2019	2020
Custodian And Allied	85.9	64.0	64.3	77.8	83.6	89.4
Leadway	101.4	85.0	76.6	98.8	114.2	85.7
NEM	55.6	41.9	43.0	46.9	62.7	60.4
AXA Mansard	63.6	56.4	57.9	59.6	65.3	55.9
AIICO	39.1	28.9	27.1	33.9	39.7	39.0
Zenith General	41.7	33.7	34.2	35.8	42.2	38.6
Royal Exchange Assurance	36.2	35.5	33.4	37.3	36.4	32.9
WAPIC	25.4	20.6	21.2	33.9	34.9	32.4
Sovereign Trust	37.0	26.7	27.1	34.3	35.4	31.0
Cornerstone	25.8	22.8	19.5	24.9	25.2	28.5

Source: *NAICOM Company Annual Report, Fitch Solutions*

Top 20 Nigerian insurance companies in 2022

Figures in thousands

Rank	Companies	2022 Turnover (1)		2021 Turnover		2021-2022 Evolution (2)
		NGN	USD	NGN	USD	
1	**Leadway Assurance**	92 529 579	206 341	70 624 353	171 617	30.97%
2	**AIICO Insurance**	88 323 333	196 961	71 646 427	174 101	23.28%
3	**Custodian and Allied Insurance**	74 032 988	165 094	66 228 179	160 934	11.78%
4	**AXA Mansard Insurance**	68 980 044	153 826	60 197 851	146 281	14.59%
5	**Mutual Benefits Assurance**	33 785 822	75 342	29 299 247	71 197	15.31%
6	**N.E.M. Insurance**	33 369 049	74 413	27 875 088	67 736	19.71%
7	**Cornerstone Insurance**	22 281 791	49 688	20 920 553	50 837	6.51%
8	**Coronation Insurance**	19 835 299	44 233	14 130 020	34 336	40.38%
9	**Sovereign Trust Insurance**	15 228 771	33 960	12 718 526	30 906	19.74%
10	**Lasaco Assurance**	13 908 476	31 016	13 282 516	32 276	4.71%
11	**Linkage Assurance**	12 979 789	28 945	11 161 499	27 122	16.29%
12	**Consolidated Hallmark Insurance**	12 815 006	28 577	10 500 388	25 516	22.04%
13	**Prestige Assurance**	12 443 817	27 750	9 274 005	22 536	34.18%
14	**Sunu Assurances Nigeria**	6 687 387	14 913	6 146 093	14 935	8.81%
15	**Universal Insurance**	5 666 321	12 636	3 701 938	8 996	53.06%
16	**Regency Alliance Insurance**	5 572 455	12 427	5 118 468	12 438	8.87%
17	**Veritas Kapital Assurance**	4 668 741	10 411	6 318 949	15 355	-26.12%
18	**Guinea Insurance**	1 359 246	3 031	2 125 000	5 164	-36.04%
19	**International Energy Insurance**	870 981	1 942	687 076	1 670	26.77%
20	**Royal Exchange Assurance Nigeria**	-650 477	-1 451	2 843 067	6 909	-122.88%
	Total	**524 688 418**	**1 170 055**	**444 799 243**	**1 080 862**	**17.95%**
	Rest of the market (3)	**201 511 582**	**449 371**	**171 800 757**	**417 476**	**17.31%**
	Grand total	**726 200 000**	**1 619 426**	**616 600 000**	**1 498 338**	**17.77%**

* This ranking covers the main Nigerian insurance companies listed on the stock exchange.

(1) Unaudited financial statements (2) Evolution in current currency (3) 31 companies

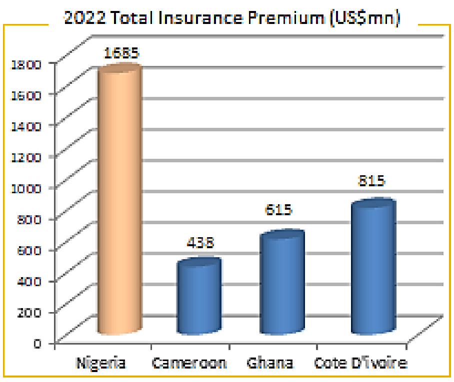
Exchange rate as at 31/12/2018: 1 NGN = 0.00274 USD ; at 31/12/2019: 1 NGN = 0.00274 USD ; at 31/12/2020: 1 NGN= 0.00261 USD ; 31/12/2021: 1 NGN = 0.00243 USD ; at 31/12/2022: 1 NGN = 0.00223 USD

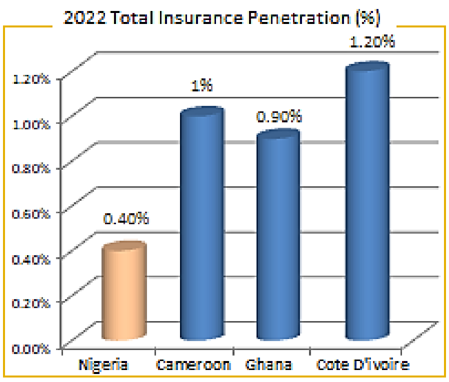
Sources : Companies Reports, African Financials

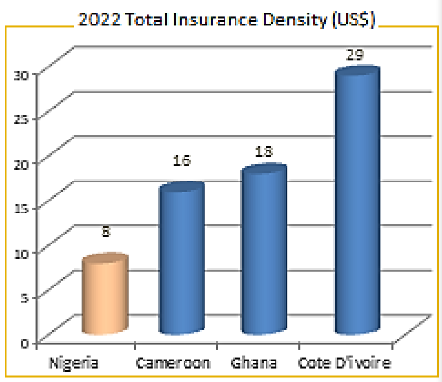
▪ Nigerian Insurance Market Key highlights 2022 & 2023

- The insurance sector had in the past 8 years witnessed 15 per cent annual growth from N282.9billion in 2015 to N726billion in 2022 with 33.9% increase in premium income according Nigerian Insurers Association (NIA). The market is expected to achieve a CAGR of more than 10% during 2023-2027.
- Leading insurance companies in Nigeria paid a total of N129.93 billion in net claims in the full year of 2022 as against N109.63 billion recorded during the comparable period in 2021. This means the insurance companies paid 39% of their premium income as claims expenses compared to 41% in 2021, a marginal decrease of 2%.
- Agents contribute 51% of the gross premiums generated in the insurance market, according to the national president of the Association of Registered Insurance Agents of Nigeria (ARIAN.
- NAICOM in its 3rd quarter 2023 Insurance market report, titled "Nigeria Insurance Market At A Glance – Q3, 2023" stated that Insurance companies generated N729.1 billion in premiums during the first 3 quarters of 2023, marking a substantial increase of N196 billion compared to the N532.7 billion generated in the corresponding period of 2022. According to NAICOM, the collected N729.1 billion falls short of the N1 trillion target set for the year by approximately N279 billion.
- The NAICOM report highlighted that insurance firms reported gross claims of N365.5 billion in the first 3 quarters of the year 2023, with net claims paid amounting to N259 billion. This represents a 24.9% increase compared to the N207 billion paid during the same period in 2022.
  The industry's claims ratios during the period under review showed that total claims to total premium was 59.1% ratio of claims paid to industry was 70.9% ratio of claims paid to non-life was 55.0% and ratio of claims paid to life was 94.9%.
- NAICOM identified key growth drivers in the industry during this period, citing individual life insurance (36.4% growth contribution) and group life insurance (34.5% growth contribution). Additionally, oil and gas contributed 28.9%, fire contributed 23.6%, and motor insurance contributed 18.1% to the overall growth.
- The total size of the industry, in the first 3 quarters of the year 2023, reached the N2.8 trillion mark, with non-life insurance accounting for N1.74 trillion in total assets and life insurance comprising N1.07 trillion in total assets.
- The industry's paid-up capital amounted to N422.3 billion.
- Total industry capital stood at N848.9 billion, and the statutory deposit was N26.7 billion. NAICOM also reported a 1.5% change in capital on a quarter-on-quarter basis and a 19.9% change in the months under review between 2022 and 2023.

➢ *NIGERIAN Insurance Market: Regional Comparison*







Source: SwissRe Sigma Explorer (ht(http://www.sigma-explorer.com)

➢ *NIGERIA: Banking and Insurance Market SWOT Analysis*

FitchSolutions

Strengths	▪ Nigeria's population is the largest population in Africa and will grow quickly over the medium term, increasing demand for banking services and insurance products. The increase in demand will also be supported by rising household incomes. ▪ The banking system is stable, in aggregate. Since the global financial crisis in 2009, the regulator has instituted reforms to promote financial stability, and increased the powers of the central bank. ▪ Nigeria is home to the continents first digital currency. The country also has the largest instant payments service in Africa, and the sixth largest globally. This is all helping increase financial inclusion. ▪ The country's sovereign wealth fund had total assets worth NGN1.2trn, as of end-2021, a 25.1% y-o-y increase, making it an impressive fund in the region.
Weaknesses	▪ Competition in the banking and insurance sectors is limited. The banking sector is highly concentrated in the hands of a few domestic banks, with the top three banks holding around 55% of total assets. For some of the top banks, solvency is a concern. This is also the case for the insurance sector, specifically the life segment, with the top three insurers account for 39.8% of the total market share. ▪ Banking security is weak, and even the country's largest banks are at risk from hacking and fraud loss. Eight banks lost NGN1.9bn to fraudulent activities in 2020. This is becoming an increasing issue, as electronic banking becomes more popular, but there is inefficient supervision, a lack of KYC, and poor oversight by banks and regulators. ▪ Low household incomes, with 40% of households living below the poverty line, currently limits the capacity for spending on non-compulsory insurance or financial planning products. ▪ The economy is overly dependent on the oil sector, which means that any downturn in oil prices negatively affects growth in lending and insurance underwriting, because some of the country's key borrowers and consumers of insurance are oil and gas companies. Nigeria lost USD1.0bn in Q122 due to oil theft and vandalism.
Opportunities	▪ Fintech may promote the adoption of financial services among an underbanked population. Nigeria is currently home to five out of a total seven unicorns in Africa, and we expect further investment in the country's fintech industry over the coming years. ▪ Educating the young and growing population about the value of financial services provides growth opportunities in the medium term since their incomes are rising and life expectancy is higher. ▪ Compulsory group cover for employers provides potential for growth in corporate business and gradually improves knowledge of insurance in the population. ▪ The pandemic showed that the diversification of the economy away from the oil sector may reduce the volatility in the growth caused by the fortunes of that industry. ▪ The redesigning of the bank notes at the end of 2022 will help bring more into the formal banking sector, will mop up excess cash in circulation, improve money laundering and terrorist financing monitoring and increase mobile and digital banking transactions.
Threats	▪ The unstable security situation in Nigeria limits both economic and income growth, which ultimately drive the demand for financial services. In 2021, 2,600 civilians were killed by armed groups, an increase of 250.0% y-o-y. ▪ The recent grey listing of Nigeria by FAFT, as the country failed to comply with money laundering and terrorist financing standards, will increase the cost of local bank transactions with the rest of the world given their higher risk profile. ▪ Economic growth is expected to slow this year and inflation will remain elevated. This will reduce household disposable incomes and weigh on corporations' profits, which will reduce demand for financial services. ▪ Nigeria's human capital development ranks among the worst globally, according to the World Bank, estimating children will grow up to achieve just 36.0% of productivity they could achieve with full health and education, the seventh lowest in the world. This will weigh on all sectors of the economy, including banking and financial services.

Source: Nigeria Banking & Financial Services – Business Monitor Online, 24 March 2023

➢ *NIGERIA: Insurance Market Forecast:*

FitchSolutions

- We forecast growth of 20.6% y-o-y for total gross premiums written in Nigeria in 2023, up from growth of 15.0% in 2022, before slowing to 19.7% in 2024. This will be boosted by high inflation and depreciation of the naira in 2023.
- For the life sector, we forecast growth in premiums written of 26.5% in 2023, up from 16.4%recorded in 2022, before slowing slightly to 24.5% in 2024. We forecast premiums written to average 12.7% for the period 2025-2032, below the pre-pandemic five-year average of 21.5%. This will largely be driven by rising levels of disposable incomes, which in turn will drive up demand in investment life products.
- Meanwhile, we forecast premium growth in the slightly larger non-life insurance sector of 16.3% in2023 and 15.8% in 2024, following growth of 14.1% in 2022. We forecast premiums written to average 12.3% for the period 2025-2032, above the pre-pandemic five-year average of 7.4%.
  Non-life insurance will see its markets share of total gross premiums written continue to fall slightly, down from an estimated 55.4% in 2023.

Gross Insurance Premiums Written (Nigeria 2021-2026)

Indicator	2021e	2022e	2023f	2024f	2025f	2026f
Gross life premiums written, NGNbn	273.87	302.48	334.70	375.71	419.56	467.66
Gross life premiums written, NGN, % y-o-y	8.4	10.4	10.7	12.3	11.7	11.5
Gross non-life premiums written, NGNbn	330.17	353.22	377.25	403.57	431.81	461.68
Gross non-life premiums written, NGN, % y-o-y	6.7	7.0	6.8	7.0	7.0	6.9
Total gross premiums written, NGNbn	604.04	655.70	711.96	779.28	851.38	929.34
Total gross premiums written, NGN, % y-o-y	7.5	8.6	8.6	9.5	9.3	9.2

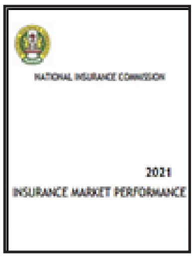
Fitch Solutions/NAICOM

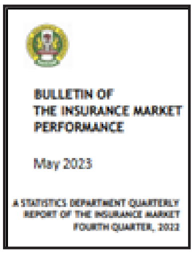
Gross Insurance Premiums Written (Nigeria 2027-2032)

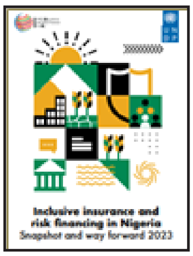
Indicator	2027f	2028f	2029f	2030f	2031f	2032f
Gross life premiums written, NGNbn	521.52	583.60	660.82	735.86	824.62	923.10
Gross life premiums written, NGN, % y-o-y	11.5	11.9	13.2	11.4	12.1	11.9
Gross non-life premiums written, NGNbn	493.15	529.64	571.86	610.93	657.90	709.68
Gross non-life premiums written, NGN, % y-o-y	6.8	7.4	8.0	6.8	7.7	7.9
Total gross premiums written, NGNbn	1,014.66	1,113.24	1,232.68	1,346.79	1,482.52	1,632.78
Total gross premiums written, NGN, % y-o-y	9.2	9.7	10.7	9.3	10.1	10.1

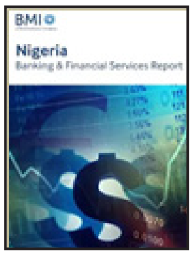
f = Fitch Solutions forecast. Source: NAICO, Fitch Solutions

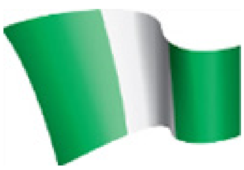
References & Resources











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2023

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2022

Kenya | Saudi Arabia | Turkey | Zimbabwe

2021

Belarus | Egypt | Tunisia | South Korea

2020

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2019

Indonesia | Kazakhstan | Morocco | Sierra Leone

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