FEDERATION OF AFRO-ASIAN INSURERS AND REINSURERS
F.A.I.R.

FAIR Review

Issue No. 183 - March. 2020

Uzbekistan

An Insurance Market that is Poised for Strong Growth

- Using Key Performance Indicators (KPIs) in Inclusive Insurance Supervision


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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 international insurance cooperation by promting 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.

FAIR's added value is based on:

- 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 Members free of charge. It is devoted to disseminate the research work, articles and information, to enhance professional knowledge among insurance professionals.

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Contents

Global News

• Global insurance industry: Evolution of market size per region (2010-2018)

Figures in millions USD

Year	America	Asia	Europe	Oceania	Africa	World
2010	1403784	1172175	1615190	63072	81466	4335687
2011	1497703	1278786	1625442	94958	69274	4566163
2012	1566617	1333298	1540685	86879	71472	4598951
2013	1561461	1251992	1620133	89752	70294	4593632
2014	1576073	1313874	1695091	99557	70116	4754711
2015	1593791	1351566	1491430	96951	63942	4597680
2016	1616070	1486575	1448819	91968	59408	4702840
2017	1864900	1448800	1486600	92000	65200	4957500
2018	1759900	1742500	1499800	122700	68400	5193300
Market shares 2018	33.89%	33.55%	28.88%	2.36%	1.32%	100%

Source : Sigma

• *Cyber exclusions becoming ‘unduly restrictive’, warns Marsh*

By Stuart Collins

Moves to address silent cyber in the property insurance market are overreaching and could leave buyers with gaps in coverage, Marsh JLT Specialty has warned.

Prompted by the UK regulator, London market insurers are reviewing cyber exposures under traditional insurance. They are taking action to clarify wordings as they move from silent, or non-affirmative, cyber cover to affirmative. These actions, which typically involve the application of broad cyber exclusions, have accelerated since **Lloyd’s told the market’s insurers in July** that they must address silent cyber in property cover from 1 January 2020. Other large, **global insurers such as Allianz Global Corporate & Specialty and AIG** are also moving to tackle the issue.

Given the complexity of cyber risk and the relatively short deadline thrown down by Lloyd’s, it appears that insurers’ actions to address silent cyber are overly cautious.

Some cyber exclusions being applied to property policies to address silent cyber are “overreaching and unduly restrictive”, according to Sarah Stephens, cyber, media and technology leader at the UK financial and professional practice of Marsh JLT Specialty in London.

A number of broad cyber exclusions – such as London market model CL 380 – exist for property cover, but these typically relate only to malicious cyberattacks, she explained. However, Lloyd’s now requires syndicates to provide clarity of cover for both malicious and non-malicious cyber events, such as outages or data loss from technical glitches or human error. This discrepancy “opens the door” to cyber risk becoming “all things technology-related”, warned Ms Stephens.

The changes being proposed to property policies in the run-up to January 2020 renewals have revealed a “fundamental lack of understanding of cyber and technology risk” in the mainstream London market, she warned. The language proposed by insurers is “looking to cut technology out of property policies like cancer”, she added.

Sarah Stephens

Corporate insurance buyers can work around cyber exclusions like CL 380, but the current approach being taken by insurers is concerning, continued Ms Stephens. Another area of concern is insurers' "lateness in finalising their approach" to silent cyber, she said.

"If clients accept these over-broad exclusions, they will get larger gaps in cover," the broker warned. "There is a perception [among some insurers] that you can cut technology out of a property policy. But the use of technology in business is now inherent to every risk. This approach is not productive or realistic," she added.

Marsh is encouraging insurers to take a more client-centric approach when tackling silent cyber.

There are elements of cyber risk that can be excluded from property policies and transferred through cyber insurance, including intangible losses from technology failures and cyber risk controls, but Ms Stephens believes physical damage caused by cyber risk is best dealt with in the property market.

"Physical damage from cyber should be dealt with within the property market, but business interruption, breach response expenses and the cost of regulator investigations and litigation can be dealt with effectively in the cyber insurance market," she said.
As property insurers exclude cyber risks, some offer add-on coverages or standalone cyber insurance to plug the gap. However, the cyber insurance market typically excludes property damage.

Ms Stephens explained that add-ons to property cover are unlikely to be "fit for purpose", because they will typically not be as broad as cyber insurance and not underwritten by dedicated cyber underwriters.

Moves to tackle silent cyber come as the number of companies buying cyber insurance continues to rise. A recent study by Marsh found that 47% of organisations worldwide say they have cyber insurance, up from 34% in 2017. Larger firms are more likely to have cover in place. Some 57% of companies with revenues in excess of $1bn had a cyber policy, compared to 36%

of those with revenue of less than $100m, according to the Marsh figures. The broker estimates that 60% of FTSE 100 companies now buy cyber insurance.

"The number of companies purchasing cyber insurance is accelerating due to awareness of the GDPR, and with growing awareness of non-privacy related risks like supply chain failure and business interruption," said Ms Stephens. Cyber events like the 2017 NotPetya malware attack have opened eyes to a "whole new world of cyber risk", she added.
A recent survey of more than 1,500 global business leaders by Marsh and Microsoft found that concern over cyber risk continues to rise, but confidence in cyber resilience is decreasing. More than three quarters (79%) of respondents ranked cyber risk as a top-five concern for their organisation, up from 62% in 2017. However, those saying they had "no confidence" in their understanding of cyber risk increased from 9% to 18%.
The survey also found that while companies have increased their second line of defence, board-level engagement in cyber risk remains worryingly low. According to Ms Stephens, senior oversight of cyber risk in many organisations is still lacking, with boards spending too little time on the risk. Only 17% of executives that took part in the Marsh Microsoft survey said they spent more than a few days on cyber risk during the past year.

According to Jano Bermudes, head of cyber risk consulting at Marsh in the UK and Ireland, boards require information in order to "pull the levers" that will reduce cyber risk. However, information on cyber risk is often not "contextual" to business and values at risk, he said. There is significant investment in cyber resilience but, going forward, companies need to be able to measure the effectiveness of future spend on cybersecurity, added Mr Bermudes.

Ms Stephens also believes that cyber risk needs to be better quantified and communicated to boards. "There is an opportunity to increase board awareness and speak to the board [members] in their own language. To translate technical information on cyber should be translated into dollars and pounds – into the cost to the company," she said. ■


Jano Bermudes

Source: Commercial Risk - 4 November 2019

• *A Practical Overview of ICC Incoterms 2020*

Article by Eurof Lloyd-Lewis and Benjamin Bryant (Clyde & Co)

ICC Incoterms® regulates the rights and obligations of buyers and sellers in international trade. This includes the transfer of goods to the buyer, transport costs, liability for loss and damage to the goods and insurance costs. They are recognized worldwide and of great importance in foreign trade.

On 10 September 2019, the International Chamber of Commerce (the "ICC") released Incoterms 2020, the ninth version of the Incoterm Rules on domestic and international trade, which will enter into effect on 1 January 2020. This article highlights the main changes made by the ICC and aims to provide practical advice to sellers and buyers wishing to incorporate the new terms into their sale and purchase agreements.

1. Overview of Incoterms 2020

a) Overview of Incoterms 2020

Incoterms 2020's purpose remains to facilitate the conduct of global trade by providing a standard set of terms that clearly define the obligations of the seller and the buyer. The ICC's stated aim is to increase the parties' understanding of their respective positions thereby reducing the potential for disputes, whilst accommodating current industry concerns.

As with previous versions, Incoterms 2020 cover:

i. the parties' obligations to arrange for the carriage and insurance of the goods;
ii. the point at which goods are "delivered", and the point at which risk in the goods for loss or damage is transferred from seller to buyer; and
iii. the various costs associated with the transportation of the goods.

They do not address other key commercial considerations, which are left for parties to address in the sale contract. These include:

i. transfer of title over the goods;
ii. contractual payment terms (distinct from costs associated with transportation of the goods);

iii. consequences for breach of performance;
iv. sanctions;
v. governing law and jurisdiction;
vi. dispute resolution; and
vii. regulatory obligations, e.g. the shippers' obligation to record containers' verified gross mass (VGM), under Regulation 2 of SOLAS.

b. Legal effect

Incoterms 2020 per se are not legally binding, unless they are incorporated into an agreement by express reference to the specific Incoterm.

The ICC suggests the following template for incorporation:

"[the chosen Incoterms rule] [named port, place or point] Incoterms® 2020"

e.g. CIF Shanghai Incoterms® 2020; DAP 1 High Street, City of Delivery, Country of Delivery Incoterms® 2020

When adopting the above formulation, parties should note the following:

i. It is not necessary to use the trademark symbol but it is essential to state the version of Incoterms used, otherwise a dispute could arise as to the correct version and lead to a different outcome to that intended.
ii. Parties must insert the correct "named port, place or point", which may refer to the place of delivery, the place of destination or both, depending on the Incoterm chosen. To avoid confusion, parties should always consult article A2 ("Delivery") of the appropriate section of Incoterms 2020.
iii. Incorporation of an Incoterm 2020 into a sale contract will not bind any third party, or govern any other contract; it is for the seller and / or the buyer alone to ensure that any contract of carriage, insurance contract or letter of credit entered into, corresponds with the Incoterm they have agreed.

2. Differences between Incoterms 2010 and Incoterms 2020

a. Substantive changes to Incoterms 2020

The ICC has made the following substantive changes to the parties' obligations in response to industry concerns:

(i) Bills of Lading with an on-board notation (FCA - Free Carrier)

Articles A6/B6 ("Delivery/transport document") of the FCA Incoterm now provide that, where agreed, the buyer may instruct the carrier to issue to the seller (at the buyer's cost and risk), an on-board bill of lading stating that the goods have been loaded.

As delivery under the FCA Incoterm occurs either at the seller's premises, or when the goods are placed at the carrier's disposal at the named place of delivery, it may not have been possible, under the previous version, for the seller to obtain an on-board

bill of lading where this was required as a condition of payment. This amendment seeks to resolve this issue.

(ii) Costs (articles A9/B9)
In a further attempt to increase transparency and to enable a comparative understanding of the parties' cost obligations, the new costs articles A9/B9 – previously A6/B6 – collate under a single heading all of the parties' respective costs obligations.

(iii) Insurance cover (CIP - Carriage and Insurance Paid to)
As well as the reallocation of all insurance obligations from former articles A3/B3 to new articles A5/B5, the default minimum level of insurance cover required under the CIP Incoterm has increased, from Institute Cargo Clauses (C), to Institute Cargo Clauses (A). Under Incoterms 2010, both CIF and CIP Incoterms required the seller to procure insurance cover which conformed with Institute Cargo Clauses (C) as a minimum, which covers certain limited listed risks, subject to listed exclusions. Institute Cargo Clauses (A) is by comparison an "all risks" cover but subject again to listed exclusions. The amendment reflects a better understanding of the types of goods commonly transported under the two Incoterms: while CIF is a Maritime Rule, used predominantly for maritime commodity trades, CIP is a Multi-Modal Rule, more commonly used in the sale of high-value, manufactured goods. Sellers will therefore need to factor in the increased cost of the additional insurance premium that is required under CIP.

(iv) Carriage by seller's/buyer's own means of transport (FCA, DAP, DPU and DDP)
Under the FCA, DAP, DAT (now DPU) and DDP Incoterms 2010, the party under the obligation to arrange carriage was required to contract with a third party carrier. The wording of new articles A4/B4 for these Incoterms now provides the party so obliged with the additional option to make other arrangements, i.e. non-contractual, for the carriage at its own cost. This amendment again seeks to recognise the commercial reality that sellers and buyers often use their own methods/resources to transport the goods.

(v) "Delivered At Terminal" (DAT) replaced by "Delivered at Place Unloaded" (DPU)
To better distinguish Incoterms 2010 DAT ("Delivered at Terminal") and DAP ("Delivered at Place"), DAT is renamed DPU ("Delivered at Place Unloaded") under Incoterms 2020. DAP now also appears before DPU in the text to reflect the fact that delivery under DAP occurs before delivery under DPU. Under DAP, the goods are deemed delivered when placed at the buyer's disposal from the means of transport, whereas under DPU, goods are deemed delivered upon unloading at the agreed point. Additionally (unlike DAT), delivery under DPU is no longer limited to delivery at a terminal.

(vi) Security-related requirements in respect of all Incoterms

In recognition of the increase in security-related concerns in the trade and shipping sectors over the past decade, article A4 ("Carriage") of each Incoterm now requires the seller, where applicable, to comply with any transport-related security requirements, up to the point of delivery, and/or to provide the buyer, at the buyer's request, risk and cost, with any information concerning transport-related security requirements, that the buyer needs for arranging carriage.

Article A7 ("Export/Import Clearance") of each Incoterm, where applicable, now also expressly requires the seller to carry out any security-related export clearance formalities and/or assist the buyer to obtain any documents, or information necessary, for complying with import or transit security-related clearance formalities. Transport-related security costs have also been given greater prominence in the stand-alone list of costs obligations under articles A9/B9 of each Incoterm.

Parties should note that the references to "security" in Incoterms 2020 are general; no specific reference is made to cyber security or other forms of security as might have been expected. Parties will need to specifically address this issue if they wish to include it in their contractual arrangements.

b. Changes to lay out in Incoterms 2020

Structurally, Incoterms 2020 appear much the same as the previous version: eleven three-letter acronyms, ranging from "EXW" (Ex-Works) to "DDP" (Delivered Duty Paid), which continue to be split between:

i. Terms for any Mode or Modes of Transport (namely EXW, FCA, CPT, CIP, DAP, DPU – previously DAT – and DDP) (the "Multi-Modal Rules"); and
ii. Terms for Sea and Inland Waterway Transport (namely FAS, FOB, CFR and CIF) (the "Maritime Rules").

Each individual Incoterm contains two sections of ten articles; section "A" stipulates the seller's obligations and section "B", the buyer's.

However, the ICC's attempt to make Incoterms 2020 more transparent is evidenced by the following changes:

i. The "Guidance Notes" contained in Incoterms 2010 are renamed "Explanatory Notes for Users" and feature at the beginning of each Incoterm. Illustrations and more detailed key features have been added.
ii. The A/B articles have been reordered, and now prioritize Delivery (A2/B2) and Transfer of Risks (A3/B3); and
iii. In addition, the text is structured so that users can also look up the parties' respective obligations (e.g. concerning Delivery) for each Incoterm thus enabling users to compare the parties' respective re-

sponsibilities (for example under CFR and CIF).

3. Comment

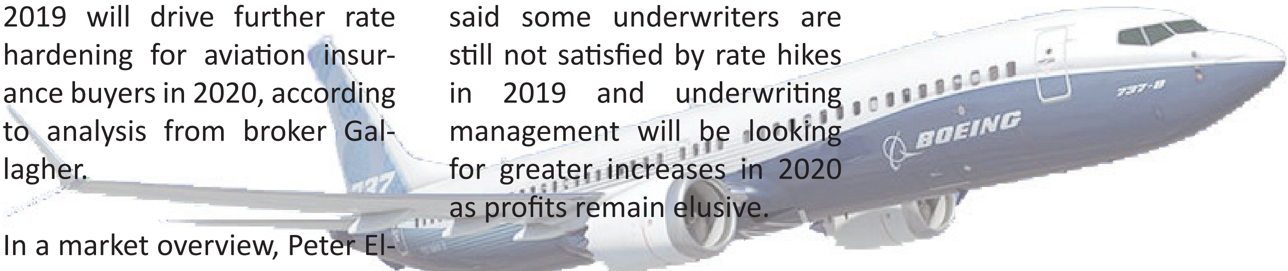
The changes brought about by Incoterms 2020, while not as extensive as expected by some industry observers, attempt to fulfil two objectives: first, to achieve greater clarity so as to enable parties to choose the most commercially suitable terms; second, to address a number of industry concerns that have arisen since the last edition.

When sellers and buyers consider their contractual arrangements for the sale of goods and the use of Incoterms 2020, we would recommend:

- Ascertaining whether Incoterms 2020 are appropriate/applicable; certain standard form contracts (e.g. GAFTA, FOSFA and RSA) expressly stipulate that Incoterms do not apply.
- Carefully considering which Incoterm most accurately reflects their commercial arrangement, in particular with regard to the place of delivery, the methods of transportation and the destination anticipated. The ICC warns against inserting Incoterms predominately as price indicators. Parties are advised to make use of the new comparative structure of the text.
- Reviewing new arrangements with existing counterparties, prior to 1 January 2020, to identify whether replacement of an old version of their chosen Incoterm with the 2020 version of the chosen Incoterm, will impact on the parties' respective rights and obligations. Parties should avoid automatically incorporating Incoterms 2020 without reviewing them first.
- Resolving any uncertainty or ambiguity by drafting additional express terms into the sale contract. For example:
  * If any uncertainty exists regarding where delivery is due to take place (under the CIP or CPT Incoterms 2020, for example, the named place, port or point will state the destination and the not place of delivery, and could involve the transfer of the goods to a number of intermediary carriers, before physically reaching the buyer);
  * If the parties wish to amend certain default provisions within an Incoterm, but wish to retain other standard provisions; and / or
  * If parties wish to ascribe a certain meaning to "security". ■

Source: Mondaq – 30 October 2019

• *Aviation losses line up further insurance price hikes in 2020, warns Gallagher*



Large losses anticipated for 2019 will drive further rate hardening for aviation insurance buyers in 2020, according to analysis from broker Gallagher.

In a market overview, Peter Elson, CEO of aerospace at Gallagher, said 2019 could be one of the most expensive years on record for aviation insurers once figures are finalised. He said all segments were affected and the market looks set to make a loss.

The ten fatal airline losses in 2019 matched the number in 2018 but accumulative day-to-day claims – from ground collision to engine damage – raised losses for insurers, noted Gallagher. It explained that airline claims have equalled or exceeded written premium income for seven of the past ten years.

Insurance rate firming took off after the Ethiopian Airlines crash in March and the Boeing 737 Max accidents that followed, which also affected business interruption and product liability segments.

Aerospace underwriters were already under pressure to up prices and instil greater underwriting discipline, with buyers facing some of strongest rate increases in decades during 2019 renewals, according to Gallagher.

Nigel Weyman, the broker's global aerospace executive, said some underwriters are still not satisfied by rate hikes in 2019 and underwriting management will be looking for greater increases in 2020 as profits remain elusive.

"The general market consensus is that despite an uptick in rates, the majority of insurers are still below the premium adequacy levels that they consider essential to having a viable and sustainable business. Factoring in the backdrop of a poor loss year in 2019 and the likely prospect of increased reinsurance costs in the coming months, it is therefore very easy to anticipate that the upward cycle will continue into 2020 with underwriters maintaining their resolve and pricing discipline," he said.

But while meaningful rates have pushed through in 2019 and into 2020, the aviation insurance sector is still some way off the last true hard market of 2001/2002, Gallagher said.

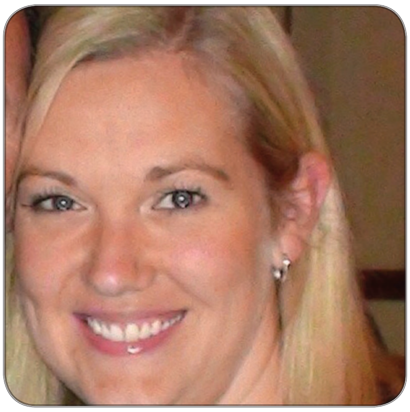
Although more costly, coverage remains broad and limits high, but buyers are still facing tough negotiations on terms. "Following markets are frequently demanding and increasingly getting higher terms than the leader and, due to a contraction of capacity and added underwriting selectivity, securing 100% support (at an acceptable price point for the client) can be challenging," Mr Weyman said.

BOEING

Gallagher

Peter Elson

Nigel Weyman


Claire Vincent

Some segments are facing tougher negotiations than others. Mr Weyman said manufacturer's product liability, which suffered some of the costliest aviation losses in 2019, is likely to be the toughest to navigate in 2020.

For airlines, double-digit increases have been set as a minimum benchmark for renewals. Gallagher said hull and liability rate increases averaged about 20% in 2019, rising to 25% in the fourth quarter of the year. Where an airline has incurred a recent loss, Gallagher said triple-digit rate increases have been applied, while on other accounts following underwriters have targeted price increases above and beyond that offered by the lead.

Aviation war coverage also saw a stronger uptick in rates as 2019 drew to a close, with war insurers absorbing the cost of the Malaysia Airlines hull claim for flight MH370. Compounding this loss, developments in the Middle East and the shooting down of a Ukraine International Airlines flight are weighing heavy on the sector, said Gallagher.

"War and all-risk insurers are monitoring the situation daily and are likely to request more detailed underwriting information when considering the coverage and premium charges. This is particularly relevant to any carrier that is flying into or over the Gulf region," it explained.

Double-digit increases were also common in the aerospace manufacturers and infrastructure line by the end of 2019. It started the year with flat to single-digit increases but shot up following the loss of two Boeing 737 Max 8 aircraft. Claire Vincent, senior partner of aerospace at Gallagher, said average premium increases for the segment sat at between 15% and 20% by year-end.

The market loss from the Boeing planes has not yet been determined, with legal proceedings ongoing and liability awards yet to be settled. But Ms Vincent said the current guesstimate is a combined loss figure of between $1bn and $1.5bn, most of which will fall on an aerospace sector that is estimated to have taken $800m in annual premium income during 2019.

In addition to rising rates, capacity has started to crunch for aviation buyers, said Gallagher. It said "alarm bells" rung in many broking houses as they faced the reality of lower capacity in segments such as general aviation following the withdrawal of players including MS Amlin and Asia Capital Reinsurance. But it noted that this was partly offset by new entrants such as Fidelis, Convex and Helvetia Specialty.

And it is not just primary buyers that are feeling the pinch. Gallagher said recent reinsurance renewals have pushed through higher premiums for insurers. The impact of this increase will be played out in 2020, the broker added. ■

Source: Commercial Risk – 21 January 2020

Africa News

• *Regulators across Africa tighten rules for insurers in bid to protect policyholders*

by Liz Booth

Insurance regulators across Africa have been tightening the rules and introducing tough new risk-based capital requirements, in a bid to improve the service to insureds.

In Nigeria, new rules announced by the Nigerian Insurance Commission (NAICOM) and set to be enforced in 2020 could mean the number of insurers halves in the next year.

Experts have been warning that insurers will need to find an extra $725m to meet the regulator's demands for better capitalisation.

According to reports from Coronation Merchant Bank, the number of active insurers could shrink from 59 today to nearer 25 by June 2020 – despite former insurance commissioner Mohammed Kari telling Commercial Risk Africa that he did not intend to shrink the market but instead have "strong insurers".

Guy Czartoryski, head of research at the investment bank, believes the industry is likely to have between six and eight foreign backed, if not majority foreign owned, leading insurance companies, complemented by between six and eight leading wholly indigenous Nigerian insurance companies.

The bank has sampled 38 existing players and found:

- ◊ 37% met Naicom's new capital requirements
- ◊ 25% reached at least 75% of Naicom's new capital requirements
- ◊ 11% met 50% of the capi-

tal requirements
- ◊ 27% did not even meet 50% of the capital requirements.

Meanwhile, along the coast in **Ghana**, the National Insurance Commission (NIC) has said all insurance companies have submitted plans to recapitalise their operations. The new rules were announced in June.

The Ghanaian insurance commissioner is set to impose a massive hike in capital requirements for the 142 regulated entities in the West African state.

Minimum capital requirements (MCR) will rise by more than 300% for insurers and reinsurers, while brokers will see a 60% increase in capital requirements.

Only reinsurance brokers will enjoy a freeze in existing capital requirements.

The regulator, Justice Yaw Ofori, said the commission will feed back to each firm individually from mid-November. Just a month later, he expects a final plan from each company, which then has until 30 June 2021 to meet the new requirements in full.

The commissioner said: "The mandate of the commission is to protect the interests of policyholders, by ensuring a financially strong insurance industry. The new MCR is one of the initiatives the commission is taking to achieve this.

Ghana's NIC has meanwhile allayed fears that a decline in insurance penetration rate will hurt the sector. According to the commission's 2018 report, the sector's penetration rate dropped from 1.12% to 1% – a situation the NIC attributed to the rebasing of the economy.

Mr Ofori said: "Now we have oil and gas and the agricultural sector is also doing well, so it doesn't mean that insurance is not doing well."

For Francophone Africa, the council of ministers of the Inter-African Conference of Insurance Markets (CIMA) introduced new rules, with a deadline for compliance of May 2019.

In **Cameroon**, the regulator reports 22 insurance companies out of 28 have increased their share capital to comply with CIMA requirements. The remaining six companies have two additional months to comply with the new minimum capital standards.

And in **Senegal**, Mamadou Deme, national insurance director at the Ministry of Economy, Finance and Planning, said that all 29 insurers in Senegal have responded favourably to the capital request, because practically all the companies have asked for authorisation to increase their capital.

NATIONAL INSURANCE COMMISSION

Mohammed Kari

Guy Czartoryski

Justice Yaw Ofori

Mamadou Deme

In **Ivory Coast**, Sanogo Bafétégué, deputy general manager of the Treasury and Public Accounts, was told by insurers that contractors all-risks insurance should be made compulsory.

Meanwhile, in **Zambia**, the Pensions and Insurance Authority (PIA) has developed new rules that it claims will better protect Zambian consumers. Among the PIA's recommendations is the drafting of insurance contracts in a simple language, the objective of which is to provide policyholders with a better understanding of the covers underwritten. A control unit has been set up to ensure the enforcement of these new rules.

And insurers have welcomed the news that the Namibian finance minister has tabled a Financial Institutions and Markets (FIM) bill, which will require insurance policies, certificates of coverage and any other relevant documents to be written in plain and simple language. The goal is to minimise conflicts and disputes.

The FIM bill, which has taken a decade to draft, consolidates about ten Acts, including the Long-Term
Insurance Act and the Short-Term Insurance Act. ■

Source: Vol. 7 | 02 - October/November 2019

• *Microinsurance market undergoes period of considerable change*

By MEIR team | 11 Nov 2019

Health insurance in Africa has experienced a boom in the last five years and consolidated into two distinct branches - insurers supporting comprehensive public schemes, on the one hand, and simple, complementary health products like hospital cash and health value-added services on the other, according to the "2018 Landscape of Microinsurance in Africa".

This latest study in the Microinsurance Network's World Map of Microinsurance Programme shows that in particular, hospital cash products (simple insurance products that offer a cash pay-out per night spent in hospital) have proved remarkably successful.

The 2018 Africa Landscape Study is based on 100 insurers' self-reported data on the performance of their microinsurance products as of 31 December 2017.

By 2017, health insurance products were responsible for the second largest proportion of reported lives covered in the region, at 4.3m lives covered. This corresponds to 28% of reported lives covered in that year, compared to just 14% of lives covered through health products in 2014. The 100 insurers, through their microinsurance activities, collectively covered a total of 15m lives — almost 2% of the estimated 700m in the low-income bracket in the continent.

Health insurance has joined life insurance as a product line capable of reaching significant scale. However, some other product types, particularly crop and livestock insurance, are still struggling to reach scale, with some important and encouraging exceptions.

The previous similar microinsurance study was carried out based on 2014 data. At that time, a new freemium model of distributing free insurance products and paid top-ups through mobile network operators (MNOs) reached its peak. Many schemes were signing up a million or more customers at a time, leading to a boom in the number of lives covered through microinsurance on the continent.

New business model

By 2017, the freemium model had largely collapsed and, with it, many large schemes covering millions of customers.

The 2018 report says that this sudden rise and fall in the number of lives covered likely disguises a slower and more durable growth through other models. Several MNO-linked schemes have abandoned the freemium model and proved successful by focusing on paid products. This is likely to continue as increased mobile money use facilitates premium payments.

In addition, new distribution opportunities are emerging through digital platforms, such as digital marketplaces, e-commerce and ride-hailing platforms. These are already being used by 12% of the insurers in this study. The industry may also be seeing a tentative shift towards combined sales models, in which insurers make direct sales to customers of partner institutions.

Claims

Claims ratios remain relatively low in most business lines apart from livestock and crop insurance. Nonetheless, the median claims ratio across all product lines of 45% represents a welcome return to previous levels, after the median claims ratio dropped to 25% in 2014.

Inefficient claims payments continue to be a problem in many countries and affect client experience. The median claims turnaround time for the region was 10 days. Nonetheless, turnaround times varied significantly from just one day to 90 days and there is a particular need to address slow turnaround times in property insurance, for which insurers in this study reported a median turnaround time of about two months. ■

Source: 11 November 2019

ALGERIA

• Natural disaster insurance, mandatory but secondary in Algeria

In Algeria, natural disasters insurance has become mandatory since 2003. Despite this compulsory nature and the high risk of earthquake, floods and hail, this cover accounted for only 4.3% of non-life insurance turnover in 2018. During the first half of 2019, this figure rose to 5.4%.

Although agriculture is one of the economic sectors that are very sensitive to climatic hazards, its insurance has faced difficulties to develop. In 2018, agricultural insurance reported a decreasing turnover by 5.8% in comparison with 2017. ■

Source: Atlas Magazine – 2 December 2019

• Takaful insurance in Algeria

The Finance Law 2020 art.103 authorizes the Algerian insurance companies to carry out a Takaful activity.

The future implementing legislations shall clarify the procedures for exercising such an activity. ■

Source: Atlas Magazine – 9 January 2020

• Introduction of a pollution tax

Article 84 of the 2020 Finance Act introduces a new tax called the pollution tax. Insurance companies are responsible for collecting this royalty on all motor insurance and rolling machines policies which is levied at the contract underwriting.

Pollution tax rates are set at:

- 1500 DA (12.5 USD) for passenger vehicles
- 3000 DA (25 USD) for other vehicles and rolling machines

The amount of the tax does not include the value-added tax (VAT) base. Its product is distributed as follows:

- 70% for the benefit of the state
- 30% for the benefit of the Solidarity and Guarantee Fund for Local Communities ■

Source: Atlas Magazine – 17 January 2020

ANGOLA

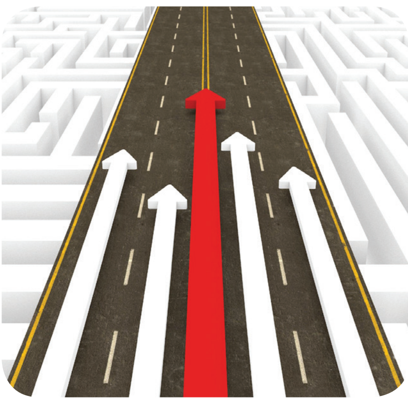
• Five companies dominate Angola's insurance market

The Angolan insurance market is dominated by five insurers: Saham, Ensa Seguros, Fidelidade, Nossa Seguros and Global Seguros.

From 2014 to 2018, these companies collected 451 billion AOA (1.45 billion USD) of premiums that is 75% of the market production. During the same period, the top five companies settled claims worth 261.9 billion AOA (843 million USD), 255.6 billion AOA (823 million USD) of which for non-life insurance and 6.3 billion AOA (20 million USD) for life.

In 2018, the top 10 companies issued 139.73 billion AOA (449 million USD) in premiums, that 92% of the total market. Angola counts 28 insurers. ■

Source: Atlas Magazine – 10 January 2020



CAMEROON

• Insurers concerned capital increase decision failed to consider profitability

Members of the Association of Insurance Companies of Cameroon (ASAC) are of the view that an increase in capital without taking into account the profitability of insurance companies could hinder the development of the insurance sector.

This is particularly so because the insurance coverage rate is below 50% in Cameroon, according to a commentary in Financial Afrik.

The Inter-African Conference of the Insurance Markets (CIMA) decided in 2016 to prescribe that insurance companies in 14 countries in West and Central Africa increase their share capital from FCFA1bn ($1.7m) to FCFA5bn. The first phase of the capital increase exercise sets the minimum capital at FCFA3bn for insurance companies by 31 May 2019. The exercise also requires additional shareholders' equity to be at least 80% of the share capital. Insurance mutuals are to have increased their capital from FCFA800m to FCFA3bn in total, with FCFA2bn to have been reached at the end of last May.

Insurance companies in Cameroon do not believe that regulators have taken into account the profitability of insurers to effect the capital increase. The

low profitability has deterred foreign investors from investing in the sector.

The ASAC argues that the profitability of insurance companies requires "a rigorous selection of risks; fair pricing of these with realistic loadings; increased retention of risks and development of new products".

In addition, insurance companies favour a "more equitable distribution" of business with reinsurers, because they believe this would help them improve profitability.

At the same time, the insurers pledged to support various moves of the government such as introducing compulsory insurance and promoting insurance. ■

Source: Middle East Insurance Review - 10 Feb 2020

EGYPT


Alaa El-Zoheiry

• Creation of an Egyptian risk management department

The Egyptian Insurance Federation (EIFE) is setting up a risk management department which aims at supporting the insurers.

The department will bring its technical expertise to all local companies, particularly during the renewal of reinsurance treaties. It may also help Egyptian insurers to obtain a rating from an international agency.

According to the President of IFE, Alaa El-Zoheiry, the creation of this department goes hand in hand with the Financial Authority's (FRA) will to implement this concept within the Egyptian insurance market. ■

Source: Atlas Magazine – 10 January 2020

• Individual insurance brokers unite to form firm

The Financial Regulatory Authority (FRA) has agreed to grant the final approval for a licence to Union Insurance Brokerage, which is made up of a group of individual brokers.

This is the first time that the FRA has granted a licence to an entity formed by individual brokers. The new broker is not the usual family owned business.

Mr Mahmoud Orabi, the managing director of the company, said that he holds a 48% stake in the firm and the remaining 52% is owned by other partners in different proportions. The shareholders are all individual brokers with more than 20 years of experience in the field.

Union aims to sign brokerage contracts with 14 insurance companies for a start. The broking firm will focus on all insurance activities—property, public liability, life and health—for a diversified portfolio. ■

Source: Atlas Magazine – 9 January 2020

• State owned insurers see smaller market share in FY2019

State owned insurers in Egypt, which are the largest companies in the non-life and life sectors, saw a decline in their market share in the last fiscal year ended 30 June 2019 (FY2019), according to data from the Financial Regulatory Authority.

Misr Insurance, which carries out non-life business, posted premiums of EGP7.3bn ($462m), or 40.3% of total non-life premiums in FY2019. Its market share was 44.1% in FY2018, reported Al Mal quoting the official data.

Misr Life Insurance posted premiums of EGP4.4bn, or 28.8% of total non-life premiums in FY2019. Its market share stood at 32.7% in FY2018.

Overall, the insurance market in Egypt saw total premiums surge to EGP33.4bn during FY2019, compared to EGP27.8b in the previous financial year.

P&C insurers accounted for 54.2% of the total premiums in FY2019, amounting to EGP18.1bn whereas life insurers accounted for the remaining 45.8%, amounting to EGP15.3bn. ■

Source: Middle East Insurance Review – 3 February 2020

• *Top 10 insurance companies in Egypt - Ranking per GWP*

In thousands

Rank 2018	Rank 2017	Insurance companies	2018 turnover EGP	2018 turnover USD	2017 turnover EGP	2017 turnover USD	2017-2018 Evolution*	2018 market shares
1	1	**Misr Insurance**	8557116	477573	7066495	389364	21.09%	28.98%
2	2	**Misr Life Insurance Company**	3974449	221814	3306278	182176	20.21%	13.46%
3	3	**MetLife Egypt**	2374033	132495	2173927	119783	9.20%	8.04%
4	4	**Allianz Life**	1977820	110382	1538788	84787	28.53%	6.70%
5	5	**Axa Life**	1598558	89216	1297792	71508	23.18%	5.41%
6	8	**Arab Misr Insurance Group gig**	971202	54203	752366	41455	29.09%	3.29%
7	6	**Bupa Egypt**	966665	53950	858646	47311	12.58%	3.27%
8	7	**Suez Canal Insurance**	938082	52354	800044	44082	17.25%	3.18%
9	9	**Orient Takaful Insurance Egypt**	734505	40993	562981	31020	30.47%	2.49%
10	10	**Allianz P&C**	734044	40967	548833	30241	33.75%	2.49%
Total			22826474	1273946	18906150	1041729	20.74%	77.32%
Rest of the market **			6696570	373736	5046375	278055	32.70%	22.68%
Total market			**29523044**	**1647681**	**23952525**	**1319784**	**23.26%**	**100.00%**

* 27 companies ** Evolution in local currency

Exchange rate as at 31 December 2018 : 1 EGP = 0,05581 USD | 31 December 2017 : 1 EGP = 0,0551 USD

■

Source: Atlas Magazine – 7 February 2020

NATIONAL INSURANCE COMMISSION

GHANA EDUCATION SERVICE

GHANA

• *Ghana: Insurance education included in school curricula*

The National Insurance Commission (NIC) has launched "The Basic Insurance Education at the Second Cycle Institutions Initiative". The programme is the result of a partnership concluded between the Ghana Education Service (GES) and the Insurance Awareness Coordinators Group (IACG) reporting to the regulatory authority.

According to market professionals, the low penetration rate (less than 3%) in Ghana is accounted for by the public's lack of awareness on the importance of insurance. The objective is therefore to introduce the insurance productst to Ghanaians from an early age. ■

Source: Atlas Magazine – 6 February 2020

MOROCCO

• *Moroccan insurance market: 2019 results' forecast*

The insurance market professionals expect a solid growth in 2019. This conclusion reflects the figures ending June 30, 2019 and the forecasts based on the companies' performance during the second half of the year.

According to forecasts, the market would report a turnover of 45 billion MAD (4,6 billion USD) in 2019.

Moroccan non-life insurance market

The non-life insurance premiums are expected to reach 24.5 billion MAD (2,5 billion USD) in 2019 compared to 23.1 billion (MAD 2,4 billion USD) in 2018, an increase of around 6%. As of June 30, 2019, the non-life market turnover amounted to 14.3 billion MAD (1,47 billion USD), up 7% compared to the same period of 2018.

Motor insurance had the largest market share with a half-yearly turnover worth 6.8 billion MAD (700 million USD). It was followed, in descending order, by the bodily injury class of business with 2.29 billion MAD (236 million USD) and workmen's compensation insurance with 1.5 billion MAD (155 million USD).

Moroccan life insurance market

The life insurance market forecast reports a turnover of 20.5 billion MAD (2,1 billion USD) for 2019 against 18.8 billion MAD (1,9 billion USD) one year earlier, an increase of about 9%. At the end of the first half of 2019, the life insurance premiums reached 10.45 billion MAD (1,07 billion USD), a rise of 8.2% in comparison with the same period of 2018. ■

Source: Atlas Magazine – 24 January 2020

NIGERIA

• Deadline extension of capital increase for Nigerian insurers

After the Progressive Shareholders Association of Nigeria and the Constance Shareholders Association of Nigeria, have put pressure on the NAICOM, the supervisory authority has decided to extend by six months the deadline for increasing the paid-up capital of Nigerian insurance companies. The new deadline is therefore set to December 31st, 2020 instead of June 30th, 2020.

This extension shall be beneficial for the companies facing difficulties to raise a capital. Microinsurance and takaful activities are not subject to this minimum paid-up capital requirement. ■

Source: Atlas Magazine – 13/01/2020

• Nigerian insurance in 2020: Mergers & Acquisitions

The National Insurance Commission (NAICOM) anticipates several M&A transactions in Nigeria in 2020. No lesser than six insurance companies have notified the regulator of their intention to merge. The involved insurers belong to 44 companies whose recapitalization plans have been approved by the NAICOM.

This tendency to merge followed the capitalization requirements imposed by the authorities on local companies which were prohibited from borrowing money to finance their capital increase. The last recapitalization operation which was carried out between 2003 and 2007, resulted in the acquisition of several companies by foreign investors.

The Nigerian market is made up of 57 companies among which 14 life insurers, 28 non-life insurers, 13 composite insurers and two reinsurers. ■

Source: Atlas Magazine – 28/01/2020

Senegal

• Nigerian insurance in 2020: Mergers & Acquisitions

In Senegal, claims compensation scales are described as obsolete, a view shared by insurers and policyholders. The basic texts, capping allowances, have not been updated for almost 30 years. Throughout this period, only a few notes have been published to address specific problems.

On 4 December 2019, executives from the financial services quality observatory (OQSF) and from the insurance directorate met for a five-day workshop. Participants were asked to discuss the new scales that would apply to insurance. Policyholders and insurers have great expectations to improve the situation which would result in better compensation for some and a rate increase for others. ■

Source: Atlas Magazine – 20/12/2019

Asia News

• *Aon report examines regulatory developments in Asia-Pacific insurance markets*

By Tony Dowding

Insurance market liberalisation continues to accelerate across Asia-Pacific, with cross-jurisdiction collaboration further developing and solvency requirements being enhanced across the region. This is according to a new report from Aon, which summarises the key global ratings agency criteria developments and regulatory changes across Asia-Pacific during the past 12 months.

Aon said that as the insurance and reinsurance industry continues to change rapidly, both ratings agencies and regulators continue to evolve in response. The aim of its report, Evolving Criteria: Asia Pacific, is to help insurers understand the impact of these changes and take practical steps to maintaining a healthy and compliant business, said Aon.

The report notes that the trend of enhancing solvency requirements continues across Asia-Pacific with initiatives in several major markets making substantial progress, including China's C-ROSS Phase II, Hong Kong's RBC, India's RBC, Singapore's RBC 2 and Korea's K-ICS. At the same time, market liberalisation has accelerated together with cross-jurisdiction collaboration. It notes that constraints on foreign insurers or foreign investment in insurance were abolished or relaxed in China, India and Myanmar, and cross-jurisdiction cooperation enhanced inside Greater China and among ASEAN countries.

The report states: "High premium growth is expected in the Asia-Pacific region due to current low insurance penetration, government policy push on investment in infrastructure, and market liberalisation. All of these will help support the Asia-Pacific insurance markets to maintain a stable position. Offsetting these strengths, protectionist rhetoric has turned into action. Trade tensions between China and the US have continued and despite recent positive signs, substantial uncertainty remains. Natural catastrophes have been active in 2019 to date."

It continues: "These factors create uncertainty for the markets and increase the difficulty of cur-

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rent operating conditions. On top of these, the evolving regulations and ratings criteria pose additional challenges. Regulators across the region are upgrading their solvency regimes. New reporting standards are to be implemented in certain markets and ratings agencies also are refining criteria. All these may affect insurers' capital considerations and reinsurance arrangements."

The report highlights a number of regulatory developments in the region in the last 12 months. For example, in Nepal, a new tariff for property insurance came into effect on 15 January 2019, which includes a requirement that a property policy must include a wide range of fire and special perils as standard cover, from which deviation is not allowed.

It also notes that Singapore is setting up the world's first commercial cyber risk pool as part of efforts to develop the region's capacity to deal with threats from cyberattacks. According to Aon, the pool will commit up to $1bn in capacity and bring together both traditional insurance and insurance-linked securities markets to provide bespoke cyber coverage. The report notes that, to date, 20 insurance firms have indicated their interest to participate in this pool, which would allow corporates in ASEAN and Asia to be protected against cyber-related losses.

On insurance market liberalisation, the report highlights China's State Council announcement of 15 October 2019, on the revision of regulations on foreign banks and insurers. "China relaxed market access rules for foreign insurance companies, such as removing requirements that companies applying to establish foreign-invested insurers in China have a track record in the business of over 30 years and have a representative office in the country longer than two years. The updated regulations allow foreign insurance groups to set up foreign-invested insurers in China, and allow overseas financial institutions to hold stakes in foreign-invested insurers," the report states.

It also highlights that in India, in the Union Budget of 2019, the finance minister of India proposed a 100% foreign direct investment for insurance intermediaries, which was previously 49%, adding that the government is also looking for an increase in the foreign direct investment limit for insurance companies as well.

The report also examine IFRS17, noting that implementation dates vary among Asia-Pacific markets.
Regulators in the Philippines and Taiwan announced implementation dates behind the global schedule, with insurers in several other markets demanding similar moves.

Finally, the report looks at ratings agencies and their methodologies concerning insurers in the region. "Ratings agencies fine-tuned their methodology to better evaluate insurers' credit profile. S&P simplified and consolidated its previous criteria, while AM Best proposed to formally include innovation in its rating analysis," notes the report. ■

Source: Commercial Risk - 1 November 2019

GCC

• *GCC Insurance Industry Report - by Alpen Capital, November 2019*

Alpen Capital announced the publication of its latest report on the GCC Insurance Industry for the year 2019. The report provides a comprehensive overview of the GCC insurance sector and outlines the recent trends, growth drivers and challenges in the sector. It also profiles some of the prominent insurance companies in the region.

The GCC insurance industry which maintained a positive momentum over the years, witnessed a slowdown in GWP's due to sluggish economic conditions during 2016 and 2018. However, going forward, we anticipate the GCC insurance sector to grow at a moderate pace owing to economic revival, growing population, strengthening regulatory reforms and continued implementation of mandatory insurance coverage. Additionally, governments' proactive economic and liberalization reforms, will support growth in the sector going forward.

The M&A sphere in the GCC insurance sector has remained active over the past two years with several intra-regional and cross border transactions. In addition to interest from foreign players, we expect to see continuing M&A activity as companies develop technological capabilities to broaden their product offering and improve profitability.

Industry Outlook

The GCC insurance market is projected to grow at a CAGR of 4.3% from US$ 29.2 billion in 2019 to US$ 36.1 billion in 2024. Sustained economic growth, increase in population and substantial infrastructure development are among the leading factors that will facilitate growth of the sector. Additionally, governments' efforts to strengthen regulations, introduce mandatory lines and diversify the economy are also likely to drive GWP for the insurance industry.

The gradual slowdown of the insurance industry witnessed over the past two years is likely to continue until 2024. However, GWP is expected to improve relative to the subdued levels of growth recorded in the recent past, as long-term growth prospects continue to remain positive.

Insurance penetration in the region is expected to remain between 1.8% - 1.9% from 2019 - 2024, below the global average of 6.1%, offering scope for growth in the sector. Insurance density in the region is expected to increase from US$ 502.9 in 2019 to US$ 555.8 in 2024. ■

To download the report, follow this short link
https://bit.ly/2Ot2ruY

BAHRAIN

• Top 10 insurance companies in Bahrain: Ranking 2018

In thousands

Rank 2018	Rank 2017	Insurance companies	2018 turnover BHD	2018 turnover USD	2017 turnover BHD	2017 turnover USD	2017-2018 Evolution*	2018 market shares
1	1	**Bahrain Kuwait Insurance**	81610	215746	59507	157168	37,14%	28,73%
2	2	**Bahrain National Holding**	33581	88775	28887	76296	16,25%	11,82%
3	5	**Solidarity Bahrain**	30072	79499	15870	41915	89,49%	10,59%
4	3	**Takaful International Co.**	22035	58251	19654	51910	12,11%	7,76%
5	4	**T'azur**	17174	45400	17189	45400	-0,09%	6,05%
6	6	**Medgulf Takaful**	15660	41400	15675	41400	-0,09%	5,51%
7	7	**Gulf Union**	14752	39000	15527	41010	-4,99%	5,19%
8	8	**SNIC Insurance**	10288	27198	10998	29047	-6,45%	3,62%
9	9	**United Insurance**	9120	24110	8720	23030	4,59%	3,21%
10	10	**Al hilal Life**	8723	23060	7338	19380	18,88%	3,07%
		Total	243 015	642 439	199365	526556	21,89%	85,56%
		Rest of the market **	41 009	108 413	69283	182989	-40,81%	14,44%
		Total market	284 024	750 852	268648	709545	5,72%	100,00%

* 11 companies ** Evolution in local currency

Source: Atlas Magazine – 4 February 2020

• Bahrain FinTech Bay and Trust Re Announce International Partnership

February 10th, 2020 (Manama, Bahrain) Trust International Insurance and Reinsurance Company B.S.C. (Trust Re), the largest reinsurer in the Middle East has become an international partner of Bahrain FinTech Bay, the leading FinTech Hub in the region.

The partnership represents a collaborative commitment to further develop the insurance and reinsurance industry across Bahrain and the Middle East. Bahrain FinTech Bay and Trust Re will aim to promote InsurTech and emerging technologies through joint events, hackathons, thought leadership and research, as well as supporting startups and existing solution providers.

The international partnership also extends to Bahrain FinTech Bay's sister hub in Silicon Valley, Silicon FinTech Bay, which will provide Trust Re with exposure to cutting-edge solutions from the world's leading technological hub.

Khalid Dannish, CEO of Bahrain FinTech Bay commented, *"Our partnership with the region's largest reinsurer represents a commitment to drive InsurTech innovation and further develop the Insurance and broader Financial services sectors, positioning Bahrain not only as a leader in innovation, but also in FinTech. We are delighted to partner with Trust Re and look forward to extending FinTech Consortium's capabilities from our US platform, Silicon FinTech Bay."*

Talal Al Zain, Group CEO of Trust Re commented,
"As a reinsurer operating internationally, Trust Re is always committed to support the insurance industry through providing clients and partners with optimum reinsurance solutions. By promoting digitisation and digitilisation initiatives in the (re)insurance domain, we are supporting our partners to realise the benefits of technology to enable growth and to increase economic and societal resilience. Our international partnership with Bahrain FinTech Bay is a keystone in our journey towards that imperative, strategic goal".

About Bahrain FinTech Bay:

Bahrain FinTech Bay

About Bahrain FinTech Bay ("BFB") Bahrain FinTech Bay ("BFB") is the leading FinTech Hub in Middle East, located conveniently in the Arcapita Building, Bahrain. Bahrain FinTech Bay provides a physical hub to incubate insightful, scalable and impactful FinTech initiatives through innovation labs, acceleration programmes, curated activities, educational opportunities and collaborative platforms. Bahrain FinTech Bay partners with governmental bodies, financial institutions, corporates, consultancy firms, universities, associations, media agencies, venture capital and FinTech startups to bring the full spectrum of financial market participants and stakeholders together.

For more information on Bahrain FinTech Bay visit: http://www.bahrainfintechbay.com

In the photo from right to left:

- Khaled Dannish: CEO – Bahrain FinTech Bay
- Talal Al Zain: Group CEO – Trust Re
- Kamal Tabaja: Group COO - Trust Re

About Trust Re:

Trust Re is a reinsurance company based in the Kingdom of Bahrain with branches in Cyprus, Malaysia and Morocco as well as a Liaison Office in India. With authorised capital of US$ 500 million and issued and paid up capital of US$ 250 million, Trust Re earned its recognition as a solid and reliable security through its long-term professional commitment to the Insurance & Reinsurance Industry. It writes both life and non-life business on a Facultative & Treaty basis with a wide scope of geographical operation that includes: Africa, Asia, Russia, CIS countries and the Middle East and North Africa (MENA) Region.

CHINA

• China Amends the Regulation on Foreign-Invested Insurance Companies To Implement Opening-Up Policies

Article by William Y. Chua, Edwin Northover, Tingting Wu and Fengjian Ao

On October 15, 2019, the State Council of China announced the long-awaited amendment to the Administrative Regulations on Foreign-Invested Insurance Companies (the "Amendment"), formally codifying the following measures previously announced by the Chinese government to further open up the Chinese insurance sector to foreign investors:

- **Investment by overseas financial institutions.** The Amendment added a new provision, permitting the overseas financial institutions to invest in foreign-invested insurance companies, with detailed implementation rules to be formulated by the China Banking and Insurance Regulatory Commission (the "CBIRC"). This significantly expands the pool of investors beyond the traditional foreign insurance companies. The definition and scope of "financial institutions," however, are yet to be clarified in the implementation rules.
- **Relaxation on market access requirements.** The Amendment removed the requirements that a foreign insurance company must have engaged in insurance business for more than 30 years and have maintained a representative office in China for at least two years before it can establish a foreign-invested insurance company in China.
- **Investment by foreign insurance group company.** The Amendment now allows foreign insurance group companies to establish foreign-invested insurance companies in China, with detailed implementation rules to be formulated by CBIRC. Normally a group holding company has more assets and strengths than its subsidiaries, which would make it easier for a foreign insurance group company to meet the various eligibility requirements for establishing an insurance company in China, such as total assets of at least US$ 5 billion.

The above amendments took effect on October 15, 2019.
It is expected that the CBIRC will amend the Implementation Rules for the Administrative Regulations on Foreign-Invested Insurance Companies accordingly and issue further detailed rules to implement other opening-up commitments announced by the Chinese government in the recent two years including the removal of 51% foreign ownership restriction in the life insurance sector in 2020. ■

Source: Mondaq - 7 November 2019

INDONESIA

• Indonesia insures state assets against natural disasters

Aftermath of the Sulawesi earthquake and tsunami in palu, Indonesia on September 30, 2018. Source: AP

Isa Rachmatawarta

The Government of Indonesia has signed an umbrella contract with a consortium of 56 re/insurers to protect state assets against natural disasters and other major risks.

The agreement will cover ministry and institutional buildings in Indonesia against structural damage until 2023.

Director General of State Assets of the Ministry of Finance Isa Rachmatawarta explained that his office had insured 1,360 Ministry of Finance buildings worth Rp 10.84 trillion (USD 770 million) in 2019.

Isa stated that the buildings are insured against a range of natural disasters, including earthquakes, floods, tsunamis and fires, as well as riots, sabotage, terrorism, and plane crashes.

Indonesia is in one of the world's most natural disaster-prone areas and is at risk to multiple hazards, including flooding, earthquakes, landslides, tsunami, volcano, and cyclone.

The move follows a particularly devastating year for the country in 2018, when a series of earthquakes and tsunamis left thousands dead and infrastructure in ruins.

The September quake and tsunami in Sulawesi alone left more than 4,300 dead and damaged 70,000 homes, while an earlier earthquake in Lombok killed more than 500 and caused widespread damage.

After the Ministry of Finance is fully insured, assets controlled by 10 further ministries will be involved in 2020, Isa said.

Among these are the Corruption Eradication Commission (KPK), the National Agency, Counter Terrorism (BNPT), to the Agency for the Assessment and Application of Technology (BPPT).

In 2021, the number will increase to 20 ministries, then 40 in 2022, with all ministries and institutions hoped to be covered in 2023.

According to Reuters, insurance companies in the consortium include Asuransi Tugu Pratama Indonesia, Asuransi Astra Buana, which is a unit of Astra International, and Asuransi Sinar Mas, part of conglomerate Sinar Mas Group, as well as state-owned Asuransi Jasa Indonesia and Asuransi Kredit Indonesia. ■

Source: Reinsurance News - 22 November 2019

JORDAN

• Parliamentary panel approves draft of new insurance law

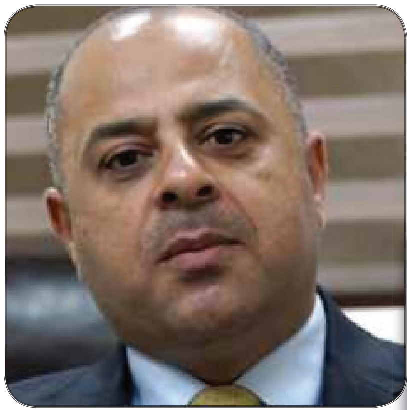
The Parliamentary Committee on Economy and Investment has has approved a draft law regulating insurance business. The approval was given at a meeting attended by the governor of the Central Bank, Ziad Fariz; the secretary general of the Ministry of Industry, Trade and Industry, Yousef Al Shamali; and representatives of the Jordan Insurance Federation, reported the newspaper Al Rai.

The law, when passed and gazetted, will transfer supervision of the insurance sector from the Insurance Department under the Ministry to the Central Bank of Jordan.

The committee approved the draft law after making the necessary amendments to it and seeking the opinions of stakeholders concerned. The reasons for the Bill are to "regulate the rules of conducting insurance business, in a way that ensures the insurance sector achieve its goals, by updating the supervisory framework of insurance business, and by enabling the Central Bank to supervise and control this sector in line with the best practices."

Dr Khair Abu Sailik, chairman of the committee, has said that the proposed law would strengthen the role of the Central Bank in establishing the rules of corporate governance in insurance companies and providers of insurance services, and give it the necessary powers to deal with problematic companies. The proposed law will also have provisions governing takaful. ■

Source: MEIR - 7 Jan 2020



Dr Khair Abu Sailik

• Insurance sector maintains steady performance in 2019

The Jordanian insurance market showed growth of 1.3% in GWP for the 2019 full year with premiums reaching JOD614.5m ($867m) compared to 2018, according to unaudited preliminary data released by the Jordan Insurance Federation.

Total compensation paid by the industry increased by 1.6% to JOD473.8m in 2019, compared to the same period in 2018.

Contributions from takaful insurance, which is undertaken by two insurers, totalled JOD71m in 2019, an increase of 6% over 2018. Takaful accounted for 11.5% of the market's total written premiums for 2019. Compensation paid last year by the takaful operators amounted to JOD50m, an increase of 9.7% over 2018, accounting for 10.5% of the total compensation paid by the overall insurance market in 2019. ■

Source: MEIR - 6 Feb 2020

KOREA

• *Insurers to share interest rate risk with reinsurers*

Financial Services Commission

Co-reinsurance in the insurance sector is expected to be introduced in April this year, following a meeting on 30 January called by the Financial Services Commission during which the issue was discussed.

Risks related to interest rate fluctuations are expected to be shared with reinsurance companies, and insurance companies' reverse margin and recapitalisation burdens are expected to be eased, reported Business Korea.

According to the plan, insurance companies will pay savings insurance premiums and additional insurance premiums to reinsurers such as Korean Reinsurance and transfer interest rate risks as well as insurance risks to them at the same time.

Accounting procedures will be further clarified, too. Specifically, an insurance company will regard the difference as prepaid expenses or assets and write it off during a contract period and a reinsurance company will regard the difference as an unearned income or liabilities and write it off during the contract period.

South Korean insurers have sought to recapitalise through methods such as subordinated debt issuance and investment in long-term treasury bonds, with IFRS 17 and the Korean Insurance Capital Standard (K-ICS) scheduled to be implemented in 2022. They say that these methods have their own limitations and demand a measure to reduce an increase in liabilities with regard to high-interest insurance contracts.

According to the FSC, co-reinsurance is expected to contribute to the financial soundness of insurers. Foreign reinsurance companies' know-how is expected to be shared. ■

Source: AIR - 03 Feb 2020

PHILIPPINES

• *Philippines government and IBRD forge path ahead for cat risk transfer to capital markets*

By Adrian Ladbury on November 27, 2019

In 2013, Typhoon Haiyan resulted in the loss of 6,300 lives and caused an estimated $12.9bn of damage. Credit: iStock/Tigeryan

The World Bank's International Bank for Reconstruction and Development (IBRD) has issued two tranches of catastrophe-linked bonds (cat bonds) to provide the Republic of the Philippines with financial protection of up to $75m for losses from earthquakes and $150m against losses from tropical cyclones for three years.

The bonds, which are the first to be sponsored by an Asian government, were issued under the IBRD's 'capital at risk' notes programme, which is used to transfer risks related to natural disasters and other risks from developing countries to the capital markets. Payouts will be triggered when an earthquake or tropical cyclone meets the predefined criteria under the bond terms.

The Philippines is among the most disaster-prone countries in the world. In 2013, Typhoon Yolanda (also known as Typhoon Haiyan) resulted in the loss of 6,300 lives and caused an estimated $12.9bn of damage – about 4.7% of the country's GDP.

"Many countries in Asia are highly vulnerable to natural disasters, which makes finding innovative, capital markets solutions a major priority to address the impact on their economies," said Jingdong Hua, World Bank vice-president and treasurer.

"The World Bank cat bonds for the Philippines are the first to be sponsored by the government of an Asian country and are the result of a close and long-term partnership between the World Bank and the Philippines government," he added.

Mara Warwick, World Bank country director for Brunei, Malaysia, Philippines and Thailand, explained that this was not an overnight process, but rather the result of a sustained effort to help the Philippines better identify, manage and ultimately transfer its natural catastrophe risk.

"The World Bank has been working with the Philippines government for the last eight years to help strengthen the country's resilience against natural disasters," said Ms Warwick. "Through the intermediation of the World Bank, these cat bonds allow the Philippines to transfer natural disaster risks to the capital markets while enabling the authorities to respond quickly to the needs of citizens when

Jingdong Hua

Mara Warwick


David Priebe

calamities strike. This once again demonstrates the Philippines' capability to develop innovative financial solutions to mitigate impacts of extreme climate and weather-related events as well as major earthquakes," she added.

"The World Bank cat bond is a vital building block in our long-term disaster risk and insurance strategy, which we have been steadily establishing since the aftermath of Typhoons Ketsana and Parma in 2009," said Rosalia V de Leon, national treasurer of the Philippines. "This instrument addresses the financing gap for immediate post-disaster needs for extremely high-risk events. It complements the government's existing disaster risk financing mechanisms designed to ensure comprehensive financial protection for the Philippines," she added.

GC Securities, a division of MMC Securities, and Swiss Re were joint structuring agents, joint bookrunners and joint managers. Munich Re was a joint structuring agent, placement agent and joint manager. AIR Worldwide is the risk modeller and calculation agent.

David Priebe, chairman, Guy Carpenter & Company, said he hopes this bond will spark other Asian governments into action in this critical area of risk transfer.

"GC Securities/Guy Carpenter congratulate the World Bank and Government of Philippines on this landmark and successful transaction, as the first cat bond with exposure to natural perils affecting the Republic of the Philippines, as well as the first cat bond listed on the Singapore Exchange. We hope that this pioneering transaction provides a springboard for greater use of insurance-linked securities to close the protection gap in Asia and promote sustainable economic development in one of the most dynamic regions of the world," he said. ■

Source: Commercial Risk - 27 November 2019

QATAR

• Top insurance companies in Qatar per gross written premium - 2018

	2018		2017		2017-2018	2018
	QAR	USD	QAR	USD	evolution *	shares
Qatar Insurance Company	12606000	3460977	11659000	3179293	8.12%	81.25%
Doha Insurance QSC	623928	171299	543192	148123	14.86%	4.02%
Qatar General Insurance	546604	150070	505207	137765	8.19%	3.52%
Islamic Insurance QIIC	382374	104981	316667	86352	20.75%	2.46%
Damaan Insurance "BEEMA"	332094	91177	324202	88407	2.43%	2.14%
Khaleej takaful	267680	73491	283963	77434	-5.73%	1.73%
SEIB	213804	58700	214493	58490	-0.32%	1.38%
General Takaful	197778	54300	193480	52760	2.22%	1.27%
Dohabank Assurance	101985	28000	96080	26200	6.15%	0.66%
Total	15272247	4192995	14136285	3854823	8.04%	98.43%
Rest of the market **	243753	66923	303715	82821	-19.74%	1.57%
Total market	**15516000**	**4259918**	**14440000**	**3937644**	**7.45%**	**100.00%**

* Variation in local currency
** 3 companies ■
Source: Atlas Magazine - 28/01/2020

THAILAND

• IMF: Thailand Regulator Needs to Improve Independence, Powers

Thailand's Office of Insurance Commission needs to gain more independence and improve its enforcement powers to fully regulate the local insurance industry, according to the International Monetary Fund.

In its Financial System Stability Assessment report for Thailand, the IMF noted several key supervisory powers of the OIC, such as the power to approve licensing decisions or set levies on the industry, still rest with the Ministry of Finance, and this creates a risk the OIC may not have adequate capabilities that can be used in a timely manner to achieve the objectives of supervision.

The IMF said local authorities should consider amending the Insurance Commission Act of 2007, with particular consideration to transfer key supervisory powers that are currently vested in the MOF to the OIC directly.

"Improving independence of the OIC should be accompanied by measures to increase its formal accountability to government. This should include a more formal and more elaborate accountability framework including, for example, an annual multiyear strategic and operational plan that includes a set of performance measures, and an annual report designed to report on the organization's progress in meeting plan requirements," the IMF said.

The IMF said the OIC should be given control of nonlife insurers as well as increase its supervisory powers over intermediaries including the authority to suspend intermediary licenses and issue administrative orders.

"The ladder of intervention appears to leave the use of the OIC's strongest preventive and corrective powers until an insurers' financial condition is extremely serious and when the supervisor should be focused on its orderly wind-up as a gone concern rather than its recovery," noted the IMF.

"The ability for the supervisor to take control (of nonlife insurers) is an important tool needed to minimize losses when an insurer is headed towards insolvency," the IMF said, adding the OIC should include an additional stage in its intervention powers focused on preparing for the orderly wind-up of the insurer as a gone concern.

There's also a need to enhance regulations around market conduct, particularly on dealing with potential or actual conflicts of interest, the IMF said. This includes requiring companies to disclose compensation for its agents and intermediaries and to develop a notification on proper use of client information, in cooperation with industry associations, to avoid unwanted cross selling of products.

"Consideration might also be given, in due course, to require insurers or intermediaries to make restitution for harm caused by inappropriate conduct of business," the IMF added.

In response, the OIC said it agrees with the IMF's recommendations and it intends to put them into practice over the coming years. In addition, the OIC said it is currently amending the Nonlife Insurance Act and the Life Insurance Act to align supervisory legislation with international standards.

"The latest amendments of the NLIA and the LIA were approved by the National Legislative Assembly in February 2019, increasing the enforcement powers of the OIC over intermediaries. In addition, there are other NLIA and LIA amendments, approved by the Cabinet in November 2018, addressing other shortcomings such as the OIC's power to approve changes in control, improvement of preventive and corrective measures, and specification of a clear point at which it is no longer permissible for an insurer to continue its business," the regulator said. ■

Source: BestWeek Asia-Pacific Edition, October 15, 2019

• *Thai general insurance market set for growth*
By Tony Dowding

Thailand's general insurance business is predicted to grow from THB247.6bn ($7.7bn) in 2018 to THB285.5bn ($9.1bn) in 2023, according to data and analytics company GlobalData.

A report from GlobalData, Thailand General Insurance: Key Trends and Opportunities to 2023, reveals that gross written premium in Thailand's general insurance market registered a compound annual growth rate 3.1% between 2014 and 2018. Motor, property and personal accident and health together accounted for more than 90% share in 2018, with motor insurance accounting for the largest share at 55.5%.

Tapas Bhowmik, project manager in the insurance division at GlobalData, said: "The automobile sector accounts for about 10% of the GDP and is an important line of business for insurers. It reflects in the trend. During 2014-2018, the motor insurance business accounted for 54%-55% of the total general insurance gross written premiums."

However, profitability is under pressure in Thailand's motor insurance business, according to the report, and this is reflected in the loss ratio, which rose from 57.8% in 2014 to 65.3% in 2018 due to competition in the market. GlobalData points out that mounting operational losses may moderate the competitive pricing going forward.

It adds that the economic growth outlook is also an issue to contend with. "As per government estimates, growth was at a five-year low by the end of the second quarter of 2019 as the country's export-oriented economy is reeling under international trade conflicts and currency appreciation. Against this backdrop, insurers are using technology among other measures for efficiency. Telematics and usage-based insurance are two key technology-based solutions with significant growth potential in the industry," the report states.

Mr Bhowmik added: "With regulatory support and innovation, insurtech in Thailand has grown steadily to assume a key role. Microinsurance policies, claims processing and customer relationship management are among the key focus areas. Also, the industry can look forward to opportunities in projects planned under the 'Thailand 4.0' stimulus plan." ■

Source: Commercial Risk, 22 November 2019

U.A.E

• UAE Insurance Regulatory Round-Up 2019

by Anand Singh (BSA Ahmad Bin Hezeem & Associates LLP)

While the overall economic slowdown and disruption in the market has had some impact on the insurance sector as well, the UAE insurance market still seems to be going strong. Market reports state that Loss Ratios continue to present a positive outlook and the total written premium of the Industry for the half-year ended 2019 was estimated to be AED 13.7 Billion which shows a growth of 9% from the same period for the previous year.

That said, 2019 saw some major disruption in the UAE insurance market, largely driven by the new guidance and regulations issued by the UAE Insurance Authority. While these regulations were a need of the hour for the otherwise under-regulated insurance market in the UAE and broader region, like any other part of the world, the immediate reaction to these regulations is not very positive and the market players are of the view that this would slow down the market growth. While this may be true from a short-term perspective, in the long run this will definitely benefit the entire market.

We have compiled a list of the major regulations issued by the UAE Insurance Authority in the calendar year 2019, with a brief summary of its likely impact:

January 2019 – Cabinet Resolution No. (7) of 2019 Concerning the Administrative Fines Imposed by the Insurance Authority – This resolution was a rather unexpected start from the Insurance Authority for the year 2019. The circular sets out the list of violations applicable to insurers, brokers, TPAs, consultants and even third parties, and administrative fines for breach of such listed violations. Historically, fines and penalties for violations were listed in the respective laws and regulations, with very minimal application by the regulator and this resolution is expected to change the supervisory framework of the insurance authority.

January 2019 – Third draft of the Life Insurance Regulations, dated 31 January 2019 – After having issued the first draft of the life insurance regulations in 2016, followed by a second draft in 2017, the Insurance Authority issued the third draft of the life insurance regulations, pursuant to comments from the market stakeholders. This draft reiterated the provisions in relation to commission caps and provided further clarity that the commission caps apply in aggregate to all insurance intermediaries. The final regulation was issued later in the year (details below).

January 2019 – First draft of the Electronic Insurance Regulations, dated 14 January 2019 – The Insurance Authority's draft 'Board of Directors Resolution Concerning the Electronic Insurance Regulations' intends to govern any insurance business carried out online or concluded electronically in the UAE. These draft regulations apply to Insurance Companies, Insurance Brokers, Insurance Agents and Health Insurance TPA companies and prescribe the requirement for such entities to obtain a pre-approval from the Insurance Authority in relation to their electronic insurance operations. The draft regulations also specify the nature of the products that can be sold online, and some of the products such as the investment linked life insurance cannot be sold online. The intention of these regulations appears to be to register and regulate any entity offering insurance online, as agent, broker or insurance company and seems to be targeting the unlicensed web aggregation websites that are offering a comparison of insurance products. A revised draft was published later in the year (details below).

April 2019 – Decision No. (50) of 2019 Concerning Enhancing the Shari'a Controller's Role in Takaful Insurance Companies Operating in the State – The decision clearly sets out the qualification and appointment procedure for the Sharia Controller in a Takaful Insurer, and that the appointment must be on full-time basis and on recommendation of the Sharia Supervisory Board of the Takaful Insurer. In addition, the decision also sets out the mandatory functions that the Sharia Controller must perform in a Takaful Insurer.

April 2019 – Board of Directors' Decision No. (15) of 2019 On the Instructions Concerning the Rules of Ownership Ratios in the Capital of Insurance Companies – This decision of the Insurance Authority is relevant to all insurance companies operating in the UAE and prescribes the disclosure requirements applicable on natural and corporate persons who wish to become stakeholders of insurance companies. This decision also introduces the concept of "Strategic Partner", who could even be a foreign person provided that does not change the ownership ratio of UAE Nationals.

May 2019 – Insurance Authority's Board of Directors Decision No.(23) of 2019 Concerning Instructions Organizing Reinsurance Operations – The Insurance Authority issued the final reinsurance regulations after a few tweaks to their prior drafts of the reinsurance regulation issued in 2018. While the expectation was that the regulations would introduce mandatory local retention on some lines of business, the regulation focused largely on setting up of local reinsurers in UAE,

capital requirement for which has been set at AED 250million, with 51% ownership restricted to UAE Nationals.

July 2019 – Insurance Authority Board Resolution No. (33) of 2019 Concerning the Regulation of the Committees for the Settlement and Resolution of Insurance Disputes – A follow up from the amendment to the Insurance Authority Law issued in 2018, this resolution from the Insurance Authority provided the manner in which the Dispute Resolution Committee will be formed and the manner in which it will carry out its functions, with the membership being restricted to one calendar year. The purpose of the committee is to reconcile the differences between parties and if they fail to do so, the parties are free to go through their standard dispute resolution process.

October 2019 – Insurance Authority Board of Directors' Decision No. (49) of 2019 Concerning Instructions for Life Insurance and Family Takaful Insurance – These regulations on Life Insurance were issued after three versions of the drafts being shared for public consultation over the last 2.5 years. These regulations limit the commission that can be paid to an intermediary for solicitation of life insurance and also caps upfront payments of indemnity commission by an insurer to such intermediaries, which is a highly prevalent market practice. These regulations are revolutionary in what they aim to achieve and while they may lead to a drop in incentives to the distribution channel, eventually such costs will be passed on to policyholders and is a very positive change for the life insurance sector in the UAE.

October 2019 – Insurance Authority Board of Directors' Decision No. (40) of 2019 Concerning the Amendment of Certain Provisions of the Insurance Authority Board Decision No. (3) of 2010 On the Instructions Concerning the Code of Conduct and Ethics to be Observed by Insurance Companies Operating in the UAE – This decision extends the applicability of the Insurance Authority's Code of Conduct to "insurance-related professions". The Code of Conduct provides the various terms and conditions that must be complied with by any entity licensed by the Insurance Authority, including but not limited to guidance on operations, publicity and advertisement, pricing, proposal form, policy wording, claims and renewal.

October 2019 – The Insurance Authority Board of Directors' Decision No. (41) of 2019 Concerning the Supervisory Rules for the Experimental Environment of Financial Technology in the Insurance Industry – This decision lays down the financial technology regulatory framework of the Insurance Authority. The decision is aimed at supporting the fintech companies and transforming the UAE insurance market into a smart insurance market. This is a great forward-looking step by the Insurance Authority, which will likely result in the development of indigenous (correct word?) solutions in the insurance sector and has set a high benchmark for other insurance regulators in the region.

October 2019 – The Insurance Authority Board of Directors' Decision No. (42) of 2019
On the Amendment of Certain Provisions of the Insurance Authority Board of Directors' Decision No. (13) of 2018 Instructions Concerning Marketing Insurance Policies through Banks – This decision amends certain provisions of the Bancassurance Regulations. The Bancassurance Regulations currently require the Designated Officer of the bank to acquire practical training of no less than two months at any insurance company, which has now been replaced by a training requirement of 30 (thirty) hours. Further, the decision provides that insurance companies can utilize the Bancassurance channel for distribution even in the Emirates where they do not have an Insurance Authority licensed "Branch" if they have either a "Point of Sale" in such Emirate or provide insurance services through electronic means

October 2019 – Administrative Decision No. (140) of 2019 Concerning the Exclusion of Some Insurance Policies from the Requirement of Being Written in the Arabic Language – Administrative Circular No 7 of 2019 relating to Administrative Fine, stated that if an insurer does not comply with the requirement of issuing the insurance policy in Arabic, fines could be levied. This Decision lists down the polices which have been exempted from this requirement of translation to Arabic, such as marine and aircraft policies, oil and gas-related insurance policies, space-related insurance policies and other insurance policies of international nature. The Decision further provides a list of documents that need to be submitted to the Authority for approval of the policy wordings, in relation to each life insurance policies and those in relation to general insurance policies

December 2019 – Draft of the Electronic Insurance Regulations, dated 24 December 2019 – The revised draft of the Electronic Insurance Regulations identifies "web aggregation companies" as a separate category, which require prior approval of the UAE Insurance Authority and who will work in conjunction with a licensed insurance broker. This draft also mentions "digital insurance broker" but does provide any details around the requirement and licensing procedure and the final draft will hopefully cater to these.

Conclusion

On the back of better loss ratios and underwriting results, most insurance companies have shown positive results and continue to maintain a positive outlook for the year ahead. However, we anticipate 2020 to be a year of consolidation, for the Takaful Insurers, Conventional Insurers, Insurance brokers and the Third-Party Administrators. Consolidation would likely lead to exit of players with a short-term strategy and bring in more experienced players who are ready to invest in the market with a long-term perspective. ■

Source: Mondaq - 05 February 2020

VIETNAM

• *Vietnamese insurance sector continues to grow strongly*

The Vietnamese insurance industry saw premiums increase by nearly 21% in 2019 to VND160.18trn, according to the Ministry of Finance's Insurance Supervisory Authority (ISA), reported by Việt Nam News.

Non-life insurance premiums accounted for VND52.39trn and life insurance premiums for VND107.79trn. Total assets of insurance firms in Vietnam grew by 15.3% in 2019 to VND454.38trn.

Việt Nam News reported that the ISA said the Vietnamese insurance industry aims to maintain a growth rate of 18.42% in 2020, gaining revenue of VND188.73trn, and increase total assets by 13.3% to VND514.80trn in 2020. The news service quoted Phạm Thu Phương, deputy director of ISA, who said that to meet the targets, the authority would continue to improve mechanisms and policies, focusing on restructuring to make the insurance market develop transparently, safely and efficiently as well as in line with international standards.

"In particular, ISA will focus all resources to complete the revised Law on Insurance Business as well as regulations to guide the implementation of the law to make it in accordance with the country's socio-economic development directions as well as international rules," Mr Phương said.

He added that in order to further develop the market and improve the quality of insurance services, ISA would continue to consider and submit to the Ministry of Finance for licensing eligible foreign investors in insurance and reinsurance in Vietnam, according to Việt Nam News.

The ISA reported that the country has 66 insurance companies, which provide more than 850 non-life insurance products and 450 life insurance products. ■

Source: Commercial Risk – 21 January 2020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UZBEKISTAN:

INSURANCE MARKET OVERVIEW

- **Surface Area:** 447,400 km2
- **Capital**: Tashkent
- **Population:** 32,955,400
- **Religion:** Mostly Islam
- **Currency:** So'm (Code: UZS)

By Hussein Elsayed
Misr Insurance Company

Uzbekistan has a land area of 172,742 square miles (447,400 km2). Its population estimated at 32.96 million, making it by far the most populous of the five Central Asian republics. The country has borders with Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Afghanistan.

Uzbekistan lies at the heart of Central Asia. Most of the land is plains and desert. The Tien Shan and Pamir-Alai mountain ranges rise from the plains in the central and south-eastern half of the country. Present-day Uzbekistan formed an important section of the Great Silk Road, which for centuries took travellers and traders across Central and Far Eastern Asia to the Middle East.

Uzbekistan's economy is dominated by State-Owned Enterprises (SOEs) and is largely dependent on cotton, natural gas and gold exports. The principle of "import substituting industrialisation", by which local industry is encouraged to meet the needs of the domestic economy, has been fundamental to economic policy although the economic environment is now changing.

Uzbekistan recorded one of the most notable improvements in the World Bank's Doing Business ranking, and in 2018 was included in the global top 10 improvers list.

The Uzbekistan insurance market is small with a low premium expenditure and an insurance culture that is still developing.

In 2018, total market GWP reached UZS 1.6 trillion and paid claims were UZS 460.8 billion. Non-life GWP amounted to UZS 1.2 trillion (+54.4%), and life GWP UZS 0.4 trillion. The estimated insurance market portfolio in 2018 refers to 16% as mandatory insurance and 84% as voluntary insurance.

1H2019, the market showed impressive growth of 53.29% y-o-y. GWP amounted to UZS 1,253.304 billion (EUR 128.78 million). The market share of the voluntary segment increased by about 5% y-o-y, while the share of compulsory insurance, on the contrary, declined.

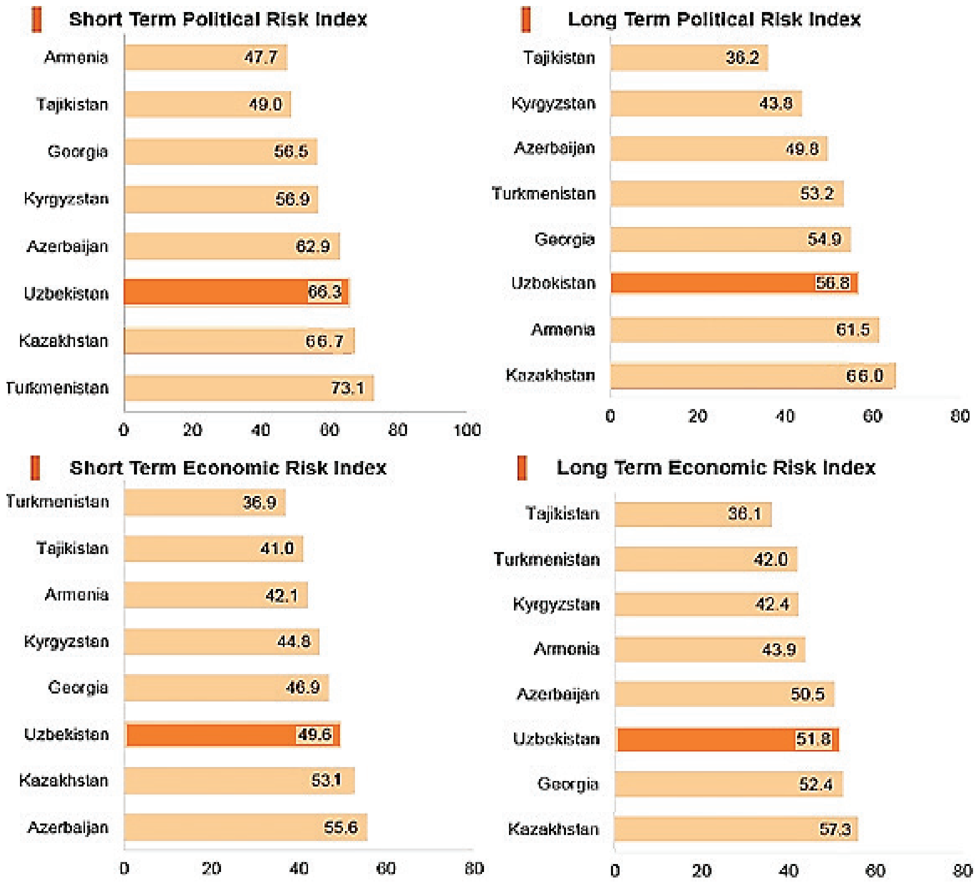
Paid claims recorded an increase of more than 116%, mainly due to increasing paid claims for voluntary classes. Paid claims for compulsory insurance remained at almost the same level as a year ago.

Uzbekistan Economy Data

	2014	2015	2016	2017	2018
Population (million)	30.0	30.5	31.0	31.6	32.1
GDP per capita (USD)	1,923	2,070	2,149	2,124	1,839
GDP per capita (EUR)	1,480	1,512	1,937	1,921	1,605
GDP (USD bn)	57.7	63.1	66.7	67.1	59.1
GDP (EUR bn)	44.4	46.1	60.1	60.6	51.6
Economic Growth (GDP, annual variation in %)	8.0	7.2	7.4	6.1	4.5
Consumption (annual variation in %)	9.7	10.9	11.6	7.0	-
Investment (annual variation in %)	5.2	7.4	0.8	16.4	7.1
Fiscal Balance (% of GDP)	0.3	0.2	0.1	0.1	0.1
Public Debt (% of GDP)	7.9	7.8	8.7	8.6	20.2
Inflation Rate (CPI, annual variation in %)	11.7	9.1	8.5	8.8	13.9
Policy Interest Rate (%)	12.00	10.00	9.00	9.00	14.00
Exchange Rate (vs USD)	2,202	2,422	2,810	3,218	8,120
Exchange Rate (vs USD, aop)	2,092	2,308	2,570	2,965	5,123
Exchange Rate (vs EUR)	3,034	2,931	3,052	3,394	9,751
Exchange Rate (vs EUR, aop)	2,780	3,064	2,852	3,279	5,869
Current Account (% of GDP)	2.8	1.7	0.7	0.5	2.5
Current Account Balance (USD bn)	1.6	1.1	0.5	0.3	1.5
Trade Balance (USD billion)	-10.6	-12.6	-10.5	-2.4	-2.2
Exports (USD billion)	7.7	6.4	5.4	8.6	10.2
Imports (USD billion)	18.4	19.0	15.9	11.0	12.4
Exports (annual variation in %)	38.9	-17.0	-16.7	61.3	17.5
Imports (annual variation in %)	38.4	3.4	-16.6	-30.4	12.1
International Reserves (EUR)	-	-	-	-	-
International Reserves (USD)	-	-	-	-	-
External Debt (% of GDP)	18.5	21.1	22.2	21.8	26.4

Country Risk

Political and Economic Risk Indices



100 = Lowest risk, 0 = Highest risk

Source: Fitch Solutions February 19, 2019

Operational Risk Index

100 = Lowest risk, 0 = Highest risk

Source: Fitch Solutions February 19, 2019

Country	Operational Risk Index	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk Index	Crime and Security Risk Index
Georgia	61.9	64.7	70.9	54.9	57.1
Azerbaijan	58.8	60.3	62.4	59.5	52.8
Kazakhstan	58.5	71.6	58.9	54.1	49.3
Armenia	55.5	56.1	58.5	49.9	57.6
Uzbekistan	42.3	51.2	53.1	34.7	32.5
Tajikistan	42.3	52.8	38.9	38.8	40.1
Kyrgyzstan	42.3	49.2	44.7	38.0	33.5
Turkmenistan	38.1	33.8	39.4	43.1	36.1
Caucasus and Central Asia Average	50.0	54.9	53.4	46.6	44.9
Emerging Markets Averages	46.7	48.0	45.5	47.4	46.0
Global Markets Averages	49.6	49.7	49.9	49.0	49.8

Natural Hazards

Uzbekistan is in an earthquake region, and this is a major hazard that needs to be carefully evaluated. Windstorm and flood are recognized risks, especially in rural areas, but the proportion of insured losses is low.

UZBEK INSURANCE MARKET

Insurance Market Development and Legal Framework


Samarkand's Registan Square

19th c Some insurance was probably transacted by Russian companies

1921 The Soviet state insurance company Gosstrakh was established, initially to insure agricultural property, crop and livestock, and foreign trade.

1940 Agricultural property, crop and livestock insurance was made compulsory for collective farms.

1958 Gosstrakh was decentralized into separate bodies that became part of the finance ministry of each republic of the USSR.

1976 Agricultural property, crop and livestock insurance for state farms on a compulsory basis was introduced.

1989 The law on co-operatives permitted the establishment of the first co-operative insurers, later transformed into joint stock companies.

1993 The first Uzbek law on insurance was enacted.

1998 Gosstrakhnadzor was set up as the supervisory authority for insurance.

1999 The insurance law was amended: the first regulations were issued.

2002 A new insurance law and regulations were enacted dividing the market into life and non-life sectors and introducing EU classifications of insurance.

2006 The first specialized reinsurance company, Transinsurance Re, was formed. Later in 2013 the company was closed.

2007 Agents, brokers, surveyors, adjusters, assistance providers and actuaries were defined as professional participants in the insurance market by amendment to the insurance law of 2002.

2008 Compulsory Motor Third Party Liability (MTPL) became law, and a motor guarantee fund was created.

2010 Increases in minimum capital became effective from 1 January.

2015 Compulsory carriers' liability insurance was introduced.

2017 Foreign exchange policy liberalized. Minimum capital requirements restated in local currency. Insurers permitted to purchase foreign currency without limitation when procuring reinsurance.

➢ INSURANCE ORGANIZATIONS:

Supervisory Authority:

The insurance industry in Uzbekistan is supervised by the State Insurance Supervisory Inspection Department (Gosstrakhnadzor), which was established on 8 July 1998, by the Cabinet of Ministers, under Resolution No 286 On Measures for the State Supervision of Insurance Activity. Gosstrakhnadzor began working as the insurance supervisory authority in February 1999.
www.mf.uz

Insurance Association:

The Association of Professional Participants in the Insurance Market was formed in June 2007. www.uz-insur.uz

Types of License

- Licences are issued either for life or non-life: composite insurers have not been permitted according to the 2002 legislation.
- PA and healthcare (sickness) are considered as non-life classes in Uzbekistan, although they may be written also by life companies, either as supplementary covers to life products or as stand-alone policies.
- Life companies may also write travel insurance if it is restricted to medical expenses and PA cover (ie no property or liability covers are included).
- Within the non-life grouping, licences are issued on a class-by-class basis.
- Licences for inwards reinsurance are not issued separately except specifically for a professional reinsurance company. No direct writer can accept inwards reinsurance unless it has capital sufficient to qualify as a professional reinsurer.
- The standard response time for a licence or filing application is 20 days.

Capital Requirements

The minimum authorized capital for insurance companies operating:

- Non-life insurers - UZS 7.5bn (USD 947,207)
- Insurers writing compulsory classes - UZS 15bn (USD 1.89mn)
- Exclusively for reinsurance - UZS 30bn (USD 3.79mn).
  - *Existing insurers/reinsurers were granted until 1 July 2018 to comply with the restated capital requirements.*
  - *The initial statutory fund of the insurer must be formed by the founders by the time the licence is received, and it cannot be less than the minimum statutory fund amount established by law.*

Compulsory Insurances

In accordance with the meaning of Article 914 of the Civil Code of the Republic of Uzbekistan, there is a system of voluntary and obligatory insurance.

For obligatory insurance, an insured is obliged to enter into a contract with an insurer under the terms of the legislation in force.

Hereunder is a list of the types of obligatory insurance in the Republic of Uzbekistan:

- Motor third-party liability.
- Employers' liability.
- Carriers' third-party liability (death, bodily injury and property damage of passengers).
- Third party and environmental liability for accidents at hazardous production facilities.
- Professional liability for the following: valuers; customs clearing agents; financial services consultants; auditors, real estate agents; and notaries.
- State insurance of the life and health of workers in the energy and mining industries, court officials, the military, emergency rescue services and tax services personnel.
- Third-party liability for hazardous cargo transportation.
- Ecological insurance.

- Contractors' all risks for objects built with state funds or under state guarantee.
- Insurance of items taken as loan pledges.
- Insurance of leased equipment.
- Insurance of property offered as security.
- Insurance of mortgaged property.
- Insurance of risks under concessionaires' contracts.
- Insurance of valuables in the post.
- Tourist insurance.
- Export contract insurance.
- Life and health insurance for participants in clinical trials (required by trial sponsors in order to obtain a licence – not a legal requirement).

Insurance Policy:

- There are no compulsory wordings for any class and insurers are free to design the wordings they wish. Regulations issued for the various compulsory classes, however, may contain definitions, essential components, terms, conditions and obligations which should be incorporated into the policy.
- Policies in English are allowed but may not stand alone; market practice requires an Uzbek or Russian version which would take precedence in the event of a dispute. For large risks, wordings are often provided by the placing brokers. Manuscript policies and programme rates are allowed provided that, in using them, the local insurer will not face compliance issues relating to its filed wordings and tariffs.
- Standard example wordings are lodged with the supervisor, but there is no strict adherence to any specific wording required. Amendments to wordings are allowed providing always that there is no legally significant deviation to the original filing.
- Rates are filed with the standard wordings, but there is apparently no requirement to maintain rates that are first advised to the supervisor. Article 942 of the Civil Code states that the insurer, in determining the amount of the insurance premium subject to payment under the contract, shall have the right to apply insurance rates developed by the insurer, taking into account the object of insurance and the nature of the insurance risk.

- The standard response time for a licence or filing application is 20 days.
- There is considerable variation in the wordings used and the degree of sophistication in them. International (London market or major international reinsurers') wordings are often used, especially for risks involving a foreign partner or foreign capital and, in the more sophisticated versions, a jurisdiction clause is often included.
- There are no non-standard exclusions.
- There is no automatic renewal of insurances. At renewal, insurers contact the client and offer renewal if they wish to do so.

Statutory Tariffs

Tariffs are not set for voluntary classes: insurers are free to charge what they deem to be commercial rates for the business. There are statutory tariffs for some compulsory classes including motor third party liability, carriers' liability and employers' liability.

Foreign Ownership

Article 27 of the insurance law states that foreign insurance and reinsurance organisations may participate as founders of Uzbek insurance companies. Branches of foreign legal entities are not, however, permitted.

Intermediaries:

Intermediaries (brokers or agents) are required to be authorized to do insurance business.
Intermediaries are not permitted to place business with non-admitted insurers, with the exception of insurance of imports on CIF terms and motor third party liability for drivers leaving Uzbekistan (Green Card equivalent).

Non-Admitted Insurance Regulatory Position

Non-admitted insurance is not permitted. The law prohibits insurance intermediary activity on behalf of foreign insurance organizations. There are no restrictions on the placement of reinsurance abroad.

Reinsurance Business:

There was no professional specialist reinsurance company in Uzbekistan. Several of the larger direct licensed insurers are sufficiently capitalized to act as reinsurers writing inwards reinsurance.

Following the recent currency liberalization announced in September 2017 under Presidential Decree No 517 local insurance companies can now freely buy foreign currency in order to purchase reinsurance.

There is no state reinsurance company in Uzbekistan. Three direct companies which are state-owned write inward reinsurance: Uzbekinvest, Kafolat and Uzagrosugurta. Uzbekinvest has by far the highest capacity.

Direct writers do not need to be specifically licensed to write reinsurance, but they do need to have sufficient capital, ie UZS 30bn (USD 3.79mn: the equivalent of USD 3.70mn using the official exchange rate of 5 September 2017 established by the Central Bank).

There are no obligatory reinsurance cessions to any local insurer/reinsurer, although it should be noted that some limitations on maximum retentions apply. The maximum liability of an insurer (reinsurer) on an individual risk should not exceed 20% of its capital and reserves (15% for export contracts against political and commercial risks).

When arranging a placement with foreign reinsurers, several conditions need to be complied with as specified in Order No 41 (Articles 32 to 35) On Approval of the Regulations for Solvency of Insurers and Reinsurers dated 22 April 2008 issued by the Ministry of Finance.

The total volume of reinsurance ceded to non-resident insurers/reinsurers should not exceed 95% of the obligations of the local insurer for each separate insurance contract.

When placing reinsurance overseas, a local insurer's own retention must be not less than 5% of the company's solvency margin for the preceding quarter, except for export contracts against political and commercial risks and travellers' medical insurance.

Minimum acceptable security ratings for non-admitted reinsurance also apply (Moody's Investors Service Baa3, S & P Global BB+, Fitch Inc. BB-, A. M. Best Company Inc. B+, Expert-RA A++). Prospective reinsurers do not need to be registered locally, but it is unclear how the supervisor routinely vets the adequacy of ratings.

A 10% withholding tax on insurance and reinsurance premiums paid abroad applies; the withholding tax is not applied where Uzbekistan has double taxation agreements, but a tax residence certificate is required.

Global programme wordings and rates may be acceptable, depending on the filings that the local carrier has made to the supervisory authority. Fronting commissions are usually in the region of 5% to 15%.

Foreign exchange policy was liberalized in September 2017 following Presidential Decree No 517. Uzbekistan insurance companies can now freely purchase foreign currency without limitation for their reinsurance purchases.

Insurance Market Performance and Statistics

- As of the end of 2018, the local market was represented by 30 companies (3 more than in 2017), of which 24 are non-life companies and 6 life companies.
- In 2018, the total volume of insurance premiums reached 1.6 trillion UZS (193 million USD), which is 76% more compared to the 2017 which is 927 billion UZS (109 million USD).
- The real growth rate of premiums is estimated at 62%. This figure significantly exceeds the GDP growth rate for 2018, which according to preliminary data amounted to 5.1%.
- The total premiums for companies operating in the life insurance industry increased by 3 times and amounted to 417 billion UZS ($49 million USD) in 2018.
- In 2018, general insurance industry grew by 54% and amounted to 1.2 trillion UZS ($142 million USD).

Market Overview

According to the Ministry of Finance of the Republic of Uzbekistan, in 2018, three new insurance companies lunched their activities in the country. As a result, the number of insurance companies in the market of Uzbekistan reached up to 30 units: 24 of them operate in general insurance and 6 in life insurance industries. Two of the three new companies that entered the market operates in the life insurance industry ("Euroasia Life" and "Kafolat Hayot"), and one company ("Apex Insurance") is in the general insurance industry.

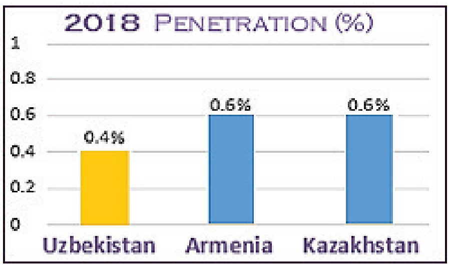
Year	Insurance premiums, (billion UZS)	Penetration (% of GDP)	Density (per capita in US$)	Insurance payments, (billion UZS)
2014	439.1	0.30%	6	74.6
2015	551.5	0.32%	6	99.8
2016	692.6	0.35%	7	130.5
2017	927	0.40%	6	270
2018	1635	0.40%	5	460

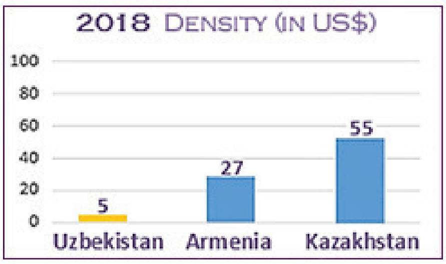
Source: Data of the State Insurance Supervision of the Republic of Uzbekistan

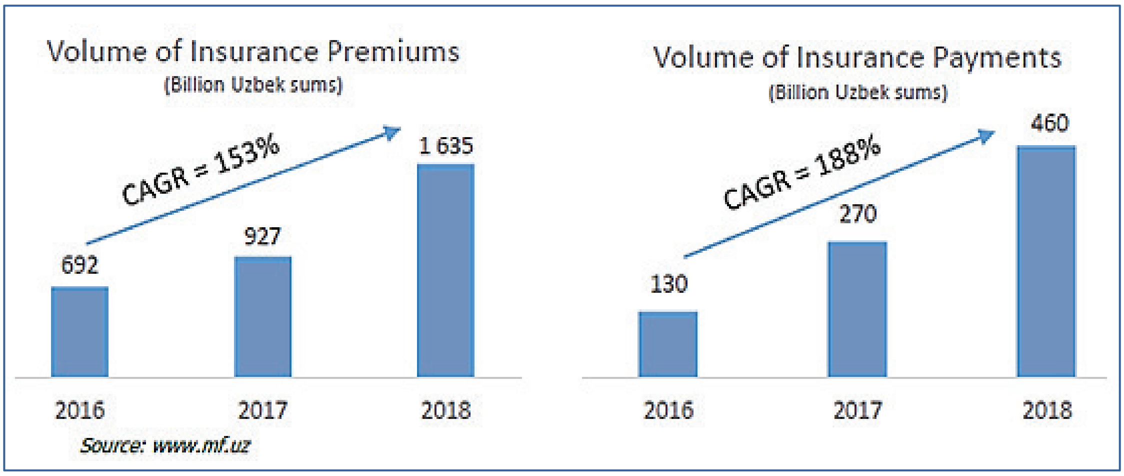
Uzbekistan Insurance Market premium as a percentage of GDP and expenditure on a per capita basis expressed in US$ for the year 2018;

Comparisons are made with, Armenia and Kazakhstan.

Source: Swissre Sigma Explorer







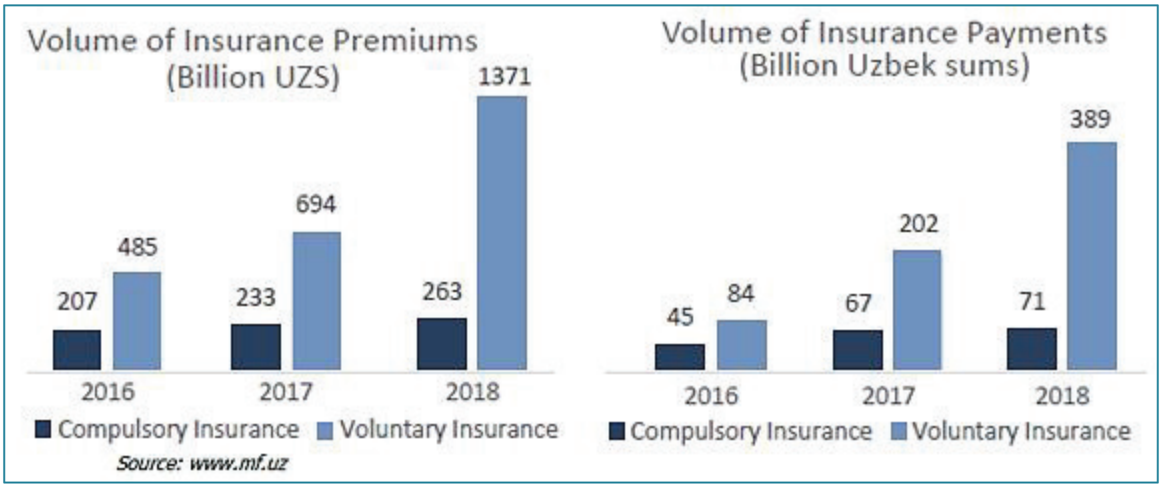
For the year ended 2018, the insurance market of Uzbekistan shows a high growth rate relative to the corresponding figures of the previous year.
For 2018, the volume of insurance premiums in the market increased by 76% and reached 1.6 trillion UZS ($193 million USD).

Taking into account the inflation rate for 2018, the real growth rate of premiums is estimated at 62%. This figure significantly exceeds the growth rate of the country's GDP for 2018, which, according to preliminary data, was 5.1%, which clearly indicates the dynamics of the insurance industry as a whole. The main drivers of market growth is life insurance.

For 2018, the volume of premiums for voluntary types of insurance reached 1.4 trillion UZS ($165 million USD) and exceeded the previous year by 98%. At the same time, premiums for compulsory insurance also showed a positive trend, but the growth rate was only 13%. The volume of premiums collected on compulsory insurance reached 263.5 billion UZS ($31 million USD). The growth rate of the premiums for voluntary insurance reflects the continued upward trend in the share of voluntary insurance in the market as a whole. In 2017 the share of voluntary insurance rose to 74.8%, then by the end of 2018, this figure increased by 9 points and reached 83.9%. This growth trend in the share of voluntary insurance in the market is estimated as a positive result, indicating a real growth in the country's insurance market.

It should be also noted that in 2018, there is also a rapid increase in insurance payments. During the reporting period, payments made by the companies increased by 71% and reached 460 billion UZS ($54 million USD). Also the main factor leading to the growth of payments in 2018 is the growth of payments on life insurance contracts.

As part of insurance payments, there is also a tendency of growth in the share of voluntary insurance. During 2018, the volume of payments on voluntary types of insurance increased by 92%, reaching 389 billion UZS ($46 million USD). For compulsory insurance, the volume of payments grew by only 6% and amounted to 71 billion UZS ($8.4 million USD). As a result, the share of voluntary insurance in total payments increased by 9.5 percentage points and reached 84%. The share of payments attributable to compulsory insurance, respectively, amounted to 16%.



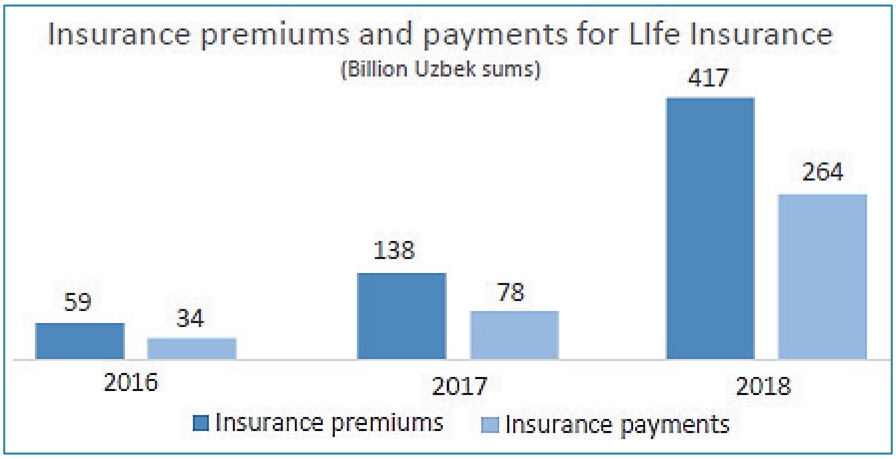
In 2018, the Incurred Claim Ratio (ICR) for the market stabilized at 28%. While, in 2017, this figure rose from 18.8% to 29% YOY.

In the recent years, the life insurance industry has shown a rapid increase in premiums. As a result, for the year ended, the share of companies in the life insurance industry in total premiums reached 25%. In insurance payments, the share of life insurance exceeds more than half of total payments and is 57%. The prevalence of the life insurance industry in total payments is related to the specifics of cumulative types of life insurance, which provide for the return of the accumulated amount in the event of the expiration of the insurance contract.

Life insurance

Over the past two years, there has been an increase in the number of companies operating in the life insurance industry. Companies in this industry manage to rapidly increase the volume of insurance operations mainly in cumulative types of life insurance. The main incentive for this growth is the favorable tax conditions created by the government of the country for individuals using long-term life insurance services. It should be noted that in 2018 the tax rate on personal income was reduced to 12%, while before it was progressive tax rate up to 23% which may affect the trends and dynamics of insurance premiums in the life insurance industry in subsequent years.

As noted above, the number of players in the life insurance industry has increased to six companies. The total premiums for companies operating in the life insurance industry increased by 3 times and amounted to 417 billion UZS ($49 million USD).



Insurance payments for the industry showed a higher growth rate, which amounted to 337%. The total volume of payments amounted to 264 billion UZS ($31 million USD).

In 2018 the premiums and payments for the industry accounted for 4 insurance companies, since the other two companies began their operations almost in the second half of the reporting period. The leader in terms of premiums in the industry was New Life Insurance LLC, which collected premiums in the amount of 159.9 billion UZS ($18.8 million USD). The second and third positions are occupied by Agros Hayot LLC and O'zbekinvest Hayot LLC with premiums of 129.6 billion UZS ($15 million USD) and 101 billion UZS ($11.9 million USD), respectively. It can be seen that the main part of the industry awards falls on the top three companies. Their shares in the industry respectively amounted to: LLC New Life Insurance - 38%, LLC Agros Hayot 31% and OOO O'zbekinvest Hayot - 24%.

#	Name of Company	Insurance premiums		Insurance payments		ICR
		Billion UZS	**Market share**	**Billion UZS**	**Market shares**	
1	New Life Insurance	159,9	38%	98,7	37%	62%
2	Agros Hayot	129,6	31%	79,1	30%	61%
3	O'zbekinvest Hayot	101,2	24%	68,1	26%	67%
4	Alfa Life	24,4	6%	17,6	7%	72%
5	Euroasia Life	2,0	1%	0,4	0%	20%
6	Kafolat Hayot	0,2	0%	0,0	0%	0%
	Total	**417,3**	**100%**	**263,9**	**100%**	**63%**

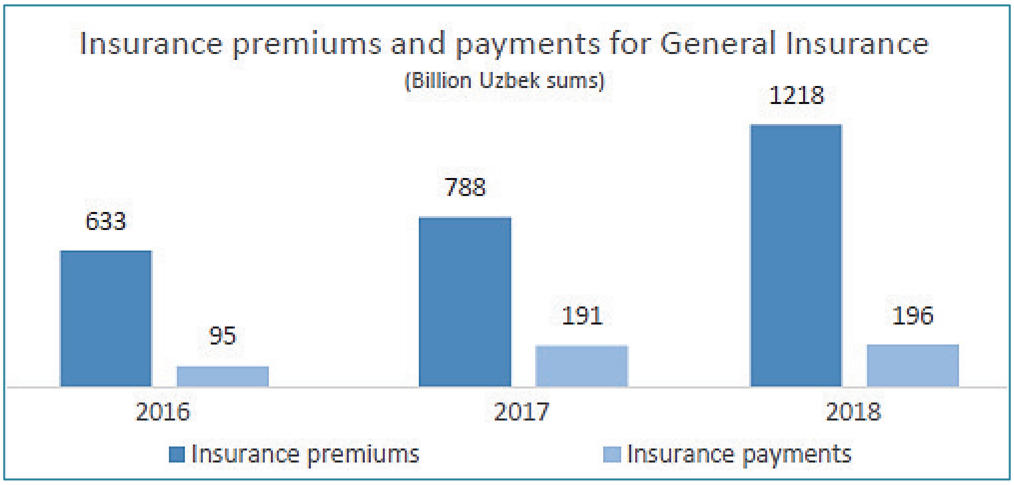
Source: www.mf.uz

The volume of insurance payments of life insurance companies increased 3.4 times and amounted to 264.0 billion UZS in 2018. The ICR of insurance premiums in the industry was 63%. A significant part of payments in the amount of 93% is accounted for the companies New Life Insurance LLC (37%), Agros Hayot LLC (30%) and O'zbekinvest Hayot LLC (25.8%).

General (Non-life) insurance

In 2018, general insurance industry has also a high rate of growth in premiums. Types of general insurance include property insurance, liability, business and financial risks, as well as some risky types of personal insurance. The main distinctive feature of types of general insurance is that they belong to risk types of insurance and do not contain elements of accumulation and investment income.

As noted above, in 2018 new company entered the industry. The total premiums in the industry grew by 54% and amounted to 1.2 trillion UZS ($142 million USD). The growth rate is a significant achievement for the general insurance industry.



The volume of insurance payments for the industry increased by only 2.7% and amounted to 196.8 billion UZS (23 million USD). Such a low growth rate of payments compared to the growth rate of premiums in the general insurance industry indicates a good underwriting result for industry companies in 2018.

In general, in terms of premiums, market leaders with a significant margin are Uzagrosugurta JSC (14.6%), Uzbekinvest NEIC (13.9%) and Gross Insurance LLC (12.6%). The next two companies getting 4- and 5-positions in the industry are Insurance Company Kafolat JSC (9.6%) and Alfa Invest LLC (6.8%). Shares of other companies in the industry are below 6%.

The concentration of the leading three companies in the industry decreased by 5.7 percentage points and amounted to 38%. The first five companies account for 57.5% of premiums, which is 2.4 percentage points lower than the previous year. The concentration of the TOP 10 company industry also decreased by 1.9 percentage points and amounted to 80.9%. It is noted that the decrease in the concentration level is a positive result of the presence of conditions for free competition in the market.

Insurance payments for most companies in the industry have seen an increase in payments. At the same time, for some companies, the amount of payments decreased compared to 2017. It should be noted that the low growth rate of aggregate payments in the industry was due to a significant reduction in the volume of payments to the company Uzagrosugurta, amid the growth in payments to the majority of other companies. Payments on this company decreased by 29.6% and amounted to 65.6 billion UZS

($7.6 million USD). As a result, the share of Uzagrosugurta JSC in total payments for the industry decreased to 33%.

#	Name of Company	Insurance premiums		Insurance payments		ICR
		Billion UZS	**Market shares**	**Billion UZS**	**Market shares**	
1	JSC "Uzagrosugurta"	178	15%	65,6	33%	37%
2	Uzbekinvest	169,1	14%	31	16%	18%
3	OOO "Gross Insurance"	153,5	13%	15	8%	10%
4	JSC "Insurance company Kafolat"	116,7	10%	30,6	16%	26%
5	CO OOO "Alfa Invest"	82,5	7%	9,1	5%	11%
6	Alskom	69	6%	8,8	5%	13%
7	Euroasia Insurance	59,4	5%	2,8	0%	5%
8	OOO "Asia Inshurans"	56,6	5%	7,8	4%	14%
9	Kapital Sug'urta	55,7	5%	6,3	3%	11%
10	Temiryo'l-Sug'urta	45,3	4%	4,1	2%	9%
	Others	232,1	19%	15,8	8%	7%
	Total	**1217,9**	**100%**	**196,9**	**100%**	**16%**

Source: www.mf.uz

The reduction in the growth rate of insurance payments in the industry over the period under review led to a decrease in the rate of ICR. Thus, according to the results of 2018, the level of ICR was 16.2%, which is 8.1 points lower than the previous year.

In terms of companies in 2018, the highest levels of ICR are observed in such companies as Uzagrosugurta JSC (36.9%), Kafolat Insurance Company JSC (26%), DD-General Insurance (20%), Uzbekinvest (18%).

The Future

- The insurance market and indeed Uzbekistan itself are in a state of flux since the start of the presidency of Mr Shavkat Mirziyoyev in December 2016.
- The market is likely to undergo significant change if the raft of new initiatives that are planned come to fruition.
- The disruption caused to the economy by the currency liberalization of late 2017 has now subsided to a certain extent. At the same time the economy is becoming more open and business friendly.
- The signs are that the insurance market is poised for strong growth in the near to medium term. Risks to this are the increasingly competitive market conditions or if reforms stall.


Our foundation
goes real deep.
Total Assets: US $ 12 billion
Net Worth: US $ 5.7 billion
(including US $ 3.5 billion on Fair Value Change Account)
Global Ranking (2015):
14th among Global Reinsurers (A M Best)
18th among Global Reinsurers (S & P)
Ratings:
Financial Strength: A- (Excellent) A M Best Company
Claims Paying Ability: "AAA(In)" by CARE
आपत्काले रक्षिष्यामि
GIC Re
General Insurance Corporation of India
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Website: www.gicofindia.in
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GICRE/CAPL/06-16/IQ-001

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access to insurance initiative

Using Key Performance Indicators (KPIs) in Inclusive Insurance Supervision

Clémence Tatin-Jaleran
Hui Lin Chiew

APRIL
2019

INTRODUCTION

Key Performance Indicators (KPIs) are a powerful tool for supervisors to regularly evaluate the development, soundness and appropriateness of the inclusive insurance (II) sector. ICP 9 on Supervisory Review and Reporting sets out that risk-based supervision should use both offsite monitoring and onsite inspection, and supervisors should collect the necessary information to conduct effective supervision and evaluate the insurance market. Collecting financial and non-financial data, both quantitative and qualitative, enables supervisors to continuously monitor the condition, conduct and risk profiles of insurers, thereby being a critical resource for supporting risk-based supervision.

This benefit also applies to the development of II. KPIs contain valuable information on whether insurers are providing II products that are high-quality, accessible and valuable, while being financially sustainable. Many KPIs for II are not different from conventional insurance. As such, supervisors could likely leverage existing supervisory reporting processes in obtaining II data. However, supervisors may wish to tailor the scope of data reporting, its interpretation and ensuing supervisory measures to reflect the context and objectives of II. To this end, supervisory discernment and experience are thus extremely important. KPIs assist and guide, but do not replace supervisory judgement.

Data and KPI reporting is a resource-heavy exercise for both the supervisor and the insurer. New data reporting requirements often require adaptation of data infrastructure and processes, which are costly both in terms of the investment in technological platforms as well as human resource. In line with a risk-based approach, supervisors may also wish to factor in the costs and benefits of any additional data or KPI reporting for II. However, while data reporting may increase the regulatory burden to insurers, it could also bring about benefits. In a challenging environment of rapidly evolving technology and consumer behaviour, KPIs enable insurers to be more responsive and dynamic. KPIs can assist with a more customer-centric strategy in product and business development. Insurers can continuously monitor how II products perform, and subsequently adjust their II products in response.

This paper provides some insight into how some common KPIs can inform the supervisory development and review of II. The paper first summarises how some insurance supervisors currently utilise II KPIs and highlights some potential lessons. The second section discusses how KPIs can inform II market development. In the third section, some essential KPIs are described, highlighting the information they provide and how supervisors could interpret them from an II perspective. Finally, an overall approach for their collection, analysis and subsequent action are discussed to conclude this paper. These insights are applicable to both defined microinsurance products as well as other II products, such as mass insurance or government-supported insurance programmes.

CURRENT SUPERVISORY EXPERIENCE WITH II KPIS

Selected country examples

A number of jurisdictions where II is present in the market currently require the regular reporting of data and some KPIs to the supervisor. These countries include, among others: the Philippines, India, Ghana, the CIMA region countries[1], Peru, Nicaragua, Brazil, Mexico and South Africa. The II data collected by four sample countries are as follows:

Jurisdiction	CIMA region	Mexico	Nicaragua	Philippines[2]
Type of data reporting	Compulsory	Compulsory	Compulsory	Compulsory
Applicable for which products	Microinsurance as defined by microinsurance regulations[3]	All products registered whether microinsurance or not	Microinsurance as defined by microinsurance regulations[4]	Microinsurance as defined by microinsurance regulations[5]
Which data and KPIs	1. Net income ratio 2. Operational expense ratio 3. Claims ratio 4. Renewal ratio 5. Turnaround time 6. Rejection ratio 7. Growth ratio 8. Solvency ratio 9. Liquidity ratio	1. Registry number 2. Covered risk and type of cover 3. Number of policies, certificates or endorsements 4. Sum insured 5. Written premiums 6. Acquisition, administration costs 7. Margin 8. Number and amount of claims	1. Number of written policies 2. Number of insureds 3. Sum insured 4. Written premiums 5. Claims amount 6. Number of claims	1. Solvency ratio 2. Liquidity ratio 3. Leverage ratio 4. Operational expense ratio 5. Underwriting expenses ratio 6. Claims ratio 7. Proportion of claims paid in less than 10 days[6]
Frequency of reporting	Annually and quarterly	Quarterly	Quarterly	Annually
Mode	Submitted to CIMA and national supervisory authorities	Electronically		

Table 1: KPI reporting requirements in four jurisdictions

1 Burkina Faso, Benin, Togo, Chad, Mali, Niger, Senegal, Guinea Bissau, Gabon, Ivory Coast, Congo-Brazzaville, Central African Republic, Cameroon.

2 Circular letter on "Enhanced Performance Indicators and Standards for Microinsurance 2016". Available online: https://www.insurance.gov.ph/wp-content/uploads/2017/02/CL2016_63.pdf

3 Defined based on having low premiums, low sums insured and simplicity of product.

4 Microinsurance is characterised by low premiums or sum insured, as well as simple processes and covers offered to low-income individuals.

5 Microinsurance is defined based on a daily premium cap and sum insured linked to national minimum wage.

6 With its 2016 regulations, the Philippines removed four ratios it had required in its initial 2010 microinsurance regulations: the Renewal Ratio, the Rejection Ratio and the Growth Rates (in number of insureds and written premium amounts).

The scope of reporting varies greatly by jurisdiction but often does not separate inclusive or microinsurance from other business. Brazil's Superintendência de Seguros Privados (SUSEP), is an example where microinsurance data is reported on a segregated basis. SUSEP requires monthly reporting on insurance products, broken down by microinsurance and non-microinsurance, as well as by life and non-life[7]. The data includes balance sheet data, financial investments, premiums, claims and commissions. The data enables SUSEP to track growth trends in microinsurance products over the years, segregated by life and non-life. For many countries, however, insurance data is primarily collected according to the line of business such as fire, motor, personal accident or others, with no specific analysis of microinsurance data.

Where II-specific data are required, II is usually specifically defined in legislation or regulations. The reporting requirements, which includes a breakdown of information, is formalised either through insurance law or through secondary legislation such as circulars, guidelines and regulations. The supervisors may require II KPI reporting alongside regular supervisory reporting requirements, or on an ad hoc basis as per request. In many jurisdictions, while data may be compiled electronically, the data submission to the supervisor does not seem to be automated through electronic platforms.

Challenges and insights

Supervisors commonly face challenges in receiving complete data from insurers. Some instances in the Philippines and the CIMA region show that the data is only partially collected in spite of the requirements. For insurers, data compilation is time-consuming and resource-intensive. They may not have efficient systems and staff to extract and process the requested data, leading to lapses in data submission. Supervisory authorities themselves may not have sufficient resources to effectively enforce these requirements.

In order to enable consistent segregated reporting for II, supervisors need to set out a clear regulatory definition in the reporting requirements. Where there is no clear delineation of II, it is challenging for the insurer to segregate and extract the data in their systems accordingly, even when they can or want to report to supervisors. Insurers may end up apply varying definitions of II, making it difficult for the supervisor to compare and analyse. There are also additional challenges if supervisors require reporting on II in addition to the products that are formally categorised as microinsurance. These are insurance products that are accessed by inclusive segments but are not formally approved or registered as microinsurance. Common examples include mass insurance[8] in some jurisdictions or insurance that is tied to government schemes.

Having a clear definition of II for reporting purposes also ensures that the information accurately captures reflects the II context. What insurers consider to be II may not be in line with the supervisor's concept of II. For example, some insurers may assume that any low-

7 The regulatory classifications for data reporting are set out in SUSEP's circular No. 535/2016 (Available online: link http://www2.susep.gov.br/bibliotecaweb/docOriginal.aspx?tipo=2&codigo=37965). Microinsurance data is listed under items 1601, 1602 and 1603.

8 Mass insurance are low-ticket products which reach a wide client-base through mass channels (usually non-traditional ones) irrespective of the socioeconomic background of the client.

premium products are II, whereas the supervisor may have a more nuanced definition covering how the product is designed, distributed and serviced. How II is defined for purposes of reporting would ultimately depend on the supervisors' own policy goals. For example, if the objective is to measure vulnerable groups' access to any form of insurance, a broader definition may be more meaningful. On the other hand, if the objective is to develop the private market for II or a specific coverage type, then a narrower definition may be more effective.

Other organisations, such as industry associations or donors, may also collect data on II. In Colombia, the insurers' association, Fasecolda, set up its own process to collect quarterly microinsurance data from its members. The Fasecolda team then reviews the data submitted, after which the reports are displayed online. Globally, various donors have supported the collection of microinsurance data on a worldwide basis through the Landscape of Microinsurance[9] reports and map.

Data collection by entities other than supervisors has additional challenges:

- Entities may not be willing to publish data for competitive reasons, especially if the data is not aggregated or anonymised;
- Given such reporting is voluntary, it often takes a long time to obtain the data and request for clarifications from submitting institutions; and
- The reliability and consistency of data may not be up to the supervisor's expectations if the data is not based on their own criteria and processes.

Nevertheless, data collected through such initiatives can provide unique insights; for example, referring to cross-country data collected by global donors allows the supervisor to compare its II development to other countries. Relying on industry associations to collect data can also help the supervisor save on resources; however it is important that the supervisor takes steps to verify the data.

The II market is dynamic and thus product offerings, definitions and consumer behaviour are constantly undergoing change. As such, supervisors may wish to consider such differences when comparing KPIs over time and against other countries. For example, when a new II definition is introduced, it may capture products that have existed in the market for a long time. Supervisors may also wish to also keep an eye out for changes and innovation in the market, such as the emergence of new products that should be reported as II, and modify reporting requirements accordingly. Research conducted by supervisors might also bring to light other excluded, vulnerable segments to newly consider as part of the II market.

9 The Landscape publications are available online: http://www.microinsurancecentre.org/landscape-studies/publications.html

KPIS FROM AN INCLUSIVE INSURANCE PERSPECTIVE

KPIs for II are similar in a technical sense to those for conventional insurance. However, the role of the regulator and interpretation of II indicators have several important additional components. The regulator may have a mandate or an interest to:

- Advance financial inclusion through II market development and expansion of access to insurance.
- Ensure fair treatment of a vulnerable segment that is unfamiliar with insurance services.
- Ensure the financial sustainability of II to ensure that vulnerable groups have continuous access to insurance services.

This section will set out a list of selected essential indicators and describe their meaning in the context of II. The majority of the KPIs discussed below are part of the essential KPIs listed in *Performance Indicators for Microinsurance: A Handbook for Microinsurance Practitioners* published by Appui au Développement Autonome (ADA), the Belgian Raiffeisen Foundation (BRS) and the Microinsurance Network.

Outreach and market growth

Market size

The most common indicators used to measure market size are the number of policies, number of covered lives or risks and written premiums by II product type and line of business. These figures give a quick overview as to whether the market is growing in volume. However, they can be further analysed to gain a more nuanced understanding:

- Is the market growing sustainably?
- Is the financial inclusion frontier being expanded?
- Is the market reaching the low-income segment through appropriate products?

1 Growth Ratio =

(Number of insured in period N – Number of insured in period N-1) / Number of insured in period N-1

(Written premium in period N – Written premium in period N-1) / Written premium in period N-1

The Growth Ratio enables the regulator to track if the market is on the intended growth path. The Growth Ratio can be broken down and compared: such as the II market against the overall insurance market, between different types of product lines and distribution channels, between entities, or against other jurisdictions. Overly low or high growth rates can then be investigated further. For instance, low rates may mean that products are not meeting needs. Sustained high growth rates could warrant concerns that there will be a strain on the resources of the insurers, potentially jeopardising quality of service or financial sustainability. Reviewing growth rates in concert with other indicators can help identify underlying reasons and implications. Claims servicing KPIs (see Section 3.2), for instance, can help validate supervisory concerns on the appropriateness of products or service quality. For instance, if turnaround time for claims payment, the rejection ratio or complaints remain on-track, it may indicate that the quality of service is maintained despite high growth rates.

2 Coverage Ratio =

Insured population / Target population

The Coverage Ratio provides more precise information on whether access to insurance is improving and specific financial inclusion targets are being met. Calculating this requires complementary data such as the size of the local population, the low-income segment or other specific target groups (microenterprises, women, rural areas, specific occupational groups and so on). This task is easier for countries where such data is readily available and compiled in a manner that allows cross-referencing, such as via the use of a national identification or social security number. Such data is usually collected by other agencies, such as the national registration department or welfare agencies. This ratio provides more of a nuanced view on whether or how the financial inclusion frontier is expanding, and who is in fact accessing II. As such it also allows more targeted policy and regulatory measures.

Profiles of insured persons

3 Socioeconomic data of the target group =

Income level, occupation, age, gender, household size and characteristics, education and others

Data on customer profile and needs should be at the centre of II product design and development to ensure that II products are designed to match the needs of the segment. It is important to understand their socioeconomic profiles so insurers can tailor benefits, set affordable premium levels or design a suitable sales and claims process based on evidence. Data on the profile of the insured or target segment is rarely included in the regular reporting requirements. However, if this is too onerous, supervisors can explore other ways to ensure insurers incorporate this into their product development process. One way is to require insurers to provide evidence that this data has been considered during the product approval process. Other options are to include it in the supervisory review process, such as via onsite inspection, or ad hoc requests for additional information from insurers on persons insured under the II business.

Collecting data on the II consumer profile also provides greater insight into where outreach gaps remain. Key questions for supervisors are: Who exactly is reached by inclusive insurance products? What target groups remain unserved? Is the market growing across different target groups? Using socioeconomic parameters in the data on the insured would some light on these questions. KPIs can be scoped to products that are accessed by all persons in an income band, rather than only considering products that meet the strict definition for micro-insurance products. Written premiums and number of policies can be narrowed down to the number of new policies issued to previously uninsured customers, specific income segments or specific occupational groups. Having this context provides much richer insight on needs. Providing urbanised dwellers with personal accident products is easier than offering standalone life insurance to rural populations; factory workers with frequent but low income have different needs from self-employed women.

Renewal or Persistency Ratio

4 Renewal Ratio =

Number of renewed policies in period N / Number of policies eligible for renewal at the end of period N-1

5 Persistency Ratio =

Number of policies insured at the end of period N / (Number of policies insured at the end of period N-1 – number of policies that claimed over period N, if the policy terminates upon claim)

The Renewal Ratio, or Persistency Ratio for longer-term products, is not only an indicator of competitiveness. For II products, it is also an indicator of customer satisfaction, value for money and accessibility. It is a useful tool for supervisors and can be used to assess whether too much focus is given to growth, outreach and top line and not enough to product quality and suitability.

Renewals and persistency are often much lower for II products than for conventional insurance products but should ideally increase over time. If a renewal ratio is, and remains low, it may indicate that:

- The product may not be meeting the needs of the insured. Premiums may be unaffordable, and benefits may not be sufficient or valuable to customers.
- The insured is not aware that they are insured, which may be the case in products that are bundled with other services, such as mobile airtime.
- The insured is not aware that they have to renew the policy to continue being covered. Lack of financial education and information communicated usually explains this scenario.
- The process to renew policies and pay premiums may not be suitable for the insured. This may occur when insurers have not considered accessibility, income patterns and payment mode when designing processes (e.g. time of renewal versus crop cycle, location and mode of payment of subsequent premium).
- Service may be poor, leading to dissatisfaction and lapse. Insurers and intermediaries may focus too much on enrolling new customers, driven by growth incentives, instead of servicing or ensuring renewals.

Claims-related KPIs

Rejection and Complaints Ratios

6 Rejection Ratio =

Number of claims rejected / Number of claims in the sample

7 Complaints Ratio =

Number of complaints / Number of in-force policies or claims

Rejections and complaints should be minimal if the insureds understand their benefits and the processes, and service quality is high. If the ratios are higher than expected, supervisors may wish to look into the reason for these rejections and complaints. High rejection and complaints ratios indicate that consumer trust in II could be eroding. High rejection ratios and complaints also mean that insurers' staff have to spend time on invalid claims file review, increasing operational costs and therefore lowering the value for money of II products. Potential reasons for high ratios are usually related to the misalignment with the expectations and needs of the insured. For example:

- People misunderstood their covers because benefits and conditions are too complex, or the insurer's or intermediary's staff did not adequately disclose or explain products.
- The claims process was too complex and people failed to provide required documentation.

Claims Turnaround Time (TAT)

The time required to pay a claim is an indicator of the service quality provided by insurers but also the efficiency of the processes set up for notification, assessment and payment of claims. To have a more accurate assessment of the quality of services, supervisors could look beyond a single average figure on time to pay claims. Two elements are important to consider in meaningfully assessing claims TAT:

- How the timeframe for claims payment is defined.
- How this length of time is then aggregated and reported for a whole portfolio.

A comprehensive measure should take into account time between the risk event occurring (death, access to the hospital, calamity), claims reporting and the actual receipt of the payout. As per the diagram below, several dates should be recorded and the TAT should correspond to the time indicated as segment AD (Figure 1). Insurers usually only report the time elapsed between receipt of complete claims documentation, approval and release of the payout funds. Including the time between the event and actual payout to the beneficiary indicates to the supervisor:

- If it is easy for insureds to understand what is covered and what is required of them to make a claim
- If the claims process is adapted to excluded groups who face challenges accessing official documents
- If the insurer's and intermediaries internal claims processing is efficient
- If the payment process is adequate, for example, if the insureds are underbanked and cannot easily and affordably cash a cheque or receive a wire transfer.

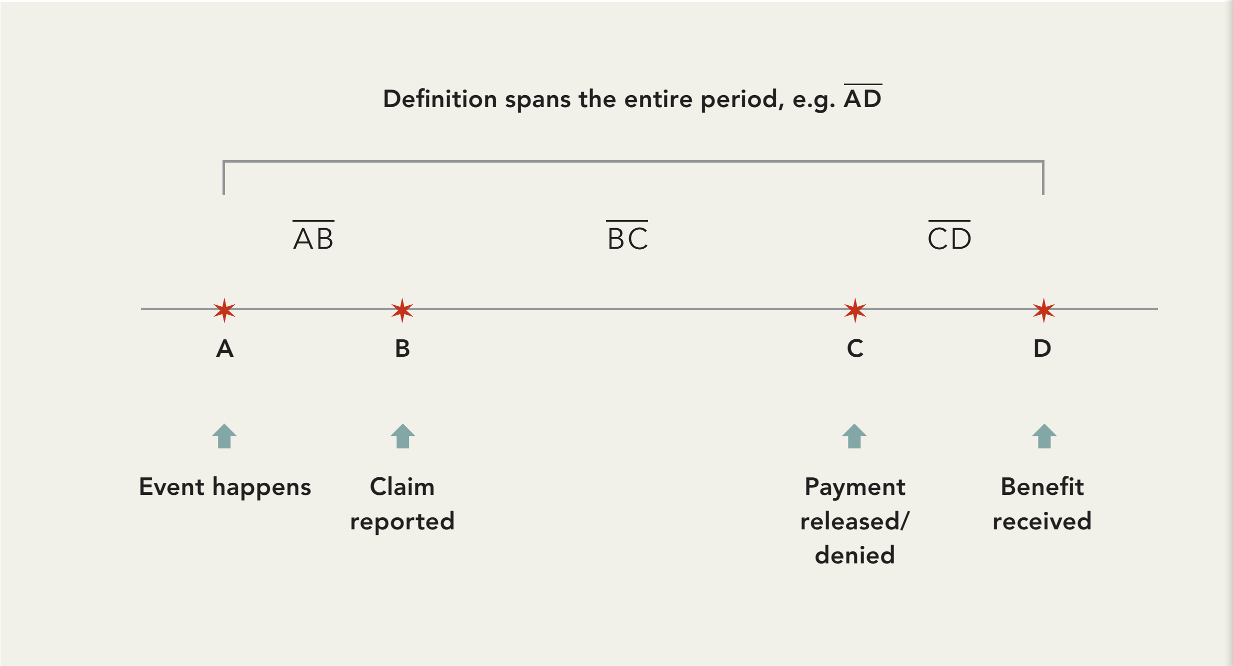

Figure 1: Claims chronology and suggested TAT definition I Source: Diagram from BRS/ADA KPI training and manual

Moreover, the claims TAT can also be dissected in various ways to provide meaningful information. An aggregated TAT indicates the overall performance of the product, line of business or service provider. However, analysing beyond average TATs could provide a richer picture: a range of TAT, and the number of TATs that exceed the regulated maximum time (if this is defined in regulations) and a distribution count by level of performance. An average TAT does not reflect whether most insureds receive quality service. Simple claims may be paid in three days, most claims may be treated in 10 or 15 days while other insureds wait much longer for their payout. As suggested in the Microinsurance Network/ADA/BRS manual, a count of claims paid by range of time required is a better depiction of the experience insureds have. The reported KPI could actually be four or five levels as illustrated in Table 2 below.

Number of Days between occurrence and benefit reception	Number of Claims	% of Total Claims
0 to 7 days	…	…%
8 to 30 days	…	…%
31 to 90 days	…	…%
More than 90 days	…	…%
Total	**…**	**100%**

Table 2: Measurement of TAT broken down into a range of time | Source: Diagram from BRS/ADA KPI training and manual

Regulators who have a TAT target or intend to set one could use this information to ascertain a TAT that provides the best experience and client value. They would also be able to track efforts and progress insurers make in delivering quality services to vulnerable groups. Targets or maximum times should correspond to a reasonable time that fits with beneficiary's needs. Most low-income consumers would need their payout to face an urgent financial obligation for which they usually have little or no savings to fall back on. The impact of varying TATs however may differ by country, target segment and by type of product and line of business. A MILK study[13] comparing two life products in the Philippines with differing claims TAT showed that the time taken to pay claims affects how the money is allocated between wake expenses, the funeral expenses, and post-funeral needs. It also affects the beneficiary's recourse to other sources of financing such as informal lending.

13 See "Doing the Math – Funeral Microinsurance and Speedy Claims in the Philippines". Available online: http://www.microinsurancecentre.org/component/edocman/policyholder-value-of-microinsurance/milk-brief-27-doing-the-math-funeral-insurance-and-speedy-claims-in-the-philippines.html?Itemid=

Incurred Claims Ratio

8 Incurred Claims Ratio =

Incurred claims / Earned premiums

9 Combined Ratio =

(Incurred claims + Incurred expenses) / Earned premiums

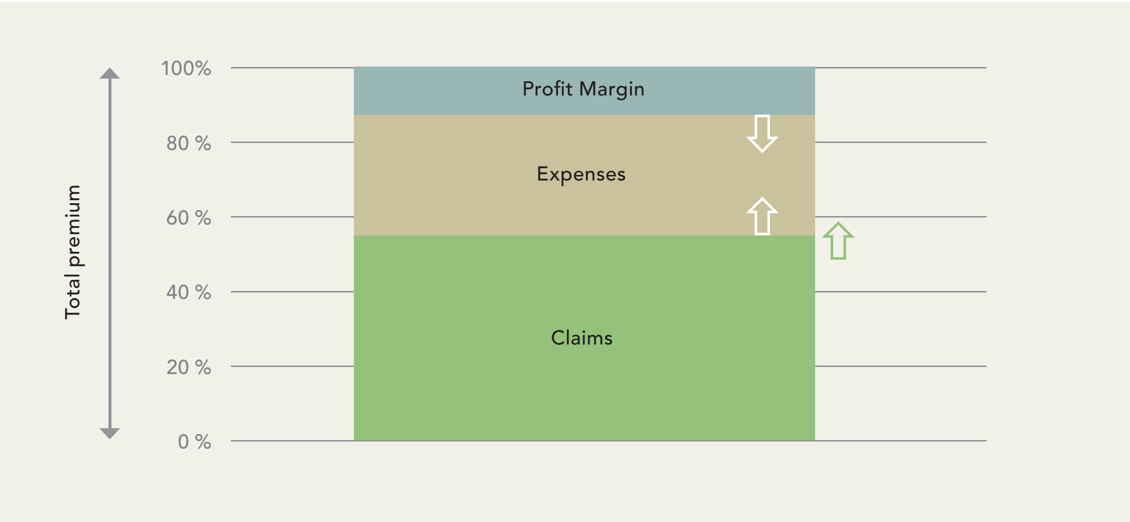

Figure 2: The lower the expenses and the higher the claims, the better the client value

Beyond financial performance, the Incurred Claims Ratio is also an indicator of value for money. While II products should remain sustainable with the combined claims and operational expense ratios below 100%, the claims ratio should be as high as possible in order to offer the greatest value for low-income customers. It is important for processes to be efficient, fees paid to intermediaries to be reasonable for the services provided and profit margins to be reasonable relative to insurance risk element so that products provide value for low-income customers.

Some programmes experience very low Incurred Claims Ratios due to the insured person or beneficiary not being aware of the cover, complex claims processes or high premium levels relative to benefits. For example, in one of the countries studied, the 2016 and 2017 Incurred Claims Ratio for microinsurance was significantly lower than that of the overall industry ratio except in group and individual life insurance. This could be a good prompt for supervisors to look further into the quality of II products. A low Incurred Claims Ratio may be due to low frequency of claims. Similar to rejection and complaints ratios, this could reflect process inadequacies and may require supervisors' attention:

- People misunderstood their covers because benefits and conditions are too complex, or the insurer's or intermediary's staff did not adequately disclose or explain products.
- The claims process was too complex and people failed to provide required documentation.
- The risk exposure may have been overestimated, and assumptions made in setting premiums are erroneous. Premiums are too high relative to the cover obtained.

II products need to achieve a balance between profitability and paying out claims. Profitability would ensure that the products are financially sustainable, the insurer remains solvent, and therefore II products can be continuously offered. At the same time, having most of the premium channelled towards paying claims ensures there is value for the II consumer. However, it is important that supervisors consider their market peculiarities, the circumstances surrounding cost structures and claims, and set a reference point or range that is reasonable for their jurisdiction. Claims ratios should be analysed together with the premium breakdown as a whole. For example, premium-setting assumptions may be overly conservative due to the lack of pricing data. The Operational Expense Ratio offers further insight in this regard (see Section 3.3.1). Other KPIs such as the rejection ratio could further explain the reasons behind the claims ratio.

Other KPIs

Operational Expense Ratio

10 **Operational Expense Ratio =**

Incurred expenses / Earned premiums

The Operational Expense Ratio indicates the cost structure of the product. Along with the claims ratio, it illustrates where premium funds are channelled and therefore gives supervisors further insight on value to consumers. The lower the ratio relative to claims, the better the client value. The numerator theoretically includes all operational expenses borne by the insurer:

- Acquisition costs (commissions and partnership fee, marketing, etc.)
- Expenses related to claims administration, assessment and payment
- Expenses related to renewals

- Administrative expenses (documentation printing, overheads, ongoing servicing and enquiries)
- Compliance cost

The Operational Expense Ratio for II is commonly higher than that for conventional products. Low absolute premium levels of II products mean that expenses commonly represent a large proportion of the premiums. More importantly, II often involves using non-traditional distribution models. II consumers can be more challenging to reach, as they live in remote areas or have a less advanced understanding of insurance. In leveraging on non-traditional intermediaries such as community-based organisations, insurers may need to test out new remuneration structures or incur higher operational costs on training, or carrying out awareness or education strategies. This could make operational expenses higher than where insurers leverage traditional insurance agents or standard group insurance policies.

Operational Expense Ratio may also vary greatly by line of business. For example, credit life and personal accident products are often bundled with loans, motor insurance or other non-financial services. Acquisition costs for such products may be lower, provided the intermediary does not charge high upfront partnership fees. Basic term life products are easier to understand and have less complex claims documentation and assessment. As such, there is room to simplify administrative processes, and therefore lower administrative expenses. In contrast, health products covering specific types of diseases may require more onerous paperwork and claims assessments, and thus the operational expense may justifiably be higher. All other cost elements being equal, for products where the incidence of claims is low, the Operational Expense Ratio is also lower.

Supervisors, therefore, need to consider if such operational expenses are justified in order to deliver insurance services to low-income segments. Does it still maintain satisfactory client value? Is it acceptable for the initial years of the II product launch, and should it lower as the market matures? If the commissions and costs of internal processes are lower, premiums can also be lower and more affordable. It is important that the supervisor engages with the insurer to understand the reasons for the expenses. For example, if the II provider may have judged that there is a minimum fee needed to incentivise the intermediary to sell the product. Commissions to partners may be high because the partner company commands a high number of potential clients and a large proportion of its market, and therefore have strong bargaining power[14]. This is often the case in telco industries. Supervisors can form a view by comparing across various II programmes, using programmes that have more efficient processes as a benchmark.

14 For an example of how understanding commissions, expenses and profits can be used to inform supervisory analysis, see the case study on Ghana in the A2ii consultation call report "Measuring insurance development: Beyond the insurance penetration rate". Available online: https://a2ii.org/sites/default/files/reports/21._consultation_call_engl_web_0.pdf

Net Income Ratio

11 Net Income Ratio =

Net income / Earned premiums

While profitability is important to ensure solvency and that insurers are interested in II, supervisors may wish to ensure that II providers are not profiteering of financially vulnerable groups. The net income ratio, which represents the margin for insurers, could be used as an indicator for comparison between products, lines of business or target segments. In considering this ratio for the II market, the following specificities are relevant:

- The target segment is new to insurance, and therefore usually have little or no comparison point to assess if the benefits and premiums are worth paying for.
- The hard-earned income of financially vulnerable groups should provide as much return to them as possible.
- In nascent or developing II markets, there is usually a lack of competition or product options, leaving insureds limited to no product choice. II providers have high bargaining power and supervisors should ensure they do not abuse it by pricing at higher-than-reasonable margins.

Solvency

12 Solvency margin =

Surplus of assets over liabilities, with a view towards ensuring that the insurer is able to meet its obligations to policyholders when they fall due

Similar to any other insurer, specialised II providers should remain solvent[15]. This would include any mutuals, microfinance institutions, social enterprises, community-based organisations or other entities that are licensed as dedicated II providers. Solvency is the insurer's ability to meet its obligations to policyholders when they fall due. In order to ensure insurers are solvent, supervisors typically require the insurer to hold a minimum amount of surplus of assets over liabilities (required solvency margin, or also known as capital adequacy requirements). Typically, insurers are required to show at specified time intervals that its available solvency margin exceeds the required minimum margin (solvency test). It is important that supervisors

15 For more guidance and discussion on solvency requirements refer to the ICP 17 Capital Adequacy (IAIS, 2017) and the paper by the Financial Stability Institute "FSI Insights on policy implementation No 14: Proportionality in the application of insurance solvency requirements".

ensure that II providers meet regulatory solvency requirements and subject to solvency tests, similar to other insurers.

Within a proportionate solvency regulatory framework, the calculations of the solvency requirements components may be simplified for a specialised II provider. The IAIS does not currently prescribe specific solvency requirements and allows for variations that are appropriate to the nature, scale and complexity of the insurer and in limited circumstances. For dedicated II providers, the approach to calculating insurance liabilities and prescribed capital requirements for ongoing solvency can be simplified, such as using a formula-based approach. A more sophisticated solvency regime for dedicated II providers would reflect the differences in the risk of different types of II products in the jurisdiction. The assets that are recognised as eligible for the purposes of meeting the required solvency margin may then be tailored accordingly: for example, if most of the products are short-term, admitted assets could focus on low-risk assets such as cash or cash-like investments.

Analysis of KPIs

Supervisors may wish to consider basing their assessments on a number of KPIs in totality rather than on a single indicator or number. This would enable a more holistic assessment. Supervisors could also identify an acceptable range that supervisors deem to be a positive outcome for client value. The following table provides a sample of how supervisors could set acceptable ranges for the different KPIs:

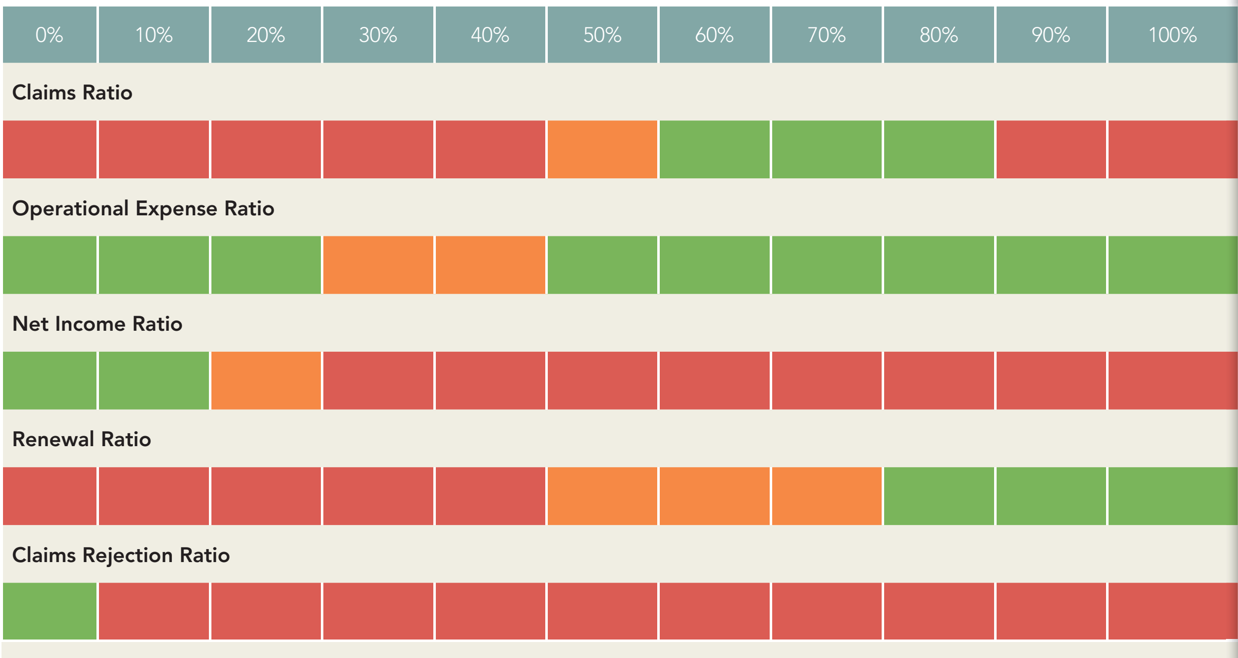

Table 3: Sample of target ranges for II KPIs

In identifying acceptable ranges, taking into account the local market context and conditions is important. Factors such as wider insurance market dynamics, the type of risk, the target segment profile and the stage of II development all affect how KPIs should be interpreted and targeted. A good starting point would be to compare the II indicators against indicators for the overall insurance market. This could help supervisors isolate II-specific issues from broader factors impacting the insurance industry as a whole, which would guide the supervisor in setting expectations and targeting its solutions more appropriately. For example, if digital infrastructure in the country is challenging, it would limit how cost-efficient any insurer's administrative processes can be, whether II or otherwise.

Supervisors may wish to be cautious in using KPIs as targets, as the nature of the target could influence the behaviour of the industry. In particular, a mandatory target may have unintended consequences. Setting a mandatory minimum claims ratio or a maximum operational expense could simply lead to insurers increasing premiums for the sake of compliance, or if unable to do so, ceasing to offer the product. Insurers may also simply not enter the II market due to compliance risks and cost. For some regulators, intervening in the price of insurance products, directly or indirectly, is outside their mandate or supervisory approach.

Supervisors should consider how to analyse the data based on parameters and breakdowns that would yield the most useful insights. For example, if the supervisor is aware that certain types of intermediaries are charging high commissions, supervisors could analyse KPIs by distribution model, type of intermediaries, or even by individual intermediary companies. Comparisons across time, insurers, distribution channels and jurisdictions can provide additional insight on what may be adequate levels for each of the KPIs.

KPI monitoring is a technique that informs risk-based supervision. KPIs should never be viewed or acted on in isolation. Supervisory judgement, experience and knowledge of the companies they supervise are critical in guiding supervisors' assessments. If KPIs reveal a potential problem, further investigation may be warranted to understand the situation better. For example, supervisors could look into the corporate or organisational culture, or governance issues. By obtaining additional information, both quantitative and qualitative information, initial findings from the KPIs can be validated. Further steps supervisors could undertake include:

- Engage with the insurer to gain a deeper understanding from their perspective on their business decisions, such as assumptions in setting the premium.
- Conduct other types of inquiries.
  - Product approval review: Reviewing product development information provided by the insurer at this approval stage.
  - Mystery shopping: Supervisors can purchase products to better understand the customer journey, the quality of advice and the administrative processes firsthand.
  - Onsite inspection: Understanding processes and verifying some claims or enrolment documents helps the supervisor understand if good standards are followed.

  - Feedback from intermediaries and insureds: Hearing from end-clients and intermediaries can confirm what supervisors infer from the KPIs, while providing depth to the quantitative analysis. Analysing the nature of complaints and queries can provide useful information in this regard.

- Studying the profile and needs of consumers via demand research can also help assess whether products are appropriate for their needs.

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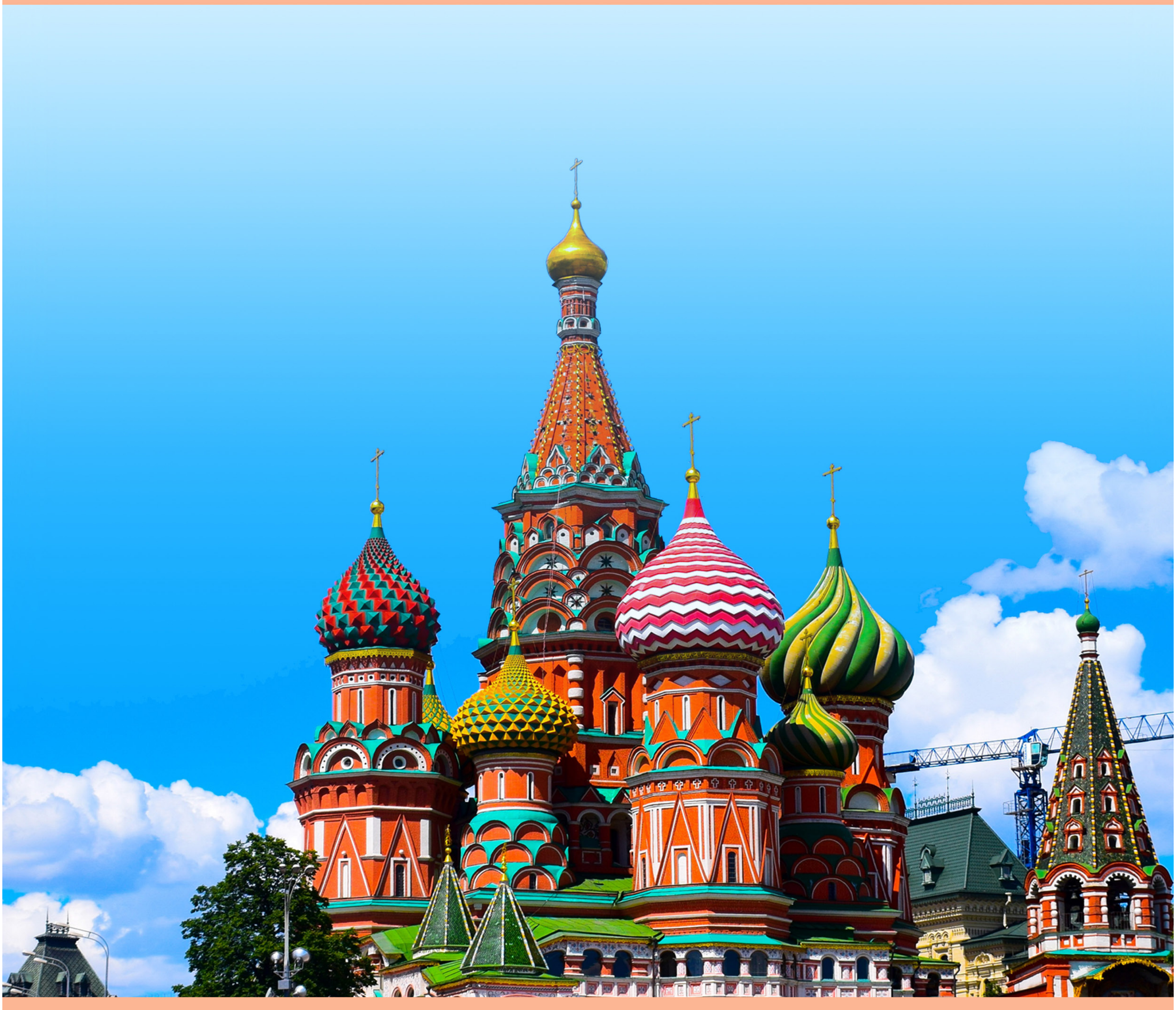

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