FAIR Review

Issue No. 187 - (1st / 2021)

Tunisia

An Expanding Market, Despite Security Challenges.

- THE PULSE OF INSURTECH IMPACT COVID-CRISIS ON INSURTECHS AND OUTLOOK FOR 2021

Sidi Bou Said-Tunisia

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FAIR Review

FAIR in Brief

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

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

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- Building regional bases (hub) that provides a variety of shared resources and services to local member companies.

FAIR Review

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1st/2021

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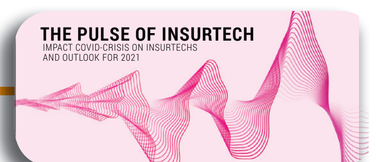


Global News

EUROPE

• Covid-19: restrictions remain unchanged in Europe except in Italy

While Italy is easing the restrictions, stricter sanitary measures have been implemented in several European countries. As of 15 February 2021, anyone flying to the United Kingdom is required to present a negative PCR test performed within 72 hours prior to the flight. The traveller will also be required to undergo a mandatory 10-day quarantine and present two negative PCR tests on the second and eighth day of lockdown.

If tested positive, an additional analysis is required in order to check the presence of one of the Covid-19 variants. In this case also, another fourteen days of quarantine are required. People coming from high-risk countries will be directed to hotels and placed under surveillance for ten days.

In Germany, the lockdown which was due to end on 14 February, will be extended until the end of the month. In Greece, a strict lockdown has been imposed from 11-28 February.

The lockdown will probably be maintained until mid-March in Portugal where a peak of 16 500 new cases was reported on 28 January 2021. In France, the borders with non-EU countries have been closed since 31 January. ■ Atlas Magazine - 12/02/2020

• *Aon / WTW: Sources expect Willis Re sale & divestment to near $1.8bn cap*

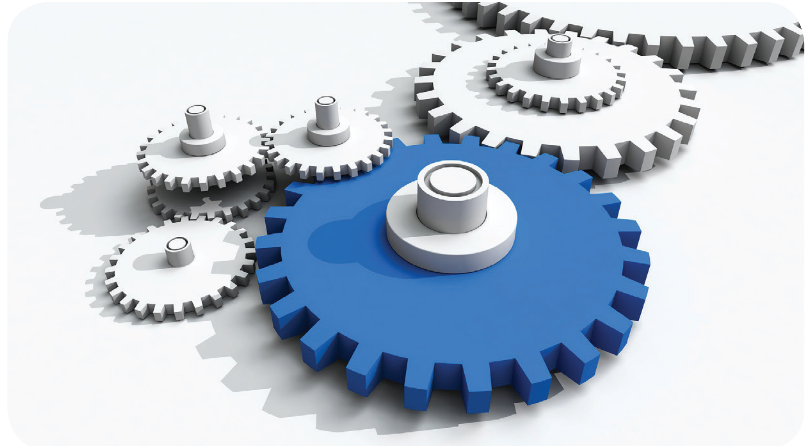
Aon's pending acquisition of rival Willis Towers Watson (WTW) continues to generate significant chatter in investor and analyst circles, with sources increasingly confident a sale of reinsurance broker Willis Re will be the likely outcome, if remedies are needed to get the merger through.

But divestitures are not seen as stopping with the reinsurance broking arm of Willis Towers Watson (WTW), as sources believe that remedies may need to go beyond this, into the corporate insurance broking space as well.

Overall, the consensus of market sources we've spoken to in the last few days is that authorities are likely to require certain remedies, including divestments, in order for Aon to close on its acquisition of WTW.

As we explained recently, competition related concerns are rising, according to reports, with the European Commission said to be ready to raise antitrust concerns, as it is preparing a statement of objections, a charge sheet explaining potential competitive harm as a result of the mega-merger.

Our sources suggest this statement of objections is likely to be delivered within the next week or two, as the EC competition team are said to be close to finalising it.



The Aon and Willis Towers Watson merger is attracting increasing amounts of attention, in particular from investors in the merger arbitrage and event driven hedge fund space.

Which is also driving analyst interest higher as well, as they try to help their investor clients understand the opportunities associated with the arbitrage spread between the share prices.

Reinsurance broking unit Willis Re has always been one area of focus, as a potential divestment that could be required before authorities would allow the deal to complete.

But investors had lately shifted some of their focus away from Willis Re, perhaps aligned with the initial responses of certain competition authorities that

Aon

Willis Towers Watson

European Commission

had moved the focus towards questions about large clients, verticals and regional divestments, rather than a global reinsurance division.

But over the last week or so this focus has shifted back, with increasing numbers of our sources saying they believe Willis Re being offered for sale is again the most likely source of significant divestment.

The merger agreement includes a cap on divestitures, of $1.8 billion of revenue, which the sale of Willis Re will not get close to on its own, contributing somewhere around $1.15 billion of revenue, or so, to WTW in 2020, sources suggest.

Which leaves room for more divestments before the cap limit is hit, which would allow the merger agreement to be broken, if the competition authorities and regulators believe they are necessary.

Therefore, an increasing number of sources in the investor community, focused on insurance and reinsurance, or on merger arbitrage, are confident that Willis Re will not be the only divestment or remedy required, for Aon to seal its acquisition.

Opinions on additional divestments seem to range from regulators requiring the sale of a global "package" of smaller corporate broking units, with regional focus seen as more likely to any line of business specific focus, to the sale of a large regional player such as Gras Savoye in France.

Remedies and divestments, in such cases, need to be attractive acquisition propositions for competitors.

A sale of Willis Re would clearly be attractive to some, with Arthur J Gallagher still seen as the most likely acquirer should that divestment be required, although others definitely could do this deal (Howden Group, Lockton, TigerRisk, BMS, Beach, Holborn, Tysers, or perhaps even a private equity funded buyout, etc).

We were previously told that an unsolicited direct approach to buy Willis Re had already been made late last year, but the price offered was considered to be at too low a multiple.

A sale of a regionally important player like Gras Savoye would also be attractive to competitors it seems, although perhaps less attractive to sell given its position in the French market as a leader.

Hence, alongside a Willis Re sale, a global package, that reduces market dominance in key regions, while bringing together an attractive package of broking operations with a footprint that buyers would benefit from acquiring, does seem a possible way this could go, if the divestment cap is going to be neared.

Still, as we've been saying all along, the focus has to be on price competition and whether bringing together Aon and WTW results in undue pricing power for the combined company, as this should be the crux of an antitrust objection.

It's still not clear that Aon would actually acquire any significant increase in pricing power, more than it already has today, in reinsurance, at least.

While in some areas of corporate broking, yes market dominance could be an issue, but whether that actually results in clear additional pricing power is less obvious, given how competitive large rivals like Marsh can be.

In reinsurance, there is plenty of competition to fight Aon on price and the reinsurance broking sector is one that will become more price competitive over time anyway, we believe.

Brokers will be forced to modernise and commoditise how risk is ultimately matched with capital, that last mile of the placement relationship and the piece where the heavy-lifting is best undertaken by advanced technology, rather than people.

That will leave reinsurance brokers to work out how best to monetise the rest of their value proposition in the reinsurance segment, so everything prior to syndication, matching of risk to capital and placement execution (which is a lot,

a veritable menu of added value services during the lifecycle of a reinsurance broking client relationship year).

As we've also said, data becomes increasingly key as the reinsurance market modernises, as too will capital relationships (facilities, partnerships, dedicated capacity marshalled by brokers).

Data is a competitive tool and Aon has a lot of it, which it has also taken care to structure well and worked out how to generate additional client services off the back of it.

So, there's a lot under the hood of this deal for competition authorities to get their heads around, not least the market dynamics driving a lot of changes through reinsurance right now.

All of these play into whether a Willis Re divestment is actually the answer, as a remedy to this merger (if remedies are indeed required).

But, as we said, it increasingly seems to be the option the majority of our sources anticipate will be required. With questions remaining around what could also be necessary for the merger to complete.■

Reinsurance News (ReinsuranceNe.ws) 9 Mar 2021

USA

• Compulsory third-party liability insurance for the police

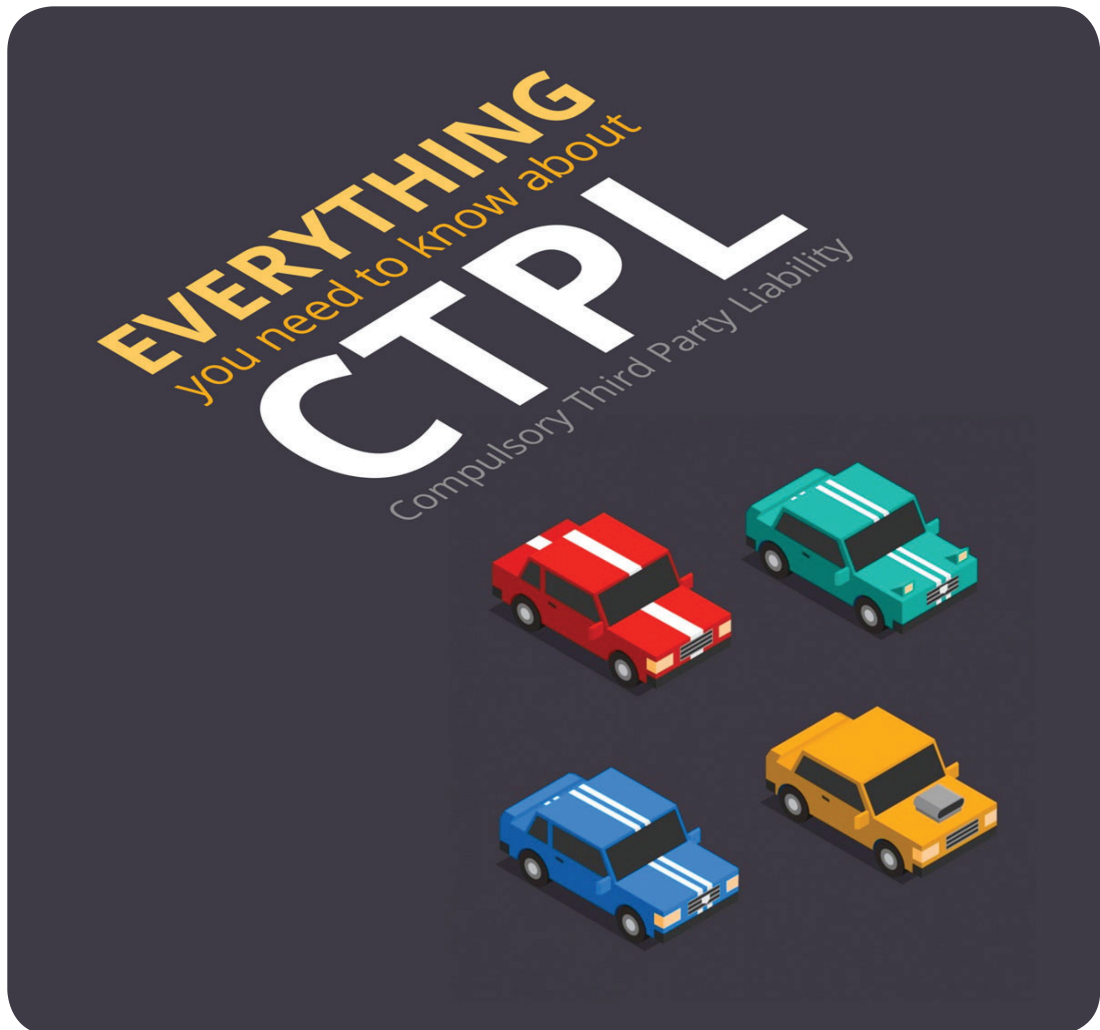
Senator Alessandra Biaggi

Senator Alessandra Biaggi has introduced a bill on 6 July 2020 by, to bind all New York City police officers to a compulsory third-party liability insurance.

According to the state senator, the introduction of this new law aims to decrease police violence.

It shall help limit the misconduct of law enforcement officers.

Offending officers will see their insurance premiums increase for misconduct resulting in any payment related to a complaint filed by civilians. ■



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Africa News

• Continent's biggest reinsurer expected to see premium recover this year

Africa Re's premium income is expected to increase by about 5% annually over 2021-2022, mostly reflecting the economic recovery in most areas it operates, says S&P Global Ratings.

The anticipated recovery follows some pressure on Africa Re's top line during 2020 due to the COVID-19 pandemic, which caused economic activity to slow, the oil price to decline, and the depreciation of African currencies relative to US dollar. S&P anticipates that the Africa Re group is likely to report a premium reduction of near 10% for 2020.

Regarding operating performance, despite some claims related to COVID-19, the group is likely to report a combined ratio slightly below 100% for 2020. This is partly due to lower claims frequency in its motor portfolio in common with peers. As a result, Africa Re's return on equity is likely to be about 5%.

For 2021-2022, S&P expects the group's combined ratio to be about

97%. This partly reflects the benefits of corrective underwriting actions, which have already improved the underwriting performance of its business emanating from South Africa and the Middle East (close to 20% of total premium).

The global credit rating agency has affirmed its 'A-' insurer financial strength and issuer credit ratings on Nigeria-based Africa Re. The outlook is stable. At the same time, S&P affirmed its 'A-' financial strength credit rating on the guaranteed subsidiary, African Reinsurance Corp (South Africa). The outlook is stable.

S&P says that the affirmation reflects its view that Africa Re continues to maintain its strong competitive position within Africa. It enjoys a strong brand and reputation with many cedants across Africa, a key differentiator relative to other international and regional players on the continent.

With a capital base close to $1bn, Africa Re benefits from a significant capital buffer at the 'AAA' range (measured using S&P's model). That said, given its territorial coverage and exposure, the group has some investments in regions with low asset quality. S&P considers that such exposures raise susceptibility to financial and macroeconomic stress in these regions.

Africa Re benefits from a highly liquid asset portfolio, given its large allocations geared toward investment-grade bonds with short durations (about three years) and bank deposits. The liquid assets cover the net technical reserves (after reinsurance) by more than 2.5x. Furthermore, in recent years, management has taken appropriate actions to reduce its reinsurance receivables. This led to a reduction in the amount recoverable ($164m as of September 2020 compared with $208m in 2017).

The stable outlook reflects S&P's view that Africa Re will retain its competitive position across its key markets. It also reflects the agency's expectation that the reinsurer will maintain its good underwriting performance and 'AAA' level risk-based capital (measured using S&P's capital model) .■

MEIR | 25 Jan 2021

S&P Global
Ratings

EGYPT

• Insurance market grows by 14% in 2020

Total premiums in Egypt increased to EGP40.1bn ($2.55bn) in the 2020 fiscal year compared to EGP35.2bn in the previous year, an increase of 14%.
The 2020 figure was announced by the head of the Financial Regulatory Authority, Dr Mohamed Omran.

He also said that the total value of insurance companies' investments stood at EGP107.8bn as of 30 June 2020, 5.7% higher than as of 30 June 2019. He added that investments of private insurance funds amounted to about EGP83bn in 2020 compared to EGP76bn in 2019, an increase of 10%.

Dr. Mohamed Omran

The net assets of all insurance companies in the country reached EGP128.6bn as of 30 June 2020 compared to EGP118.2bn as of June 2019, an increase of about 8.8%.

Insurers' combined net profits jump by 25% in 2020

The Egyptian insurance sector has posted a 25% jump in net surplus to EGP6bn ($382m)-comprising underwriting gains and investment returns-for the 12 months to 31 December 2020, compared to EGP4.8bn in 2019.

The profit increase was achieved despite the COVID-19 pandemic, and its negative effects on the global and local economy, reported Al Mal.
According to official data released by the Egyptian Financial Regulatory Authority (FRA), insurance companies in the country increased their total premiums to EGP39bn in the year to 31 December 2020, compared to around EGP35bn in 2019, representing growth of 11.4%.

Life insurance companies accounted for EGP22.3bn in premiums in 2020, 19.8% higher than in 2019. Property and liability insurers posted an increase of 1.8% in premiums to EGP16.7bn in 2020.

Privately-held insurers command nearly 70% of total premiums

The 36 insurance companies in the private sector in Egypt commanded a share of 68.8% of total premiums collected in 2020, according to data from the Financial Regulatory Authority (FRA).

In comparison, government-owned insurers — Misr Insurance and Misr Life Insurance— obtained a market stake of 31.2%. They retained their lead as the biggest insurers in the country in terms of premium.
The Egyptian insurance market chalked up total premiums of around EGP39m in 2020, compared to EGP35bn in 2019, representing growth of 11.4%.

In terms of premiums, the five biggest insurers in 2020 in the Egyptian insurance market were:

Source: MEIR | 20 Jan & 7, 9 Mar 2021 ■

	Insurer	2020 Market Share
1	Misr Insurance	17.67%
2	Misr Life Insurance	13.49%
3	Allianz Life Insurance - Egypt	11.98%
4	Metlife Life Insurance	8.09%
5	AXA Life Insurance - Egypt	6.99%

GHANA

• Consolidation of the Ghanaian insurance market: merger of three insurance companies

Three Ghanaian insurance companies: Star Assurance Company Limited, StarLife Assurance Company Limited and Star Microinsurance Company Limited, decided to merge into a new entity called Star Assurance Group Limited (SAGL).
Established in September 2020, SAGL intends to play a significant role in the local market. ■

Source: Atlas Magazine - 12/01/2021

• Local reinsurer has favourable operating record

Ghana Re has a track record of positive operating results, which are considered adequate when the high level of inflation in the company's key markets is taken into account, says AM Best.

This is despite the fact that underwriting has been volatile and unprofitable in three out of the past five years due to flood-related losses in 2015, strengthening of reserves in 2017, and increased incurred claims in 2019.

The international credit rating agency expects prospective performance to remain driven by double-digit investment returns, principally derived from the company's fixed income portfolio and short-term deposits.

AM Best has affirmed the Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of "bb" of Ghana Reinsurance Company Limited (Ghana Re) (Ghana). The outlook of these credit ratings is stable.

The ratings reflect Ghana Re's balance sheet strength, which AM Best categorises as very strong, as well as its adequate operating performance, limited business profile and weak enterprise risk management.

Ghana Re's very strong balance sheet strength is underpinned by its risk-adjusted capitalisation being at the strongest level, as measured by Best's Capital Adequacy Ratio.

Capital requirements are driven by a high level of asset risk due to the concentration of investments in Ghana.

Prospectively, AM Best expects Ghana Re's BCAR scores to remain at the strongest level, with good internal capital generation supporting strong premium growth.

Business profile

Ghana Re maintains a good competitive position in Ghana as the largest domestic reinsurer and continues to expand its pan-African business. However, the company's core markets are small by international standards, and business growth is dependent largely on initiatives to promote insurance penetration and the utilisation of local reinsurance capacity.

The company's business is concentrated by product and geography, although approximately 45% of gross written premium was derived from African markets outside of Ghana in 2019.

Ghana Re is exposed to high levels of political, economic and financial system risk in the countries in which it operates (mainly Ghana and Kenya). The company's risk management framework is evolving, and risk management capabilities are weak when compared with the company's risk profile.

AM Best expects ongoing improvement in the company's risk management to support better underwriting performance in the medium to long term. ■

Source: MEIR | 11 Jan 2021

Morocco

• New regulations for contractors' all risks insurance and decennial liability insurance in Morocco

On 19 November 2020, the Moroccan government approved the new regulations on contractor's all risks insurance and decennial liability insurance.

The new law sets the minimum coverage requirements to cover damage occurring to a building in the relevant classes of business.

During the same meeting, the Moroccan government also discussed a draft law for the introduction of a compulsory health insurance policy and a pension policy for the benefit of professionals and self-employed people such as architects. ■

Atlas Magazine - 23/11/2020

• *Foreign competition poses existential threat to local reinsurers*

Morocco must rethink its strategy for the reinsurance market by protecting its local players or risk their gradual disappearance, Mr Chakib Abouzaid, the secretary general of the General Arab Insurance Federation (GAIF) has said.

In an interview with Medias24 during a working visit to Morocco, Mr Abouzaid spoke of the collapse of several Arab reinsurers caused by the opening of reinsurance markets in the region to foreign competition. He said, “I consider that the protection of national reinsurers should be made a central objective for the promotion and development of a national market.”

He indicated that reinsurers in Morocco have been experiencing difficulties since the signing of the various free trade agreements and the lifting of the legal cession of 10% to the national reinsurer, Societe Centrale de Reassurance (SCR).

He said, “To understand the issues, you have to start with a little history. When regional reinsurers began to flourish, notably Egypt Re in 1958 and

SCR in 1960, along with the other Arab companies that sprang up in the 1970s, their aim was to give local markets a way to retain as much premiums as possible at home. This was the primary function of local reinsurers.One of UNCTAD’s recommendations was the creation of national reinsurers.

“This made it possible to avoid the outflow of foreign exchange, particularly in the 1970s and 1980s when, for example, there was talk of increasing retention through reinsurance.”

Chakib Abouzaid

Reinsurers as a market regulator

He added, “But these operators did not only have this role. If we take the example of SCR, which is a textbook case, this company not only allowed the retention of premiums at the national level but also played the role of market regulator.

ROYAUME DU MAROC

acaps

Autorité de Contrôle des Assurances et de la Prévoyance Sociale

“There are two different forms of regulation. In Morocco, the Insurance and Social Insurance Supervisory Authority (ACAPS) is the overall market regulator. But such supervision is carried out at the formal and administrative level of market organisation, laws, consumer protection...This is the primary function of a national regulator.

"But SCR, like all national reinsurers, regulated the market through reinsurance and premium rates. These reinsurers kept their markets from sinking into fierce competition."

Mr Abouzaid added, "When you open up an insurance market too much to competition, it creates a race to the bottom. Operators start to compete with each other, and it ends up causing havoc for everyone."

For instance, for major risks, industrial or commercial, SCR has made it possible to maintain acceptable technical pricing levels. This has enabled Morocco to avoid disasters, unlike in some countries of the Gulf or Southeast Asia where the rates became so low that the market results turned negative.

"In Morocco, since all risks passed through SCR, this had made it possible to maintain the stability of rates, especially for industrial and commercial risks and special risks," he said.

Mr Abouzaid added that the reinsurance situation in Morocco has started to change. The market is gradually entering into a competitive spiral that will eventually harm it. Today, there are insurers that no longer cede their risks to SCR.

He suggested that to protect local or regional reinsurers, the authorities in the respective markets could introduce provisions such as the right of first refusal.

He said that in Morocco, the necessary legal framework exists and the Casablanca Finance City can play a big role in the development of reinsurance in Morocco, if the right of first refusal is put in place. ■

Source: MEIR | 08 Mar 2021

NIGERIA

• Allianz Nigeria to enter the cyber insurance market

Allianz Nigeria is planning to introduce cyber risk insurance products before the end of H1 2021. The German group's Nigerian subsidiary has filed an application for approval from the supervisory authorities.

The new coverage includes data loss, reputational risk and cybercrime.

According to the Allianz Risk Barometer 2021, cyber attacks come in second place in the ranking of risks that Nigerian companies face.

The increase in hacking is mainly linked to the development of teleworking in Nigeria. ■

Source: Atlas Magazine - 22/02/2021

• Conventional insurers allowed to conduct microinsurance operations in Nigeria

The National Insurance Commission (NAICOM) has authorized conventional insurance companies to carry out microinsurance operations since 1 December 2020.

In order to secure a microinsurance license, conventional insurers must meet a number of criteria required by the supervisory authority.

The objective is to increase insurance penetration in Nigeria. ■

Source: Atlas Magazine - 09/02/2021

• Tangerine Life Insurance w ARM Life

Tangerine Life Insurance, formerly known as Metropolitan Life Insurance Nigeria, has completed the acquisition of the Nigerian insurer ARM Life. The merger process started in Q1 2020.

This transaction enables Tangerine Life Insurance to strengthen its position in the Nigerian life insurance market. ■

Source: Atlas Magazine - 09/02/2021

NAMIBIA

• Legal cession: Namibian insurers required to comply with the law

In Namibia, legal cession is a matter of conflict between insurers and the regulator. At the end of 2017, the Ministry of Finance introduced a law binding any insurance company to cede 20% to NamibRe on any reinsurance treaty and 12.5% on any underwriting above 100 000 NAD (6 890 USD).

Since this measure has come into effect in June 2018, several insurers have notified the ministry of their reluctance to comply with it. The companies believe that the authorities must not force them to deal with NamibRe.

The Supreme Court is calling on insurers to comply with the legislation reiterating that the regulation is fully applicable. It therefore calls on the Ministry of Finance to take all necessary measures to enforce the law. ■

Atlas Magazine - 03/01/2020

TANZANIA

• Mandatory P&C insurance in Tanzania

The National Insurance Regulatory Authority (TIRA) is considering making property and casualty insurance mandatory in Tanzania.

Through the introduction of certain mandatory property and casualty coverages, the regulatory authority aims to develop the Tanzanian insurance market . ■

Atlas Magazine - 03/02/2021

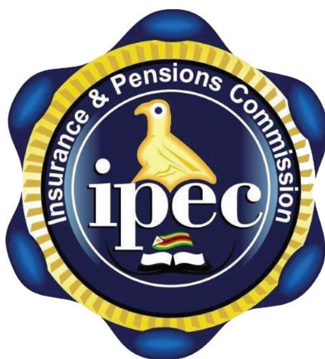
ZIMBABWE

• Zimbabwean insurers to underwrite policies in foreign currency

The government of Zimbabwe enacted a new legislation governing insurance companies and pension funds.
The terms of the regulation enunciate that insurers and pension funds may now conduct business in foreign currencies. The measure has been taken with the aim to protect the sector from hyperinflation.

In 2019, the authorities imposed the exclusive use of the Zimbabwean dollar in local transactions, despite the US dollar-denominated policies.
Having been pressured by local insurers, the Zimbabwean Insurance Regulatory Authority (IPEC) has decided to authorize U.S-dollar policies. ■

Atlas Magazine - 5/3/2021



• Zimbabwean government passes Insurance Bill 2020

The Zimbabwean government has adopted amendments to the Insurance Bill 2020.

The new legislation sets out the rules to be followed in merging insurance companies, the transfer of insurance business from one insurer to another, and the payment of premiums.

The bill aims to introduce the best practices in the sector and enhance the protection of the insured. ■

Atlas Magazine - 5/3/2021

• African Reinsurers in 2019: Turnover and shareholder's equity

in USD

Rank	Companies	Country	Turnover			2019 shareholder's equity
			2019	2018	2018-2019 evolution	
1	Munich Reinsurance of Africa	South Africa	852765000	762954000	11.77%	223514000
2	Africa Re	Nigeria	844786000	797415000	5.94%	975198000
3	Swiss Re Africa	South Africa	412992000	265587000	55.50%	51847000
4	Compagnie Centrale de Réassurance	Algeria	299206000	269172000	11.16%	269892000
5	Genral Reinsurance Africa	South Africa	249105000	191545000	30.05%	154633000
6	Hannover Reinsurance Africa	South Africa	237052000	192861000	22.91%	73318000
7	Hannover Life Reassurance Africa	South Africa	217226000	200068000	8.58%	61476000
8	RGA Re	South Africa	216826000	207146000	4.67%	95255000
9	Société Centrale de Réassurance	Morocco	210280000	211578000	-0.61%	259310000
10	Zep Re	Kenya	207000000	178500000	15.97%	NA
11	GIC RE [1]	South Africa	202028000	138620000	45.74%	86864000
12	African Reinsurance Corporation	South Africa	183541000	203098000	-9.63%	58056000
13	Kenya Re	Kenya	171359000	144823000	18.32%	312478000
14	Continental Re	Nigeria	130597000	93948000	39.01%	82718000
15	Grand Re	Zimbabwe*	118421000	21157000	459.72%	76082000
16	ZB Re	Zimbabwe*	110317000	19157000	475.86%	89948000
17	CICA Re	Togo	109095000	93153000	17.11%	107342000
18	Tropical Re	Zimbabwe*	100297000	13297000	654.28%	46161000
19	Zep Reinsurance	Zimbabwe*	94020000	16113000	483.50%	166325000
20	SCOR Africa	South Africa	91372000	87209000	4.77%	29865000
21	FBC Re	Zimbabwe*	73783000	17456000	322.68%	81424000
22	Emeritus General Re	Zimbabwe*	73705000	12641000	483.06%	79886000
23	WAICA Re	Sierra Leone	70340000	57972000	21.33%	89371000
24	First Mutual Re	Zimbabwe*	64965000	15911000	308.30%	29131000
25	Africa Retakaful [2]	Egypt	64410000	51730000	24.51%	NA
26	Tan Re	Tanzania	60800000	47954000	26.79%	31442000
27	Tunis Re	Tunisia	57937000	47434000	22.14%	71644000
28	East Africa Re	Kenya	45623000	39099000	16.69%	49646000
29	Ghana Re	Ghana	44332000	42353000	4.67%	63896000
30	NCA Re	Côte d'Ivoire	32348000	30550000	5.89%	23634000
31	Continental Re Kenya	Kenya	31902000	27922000	14.25%	12833000
32	Sen Re	Senegal	31703000	29688000	6.79%	19626000
33	Waica Re (Ex.Colonnade Re)	Zimbabwe*	29395000	644000	4464.44%	70506000
34	AVENI Re [3]	Côte d'Ivoire	28172000	28172000	-	NA
35	SCG-Ré	Gabon	25015000	23226000	7.70%	15887000
36	Ethiopian Re [2]	Ethiopia	23785000	23708000	0.32%	25831000
37	Globus Re	Burkina Faso	21636000	18098000	19.55%	8288000
38	NamibRe [1]	Namibia	21012000	20141000	4.32%	16282000
39	Uganda Re	Ouganda	13644000	9055000	50.68%	9195000
40	Emeritus Re (Life) [4]	Zimbabwe*	12447000	4060000	206.58%	16850000
41	GN Re	Ghana	8337000	7831000	6.46%	21615000
42	Ghana Re Kenya	Kenya	6588000	4779000	37.85%	11074000
43	Waica Re Kenya	Kenya	4514000	-	-	10271000
44	FBC Re Life [4]	Zimbabwe*	4206000	842000	399.52%	27671000
45	First Mutual Re (Life & Health) [4]	Zimbabwe*	3243000	2600000	24.73%	3196000
46	Prima Re	Zambia	3111000	2763000	12.60%	3395000
47	Zep Re Life [4]	Zimbabwe*	2268000	1614000	40.52%	1753000

[1] The year ending March 31st
[2] The year ending June 30th
[3] Data 2018
[4] Shareholder's equity prises as at 30 September 2019
NA: Not available

* The significant increase in indicators in 2019 is due to monetary reforms undertaken by Zimbabwe following the reintroduction of the single currency regime.

■

Sources: Atlas Magazine and companies | 23/02/2021

Financial Strength Rating of 'A' Strong (Stable Outlook) by Fitch Ratings
Financial Strength Rating of 'A-' Excellent (Stable Outlook) by A.M. Best

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Asia News

• *2021 Insurance regulation in Asia Pacific*

Ten things to know about 20 countries

by Norton Rose Fulbright, 54p, February 2021

https://bit.ly/3etnU4S

Insurance companies in Asia Pacific face complex regulatory issues that can impact their ability to operate across multiple jurisdictions.

Regulators differ by jurisdiction when it comes to permitting branches of foreign insurance companies to operate, with some allowing only locally incorporated companies. Furthermore, restrictions may be imposed on foreign direct investment and controller regimes – shareholders and management – making it essential for companies to determine if approval from the regulator is required upon proposed change of control (direct or indirect). Companies also need to be familiar with the nature of the regulatory capital regime, whether there is group supervision, a mandatory policy holder protection regime, and whether outsourcing is subject to regulatory oversight.

To help our clients navigate these areas, we have produced 'Insurance regulation in Asia Pacific' as part of our NRF Institute, which provides an overview and practical checklist of ten common regulatory issues for insurance companies operating, or seeking to operate, in 20 jurisdictions across Asia Pacific.

You can use the guide to:

- Navigate a map of the globe and choose the jurisdiction/s you wish to read about.
- Create and customise your own comparative reports.
- Opt to receive email alerts when the laws change in the jurisdictions of interest. ■

GCC

• *Some regulators studying feasibility of insurance coverage of pandemic risk*

Some regulators in the GCC are reportedly assessing the impact of insurance rates if pandemic risks were insured, S&P Global Ratings says.

Insurers could develop new insurance and non-insurance-related services that cover changes in lifestyles, since a larger number of people are working from home, the international credit rating agency says.

Mr Emir Mujkic, director - lead analyst, Insurance Ratings at S&P raises this point in the report "GCC Insurers In 2021 - Robust Capital Supports Credit Quality", in which he outlines the opportunities in the GCC insurance market.

Apart from new product development, growth opportunities in the region arise from:

*** Greater awareness**

A higher awareness of insurance products and need for protection among the population could increase the demand for medical and critical illness policies covering COVID-19 and other pandemics. Business owners could try to obtain business interruption policies that also cover against pandemic-related risks, which was earlier considered optional.

*** Increased automation and digital distribution**

The pandemic has accelerated the development of digital sales and claims processing in the GCC. More automation and focus on digital sales platforms to offset social-distancing measures could ease client access in the future.

*** Stricter regulations**

S&P believes that regulators in the region have enhanced their data collection and regulatory oversight following the outbreak of COVID-19. Stricter regulations and more effective regulatory oversight could improve discipline and transparency and also identify weak insurers, which could accelerate the industry's consolidation. ■

Sources: MEIR - 01 Mar 2021

S&P Global Ratings

Emir Mujkic

BAHRAIN

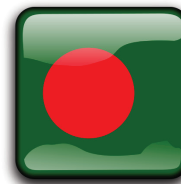
• Compulsory health insurance in Bahrain

Bahraini insurance operators are considering the adoption of compulsory health insurance for the 600 000 expatriates. The law notifying such insurance obligation was published in May 2018 but has not yet been implemented by the authorities.

The government's objective through this operation is to boost the health insurance activity in the country. ■

Sources: MEIR - 01 Mar 2021

BANGLADESH



• Insurers urge regulator to make motor first-party cover mandatory

Insurers in Bangladesh are lobbying for first-party comprehensive motor vehicle insurance to be made mandatory.

They have approached the insurance regulator, the road transport authority and the police to fix complexities that have arisen with the recent abolition of motor third-party liability insurance cover, reported The Financial Express.

The Motor Vehicles Ordinance-1983 made motor third-party liability insurance compulsory. However, no such provision has been made in the new Road Transport Act-2018. The new law calls for the creation of a fund to compensate third parties affected by motor vehicle accidents or any other cause instead of insurance.

Last October, the Bangladesh Road Transport Authority (BRTA) said that no case could be filed against any motor vehicle or vehicle owner for not having third-party liability insurance. The police have stopped handling such cases since November 2020. ■

Sources: Asia Insurance Review | 09 Mar 2021

CHINA

• China to be world's largest insurance market by 2024, helped by liberalisation

China's opening up of its insurance sector to foreign insurers is designed to bridge the gap between international insurers and domestic Chinese insurance firms, according to data and analytics company GlobalData. It said China hopes that domestic insurers will be challenged by foreign firms to learn from global best practices.

According to GlobalData's Global Insurance Database, the Chinese insurance industry's gross written premium, which stood at $195.65bn in 2020, is forecast to reach $259.97bn in 2024, making the country the largest global insurance market in the world. This will attract foreign insurers to invest in the country but, despite opening up its economy, domestic insurers are set to benefit from any foreign competition, said GlobalData.

"Reportedly, Allianz Group is now set to become one of the first foreign insurers to run a fully owned operation in China under Allianz (China) Insurance Holding Co. The company has been aggressively pursuing 100% ownership of the insurance entity since December 2019, when the Chinese banking and insurance regulator lifted a 51% cap on foreign insurers' ownership in Chinese operating insurers," said GlobalData.

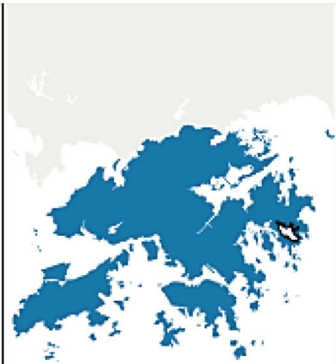
Jazmin Chong, insurance analyst at GlobalData, said: "While the abolished rule levels the regulatory playing field for foreign entries, it is important to recognise that the lifting of capped ownership is aimed at benefiting Chinese firms rather than foreign ones. China's strategy of opening its market to foreign players is part of the country's wider economic efforts to bridge the gap between international competing firms and China. China is also expecting that foreign insurers will push domestic insurers to learn from global best practices, fostering better corporate governance, risk pricing and investment management."

She added: "As China continues to foster national champions, foreign insurers that wish to follow in Allianz's footsteps should take a holistic approach to this market space, challenging Chinese insurers on company best practices rather than diverting efforts and investment to target market shares and gross written premiums, as a benchmark for growth." ■

Sources: Commercial Risk Online – 5 Mar 2021

HONG KONG

PROFILE: HONG KONG



42 GLOBAL P/C MARKET RANKING

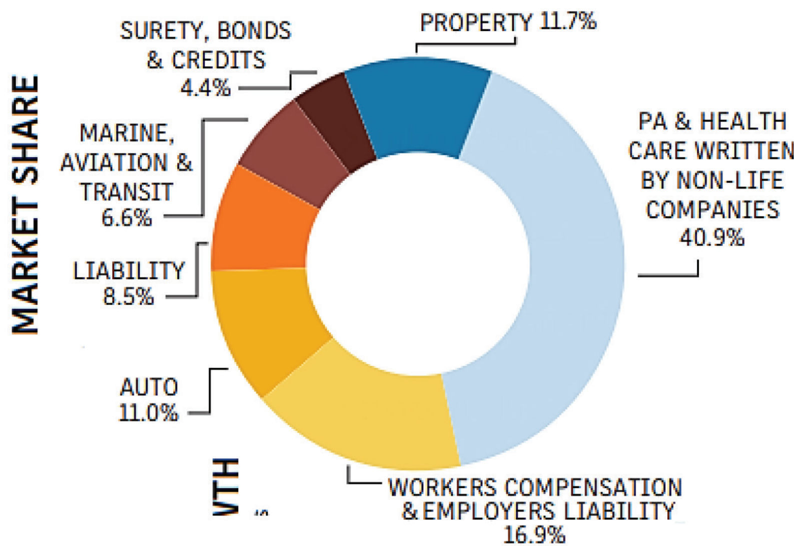
Hong Kong is a special administrative region of the People's Republic of China. Under the "one country, two systems" model, the territory has its own insurance regulatory system and has retained its U.K. common law inheritance. It is therefore the most litigious society in Asia, and its insurance market has a large element of long-tail liability lines, principally auto third-party liability and employees compensation — the Hong Kong equivalent of workers compensation/employers' liability. Although Hong Kong's domestic market is quite small — nonlife premiums, excluding accident and health, were only HKD 24.83 billion ($3.18 billion) in 2019 — its open economy, geographical proximity to China, and its cultural and economic links with the mainland have prompted many of the world's leading insurers, reinsurers and brokers to set up in the territory. The excess of insurance and reinsurance capacity has created a structurally soft market.

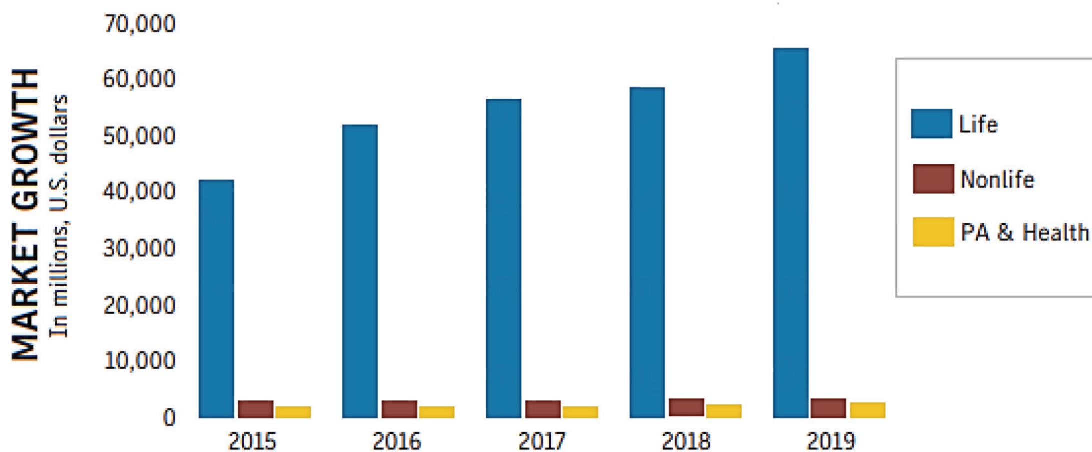
AREA
427.8
square miles

POPULATION
7.26
million

MARKET CONCENTRATION
33.6%
market share of top five insurers

2021 GDP CHANGE (PROJECTED)
3.7%





Source: Axco Global Statistics/Industry Associations and Regulatory Bodies

MARKET DEVELOPMENTS Updated January 2021

- Despite the government's early success in controlling the spread of COVID-19, Hong Kong has suffered successive waves of infection that have resulted in its borders remaining effectively closed to visitors, including visitors from the Chinese mainland. This has devastated its hospitality and retail sectors, which were already suffering from the negative effects of 12 months of political violence.
- The strikes, riots and civil commotion risk in Hong Kong has risen dramatically since June 2019 when a series of increasingly violent demonstrations were sparked by the government's plans to legislate for an extradition treaty with mainland China. Property damage and business interruption claims as of the end of December 2019 were officially estimated at HKD 1.29 billion ($165.5 million).
- Legislation has been passed to allow the issue of insurance-linked securities in Hong Kong and to improve the supervision of insurance groups based there. The Insurance Authority became the licensing body and conduct regulator for insurance intermediaries in September 2019. It has set up a register of licensed intermediaries and published two new codes of conduct for agents and brokers, respectively.
- The IA is in the process of developing a modern risk-based capital system to replace the current solvency standard.
- To increase Hong Kong's attractiveness as an international insurance and reinsurance hub, the government has legislated to reduce to 8.25% the corporation tax rate payable by direct insurers and brokers in respect of certain lines.
- Two nonlife insurers have been licensed by the IA under its "fast-track" procedure for digital start-ups: Avo and OneDegree Hong Kong.

COMPULSORY INSURANCE

- Employees compensation (the Hong Kong equivalent of workers compensation/employers liability)
- Auto third-party bodily injury
- Professional indemnity for insurance brokers
- Directors and officers liability for Hong Kong Stock Exchange-listed companies
- Liability insurance for air carriers for injury to passengers and damage to baggage or goods
- Third-party liability insurance for hotels and guesthouses
- Shipowners liability against marine oil pollution (financial guarantee or insurance)

INTERMEDIARIES

A person may not "carry on a regulated activity" — i.e. sell insurance or give insurance advice — in Hong Kong without being licensed by the Insurance Authority. An insurance company may not conclude a contract of insurance through an intermediary in Hong Kong or accept a referral of business from an intermediary in the territory unless the intermediary is licensed by the IA.

NONADMITTED

Unlicensed insurers are not allowed to carry on insurance business in Hong Kong. At the same time, there is nothing in the law to indicate that insurance must be purchased from locally licensed insurers, apart from some compulsory classes. This is generally interpreted to mean that insurers can issue certain types of policies from abroad if approached by an insurance buyer or an intermediary.

MARKET PRACTICE

Although multinational corporations have the option of insuring their Hong Kong operations directly with their global program insurers or captives, most multinational subsidiaries are insured under local policies or fronting policies.

Business Insurance Magazine – March 2021

INDIA

• Cabinet clears amendments to Insurance Act for raising FDI to 74%

Currently, the permissible FDI limit in life and general insurance stands at 49% with ownership and management control with Indians.

The Union Cabinet on Wednesday gave its nod for amendments in the Insurance Act, paving way for 74 per cent foreign direct investment in the sector.

Currently, the permissible FDI limit in life and general insurance stands at 49 per cent with ownership and management control with Indians.

According to sources, the Cabinet in its meeting has approval for amendments in the Insurance Act, 1938.

Nirmala Sitharaman

Finance Minister Nirmala Sitharaman in Budget 2021-22 said, "I propose to amend the Insurance Act, 1938 to increase the permissible FDI limit from 49 per cent to 74 per cent in insurance companies and allow foreign ownership and control with safeguards."

Under the new structure, the majority of directors on the board and key management persons would be resident Indians, with at least 50 per cent of directors being independent directors, and specified percentage of profits being retained as a general reserve.

She had also said that for investor protection, an investor charter would be introduced as a right of all financial investors across all financial products.

It was in 2015 when the government hiked the FDI cap in the insurance sector from 26 per cent to 49 per cent.

An increase in FDI will help improve life insurance penetration in the country. Life insurance premium as a percentage of GDP is 3.6 per cent in the country, way below the global average of 7.13 per cent, and in case of general insurance, it is even worse at 0.94 per cent of GDP, as against the world average of 2.88 per cent.

The government has earlier allowed 100 per cent foreign direct investment in insurance intermediaries.

Intermediary services include insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, surveyors, and loss assessors. ■

Source: Financial Express - March 10, 2021

• *Finance ministry to infuse Rs 3,000cr in general insurance companies this quarter*

The Finance Ministry will infuse Rs 3,000 crore capital into state-owned general insurance companies during the current quarter in a bid to improve their financial health.

Last year, the Union Cabinet headed by Prime Minister Narendra Modi cleared proposal to provide capital support to National Insurance, Oriental Insurance and United India Insurance.

The cabinet had also decided to increase the authorised share capital of National Insurance Company Limited (NICL) to Rs 7,500 crore and that of United India Insurance Company Limited (UIICL) and Oriental Insurance Company Limited (OICL) to Rs 5,000 crore each to give effect to the capital infusion decision.

Recently, the government sought Parliament nod for gross additional expenditure of Rs 6.28 lakh crore for 2020-21 as part of second and final batch of supplementary demands for grants.

This included Rs 3,000 crore for providing additional funds towards recapitalisation of insurance companies.

The infusion will be done after the supplementary demands for grants is passed by Parliament which will reconvene on March 8.

The capital infusion will enable the three public sector general insurance companies to improve their financial and solvency position, meet the insurance needs of the economy, absorb changes and enhance the capacity to raise resources and improve risk management.

Finance minister Nirmala Sitharaman in the Budget announced privatization of two public sector banks and one general insurance company in 2021-22 beginning April.

In 2017, state-owned companies New India Assurance Company and General Insurance Corporation of India went public. ■

Source: The Times of India | 14 Feb 2021

Prime Minister Narendra Modi

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goes real deep.

GICRE/CAPL/06-16/IQ-001

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

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GIC Re
General Insurance Corporation of India
Global Reinsurance Solutions

Website: www.gicofindia.in
Contact us at info@gicofindia.com

IRDAI Registration No.: 112

CIN No.: U67200MH1972GOI016133

IRAN

• Tehran Reinsurance Company: new reinsurance company in Iran

The Iranian regulatory authorities approved the launching of Tehran Reinsurance Company.
It is the fifth reinsurance company licensed in Iran after Amin Re, Iranian Re, Saman Reinsurance and Pars Reinsurance. These latter have not yet started to operate.

Tehran Re is the third company to be established within the last twelve months.

The market regulator, Central Insurance of Iran has received 30 applications for the establishment of new insurance and reinsurance companies. ■

Source: Atlas Magazine - 08/03/2021

OMAN

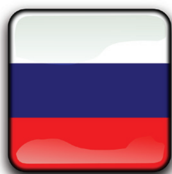
• Omani insurers authorized to invest abroad

The Capital Market Authority (CMA) has allowed Omani insurers to seize investment opportunities abroad.

They now have the ability to make up to 30% of their investments outside the Sultanate. However, the new regulation requires companies to keep 70% of their investments in the country.

According to the CMA report, the total investments of Omani insurance companies reached 754 million OMR (1.953 billion USD) in 2019, a 22% increase compared to 2018. ■

Source: Atlas Magazine - 03/09/2020



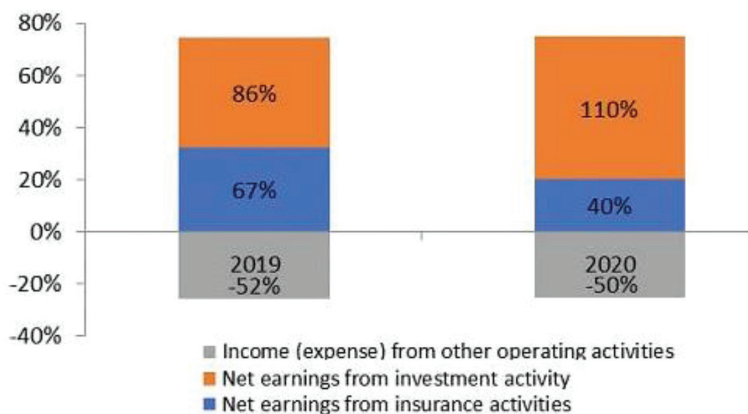
RUSSIA

• Russian insurance market defies pandemic with 4.1% growth in 2020 … 135 out of 160 insurers recorded profit

In 2020, the profit of Russian insurers grew slightly and amounted to RUB 247.5 billion (~EUR 2.72 billion*). At the same time, out of 160 insurance organizations, 135 recorded profits.

In the total profit structure, the share of net income from insurance activities decreased, while the share of investment activities increased, according to the review of key performance indicators of insurers published by the Central Bank.

Dynamics of the profit structure of Russian insurers (%)



The profitability of insurers slightly decreased due to the growth of assets and capital but remained the highest among other segments of the financial market, the regulator notes. The return on equity in 2020 was 28.7%, on assets - 6.8%, and the return on equity significantly outstrips the profitability of the banking sector.

The capital of insurers at the end of 2020 amounted to RUB 876.3 billion (+ 8.1% y-o-y), assets - to RUB 3.8 trillion (+ 14.3%). The deviation of the actual solvency margin from the standard was 1.99 at the end of 2020 (vs 1.85 in 2019).

The annual reduction in the number of insurance companies by 18 to 160 companies at the end of 2020 led to only a slight increase in market concentration, since just small companies left the market. The share of TOP-20 insurers in terms of assets amounted to 80.3% (+0.3 pp), while the share of TOP-20 in terms of premiums increased to 84.9% (+2.3 pp), the regulator reports.

Exchange Rate: EUR 1 = RUB 90.7932 (as of 01.01.2021)

■

Source: Bank of Russia 5 Mar & XPRIMM | 10 Mar 2021

SOUTH KOREA

• Regulator urges caution over insurance policies denominated in foreign currency

Purchasers of insurance policies denominated in foreign currency have started to complain about financial losses and concerns, as the increased volatility in the global forex market triggered by uncertainties stemming from the COVID-19 pandemic hit such policies.

Record-low interest rates and insurers' active advertisement of foreign currency-denominated insurance plans have pushed customers towards high-risk products, reported The Korea Herald.

"The volatility of foreign currencies tied to the insurance product is extremely high, especially through a long-term perspective of 10 or 20 years," Mr Kwon Dae-young, director of the financial industry bureau at the Financial Services Commission said in a press briefing held last month.

The Financial Supervisory Service last October upgraded its warning tied to the foreign currency insurance products to the second highest in its three-tier system.

Local insurers such as Samsung Life Insurance, a subsidiary of conglomerate Samsung Group, entered the market last year, increasing the competition in the market and reflecting the growing popularity of the foreign currency product. Until the end of 2019, the product was mainly provided by foreign insurers operating in South Korea.

The foreign currency insurance fee paid to local insurers increased by more than three times in the last three years, industry data show. The figure stood at KRW323bn ($287m) in 2017, but quickly snowballed to an accumulated figure of roughly KRW1tn as of the third quarter of last year, according to the data. ■

Source: Asia Insurance Review - 04 Mar 2021

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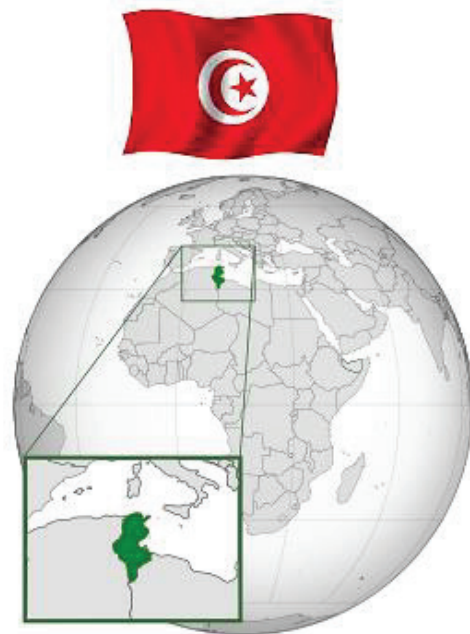
شركة مصر لتأمينات الحياة ش.م.م خاضعة لأحكام القانون رقم ١٠ ١٩٨١ وتعديلاتة على ترخيص رقم ٣ من هيئة الرقابة المالية

TUNISIA:

Insurance Market Overview



Tunisia is the smallest country in North Africa with an area of 163,610 sq km and is also the northernmost country in Africa. It borders Algeria to the west, Libya to the south and east, and the Mediterranean Sea to the north. With over 1000 km of coastline, it has a strong tradition of commerce and openness to the wider Mediterranean region. The country also holds a strategic position as a bridge between Europe and Africa, with this location influencing the development of the country's supply chain and trade links.

From early antiquity, Tunisia was inhabited by the indigenous Berbers. Phoenicians began to arrive in the 12th century BC, establishing several settlements, of which Carthage emerged as the most powerful by the 7th century BC. A major mercantile empire and a military rival of the Roman Republic, Carthage was defeated by the Romans in 146 BC, who occupied Tunisia for most of the next 800 years.

After several attempts starting in 647, Muslims conquered all of Tunisia by 697, bringing Islam and Arab culture to the local inhabitants. The Ottoman Empire established control in 1574 and held sway for over 300 years, until the French conquered Tunisia in 1881. Tunisia gained independence under the leadership of Habib Bourguiba, who declared the Tunisian Republic in 1957. Today, Tunisia is the smallest nation in North Africa, and its culture and identity are rooted in this centuries-long intersection of different cultures and ethnicities.

While the country's transition has been remarkably successful, the effects of the revolution (the 2011 Jasmine Revolution) are still being experienced today as Tunisia seeks to adapt itself to the challenges of multiparty politics and overcome economic hurdles. However, a host of structural reforms is being implemented and improved performance in some of the country's key sectors are helping to bring some relief to the economy. Meanwhile, there continues to be a push for further public sector reforms and reduction of the budget deficit.

Global Position & Penetration

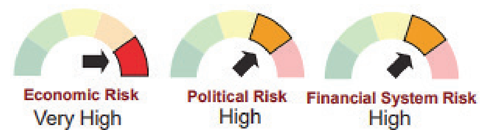
Swiss Re Sigma's "World Insurance in 2020" report ranked Tunisia as the 84th-biggest in the world based on total premiums of $830m. The firm put penetration – measured as a ratio of premiums to GDP – at 2.15%. Per capita premiums were worth $71 behind Morocco (on $127) but ahead of Algeria and Egypt (at $29 and $19, respectively)

Tunisia Economy Data

	2015	2016	2017	2018	2019
Population (million)	11.3	11.4	11.5	11.7	11.8
GDP per capita (USD)	3,829	3,669	3,466	3,421	3,297
GDP (USD bn)	43.2	41.8	40	39.9	38.9
Economic Growth (GDP, annual variation in %)	1.2	1.1	2	2.7	1
Consumption (annual variation in %)	3.2	3.1	2.4	2.1	-
Investment (annual variation in %)	-0.5	1.1	0.3	2	-
Industrial Production (annual variation in %)	-2.4	-0.5	-1.1	-0.6	-3.2
Unemployment Rate	15.2	15.5	15.4	15.5	15.2
Fiscal Balance (% of GDP)	-4.8	-6.1	-6.1	-4.8	-3.5
Public Debt (% of GDP)	55.4	62.4	70.2	77.9	72.2
Money (annual variation in %)	8.4	8	16.9	3.6	6
Inflation Rate (CPI, annual variation in %, eop)	3.8	4.2	6.2	7.5	6.1
Inflation Rate (CPI, annual variation in %)	4.8	3.6	5.3	7.3	6.7
Policy Interest Rate (%)	4.25	4.25	5	6.75	7.75
Exchange Rate (vs USD)	2.04	2.3	2.46	2.99	2.79
Exchange Rate (vs USD, aop)	1.96	2.15	2.41	2.64	2.93
Current Account (% of GDP)	-9	-8.6	-10.3	-11.2	-9
Current Account Balance (USD bn)	-3.9	-3.6	-4.1	-4.5	-3.5
Trade Balance (USD billion)	-5	-4.8	-5.3	-6	-5.4
Exports (USD billion)	14.1	13.6	14.3	15.5	15
Imports (USD billion)	19.1	18.4	19.6	21.5	20.4
Exports (annual variation in %)	-15.8	-3.5	5.2	8.6	-3.5
Imports (annual variation in %)	-18.3	-3.8	6.8	9.5	-5
International Reserves (USD)	7.4	6	5.7	5.2	7.4
External Debt (% of GDP)	63.1	67.8	83.7	86.9	-

Country Risk

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Tunisia is a CRT-5 country with high levels of political and financial system risk and a very high level of economic risk.



- GDP grew 1.0% in 2019 and is projected to contract by 4.3% in 2020. The recession is being driven by the economic impact of COVID-19.
- Inflation rates will range in the 5.0%-7.0% range over the medium term.

Source: A.M Best – Aug 2020

Natural Catastrophes:

- Tunisia has a typically Mediterranean climate in the north and along the eastern coast. The Atlas Mountains cross the north of the country and in the central region the vast olive groves of the Sahel give way to the eastern steppe. In the south, an arid landscape of salt lakes interspersed with occasional oases adjoins the Sahara desert.
- Tunisia is on an earthquake belt but the risk is considered small. Floods occur regularly and can occasionally cause damage.
- Although flash floods may be responsible for loss of life, the risk of flood damage is low. The areas in the north, which might be affected by run-off from the mountainous parts of the country, are mainly agricultural land and any losses are normally uninsured. In the main cities, although the infrastructure has improved, there is still some risk of insured losses.

Governance, Risk and Compliance

- **The legal system:**
  The legal system of Tunisia is based on French civil law system and Islamic law.

- **Insurance Supervisory Authority:**
  In 2008 the regulator, the General Insurance Committee (Comite General des Assurances - CGA) , which had previously been a department of the Ministry of Finance, became financially autonomous and a legally separate entity. Partly funded by an annual levy on insurers and reinsurers, the regulator authorises and supervises insurers, and issues and revokes the licences of intermediaries. It also has powers to set fines and sanctions.

www.cga.gov.tn

- **Professional body**

  The Tunisian Federation of Insurance Companies (FTUSA)

www.ftusanet.org

- **The compulsory classes**
  - Marine cargo imports valued at TND 3,000 (USD 1,173) or more.
  - Decennial cover for construction risks.
  - Professional liability for estate agents, tourist campsites, suppliers of lifts, private hospitals, care homes for the elderly, blood dialysis units, liquidators, lawyers and other legal representatives, waste transporters, port operators and registered professional maritime operators.
  - Fire and public and professional liability for discotheques, nightclubs and cabarets.
  - Fire insurance for industrial, commercial and hotel risks.
  - Workers' compensation (state scheme).
  - Pollution insurance for oil and gas companies.
  - Shipowners' liability for marine oil pollution (financial guarantee or insurance).
  - Clinical trials liability

- **Types of Insurance Organization:**
  Insurance companies must be registered in Tunisia in the form of joint stock companies, mutual companies or mutual agricultural funds. Cross-ownership of banks and insurance companies is permitted under Law 2002-37 of 1 April 2002.

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Europe (For Nuclear Energy risks only)
and their interests worldwide

Acceptance Scope
Business offered by Members, Non-Members, Brokers and all other insurers and reinsurers.

Underwriting Scope
The Syndicate underwrites on Facultative basis; Oil & Energy related business including but not limited to:

- Energy: Onshore and Offshore
- Power Plants
- Renewable Energy
- Energy related Constructions
- Nuclear Risks including Radioactive Contamination
- Operators Extra Expenses (Cost of Well Control/Re-drilling Expenses/Seepage and Pollution)
- Business Interruption when written in conjunction with other classes
- Liability when written in conjunction with other classes
- Energy package policies

A.M.Best Rating

On 17.3.2021 A.M.Best reaffirmed the Syndicate the following ratings:

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

"The ratings reflect the Syndicate's balance sheet strength, which A.M.Best categorizes as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management." – A.M.Best.

FAIR Oil & Energy Insurance Syndicate is proud to be the first entity of its kind to be rated by a reputable international rating agency.

Incorporated in the Kingdom of Bahrain by Law Decree 7/1999

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website

e-brochure

- **Foreign Ownership:**
  - Article 4 of Law 2008-8 of 13 February 2008 modified the rules on control of insurance companies in Article 54 of the Insurance Code and replaced the previous ban on foreign shareholdings of 50% or more.
  - The regulator's approval is henceforth required for any share purchase giving effective control or any acquisition taking a shareholding beyond specified percentage thresholds: 10%, 20%, 33%, 50% or 67%.
  - It is possible for foreign companies or branch offices to operate under the provisions of Tunisia's offshore banking and insurance regulations, the main provision of which is that they must conduct business with non-residents or fellow offshore-registered customers in foreign currency.

- **Types of Licence:**
  - Composite licences for life and non-life business have been allowed in the past. Licences are issued on a blanket basis. Separate authorization is required to write inwards reinsurance, which is considered as an individual branch.
  - PA and healthcare are classed as non-life business.

- **Capital Requirements:**

  The minimum capital required for an insurance company is prescribed by the Insurance Code. The requirements are as follows: joint stock companies: TND 10mn (USD 3.91mn), joint stock companies transacting only one category of insurance: TND 3mn (USD 1.17mn) and mutual companies TND 1.5mn (USD 586,625)

- **Statutory Tariffs:**
  - The only compulsory tariff is for motor third party liability and is set by the Ministry of Finance.
  - A sharing arrangement for motorcycle risks was established by "gentlemen's agreement" in early 2006 under the auspices of the Insurance Association (Federation Tunisienne des Societies d'Assurances/FTUSA). The part of the agreement relative to motorcycle risks is still in force.
  - Decennial insurance is written in a pool managed by Tunis Re in respect of which premium rates are fixed by the latter.

- **Non-admitted insurance:**
  Non-admitted insurance is not permitted because the law provides that insurance must be purchased from local authorized insurers with some exceptions

- **Fronting:**
  - There are no specific restrictions on fronting in Tunisia. A nominal retention of, say, 5% might be considered but is not essential. The placement of reinsurance is not restricted, and approval of security by the regulator is not required.
  - Local insurance companies are prepared to front for global programs. Usually a local wording is used with the difference in conditions covered by the global program. Fronting commission is negotiated separately in each case but is usually around 5%

- **Intermediaries:**
  Intermediaries (brokers or agents) have to be authorized to do insurance business. Locally licensed intermediaries are not allowed to place business with non-admitted insurers.

- **Insurance Premium Tax:**
  Life insurance products are exempted from Insurance Premium Tax (IPT). For non-life insurance products, IPT varies from 5% to 10%.

- **Reinsurance Business:**
  - Tunis Re, is the country's sole reinsurer. It has continued to expand its activities across international markets. Unlike other insurance markets in the region, Tunisian insurers are not obligated by law to cede a percentage of their premium to the national reinsurer. This has prompted competition between several international reinsurers for Tunisian insurance premium.
  - Several offshore companies transacting reinsurance are registered, but their figures are not reported in Tunisian market statistics.
  - Tunis Re now receives business on a voluntary basis from all direct companies in the market, which over recent years has varied between 20% and 30% of market premiums ceded.
  - Apart from the state reinsurance company, Tunis Re, several insurance companies also write a small amount of inwards reinsurance.
  - International reinsurance is accepted by Tunis Re and by the offshore companies. It is written to only a very limited extent by direct insurers.
  - CICA-Re, the regional reinsurer for francophone Africa opened a branch in Tunis in March 2018.

Insurance Market Performance & Statistics

Structure of the Tunisian insurance market in 2019

Insurance and Reinsurance Companies	
Composite companies	15
Life companies	5
Specialized company	1
Reinsurer	1
Off-shore companies	8
Total	30

Intermediaries	
Insurance agents	1 049
Brokers	63
Life insurance producers	98
Total	1 210

Tunisian insurance market in 2019

Evolution of premiums per class of business

in millions USD

Class of business	2015	2016	2017	2018	2019
Non-life	677.3	634.5	663.6	579.5	662.1
Life	148.7	160.5	178.4	168.6	199.6
Total	826	795	842	748.1	861.7

Ranking of insurers in 2019

Figures in thousands

Companies	Turnover 2019		Turnover 2018		2018-2019	2019
	TND	USD	TND	USD	evolution [1]	shares
STAR	374867	133805	358733	119185	4.50%	15.53%
COMAR	212156	75727	208100	69139	1.95%	8.79%
GAT	170999	61036	174600	58009	-2.06%	7.08%
MAGHREBIA	169758	60593	159500	52992	6.43%	7.03%
ASTREE	168279	60065	155246	51579	8.40%	6.97%
AMI [2]	161183	57533	168400	55949	-4.29%	6.68%
CARTE	127273	45429	104985	34880	21.23%	5.27%
ASSURANCES BIAT	121799	43475	125500	41696	-2.95%	5.05%
MAE	120642	43062	108110	35918	11.59%	5.00%
BH ASSURANCE	116707	41657	102087	33917	14.32%	4.83%
LLOYD TUNISIEN	108488	38724	93340	31011	16.23%	4.49%
CTAMA [2]	103846	37067	89300	29669	16.29%	4.30%
ATTIJARI ASSURANCE	87006	31056	86455	28724	0.64%	3.60%
MAGHREBIA VIE	66144	23609	58490	19433	13.09%	2.74%
GAT VIE	61834	22071	41758	13874	48.08%	2.56%
ZITOUNA TAKAFUL	60563	21617	52481	17436	15.40%	2.51%
CARTE VIE	58600	20917	53159	17662	10.24%	2.43%
ASSURANCES HAYETT	50691	18094	44321	14725	14.37%	2.10%
EL AMANA TAKAFUL	31248	11154	29473	9792	6.02%	1.29%
ATTAKAFULIA [2]	26463	9446	22679	7535	16.69%	1.10%
COTUNACE	15782	5633	15129	5026	4.32%	0.65%
Total Market	**2414328**	**861770**	**2251846**	**748153**	**7.22%**	**100%**

[1] Evolution in local currency [2] Provisional data

Source: 2019 Annual Report, General Insurance Committee (CGA)

Exchange rate as at 31/12/2018 : TND= 0.33224 USD | as at 31/12/2019 : TND= 0.35694 USD

- The Tunisian insurance market closed the 2019 financial year with a turnover of 2.39 billion TND (853.08 million USD), an increase of 6.1% in comparison with the 2.252 billion TND (748.2 million USD) recorded in 2018.
- Non-life insurance premiums improved by 4.9% to 1.83 billion TND (653.2 million USD), that is 76.5% of the total turnover. With a 23.5% market share, life insurance generated 560.8 million TND (200.171 million USD) in written premiums, thus recording a 10.5% growth compared to 2018.
- STAR maintains its leading position with a market share of 15.7%. It is followed by COMAR which accounts for 8.9% of the total premiums. Four companies are competing for the 3rd position namely GAT Assurances, Maghrebia, AMI Assurances and ASTREE with market shares ranging between 7% and 7.2% each.
- The incurred losses rose by 4.8% to reach 1.507 billion TND (537.91 million USD) in 2019. The market's combined ratio (before reinsurance) stood at 95.9%, thus falling below 100% against 100.2% in 2018. As for

investments, they reached 6.1 billion TND (2.177 billion USD) compared to 5.437 billion TND (1.806 billion USD) in 2018.
- In Tunisia, only four insurance companies out of a total of 22 operating on the market are listed on the stock exchange. In September 2020, Assurances Maghrebia obtained the agreement in principle of the Board of Directors of the Tunis Stock Exchange (BVMT) to make its IPO.
-

Tunisian insurance market in 2020

- According to the General Insurance Committee (CGA), Insurance sales dropped 5.9% in 2020 in comparison with 2019, statistics released by the National Insurance Council show. The number of insurance contracts fell from 3. 176, 044 million to 2. 989, 300 million.
- Total life insurance sales dropped 7.9% by late 2020, reaching 593,013 contracts against 643,546 in 2019.
- Life insurance turnover grew 7% to stand at 598.5 million dinars compared to 559.3 million dinars in 2019.
- The indemnifications paid by insurance companies posted a 9.7% decline, reaching 1.281 billion dinars in 2020 against 1.419 billion in 2019.
- The sector's turnover rose 5.5% in 2020 to 2.548 billion dinars against 2.414 billion dinars in 2019.
- Non-life insurance revenues hit 1.949,5 billion dinars in 2020 compared to 1.855 billion dinars in 2019, that is a 5,1% rise.
- The car insurance segment reported a 2.6% rise in its turnover in 2020 with 1.095,5 billion dinars against 1.068,1 billion dinars in 2019.
- Fire insurance revenues jumped 53%, rising to 206.4 million dinars in 2020 from 135 million dinars in 2019. Meanwhile, transport insurance premiums declined 10.7%.

Tunis Re: results as of 31 December 2020

- As of 31 December 2020, Tunis Re posted a 4.5% turnover decrease. The latter dropped from 162.135 million TND (57.8 million USD) on 31 December 2019 to 154.773 million TND (57.1 million USD) one year later.
- During the period under review, non-life premiums amounted to 131.194 million TND (48.4 million USD), a decline of 2.3% compared to 2019.
- The life activity achieved a turnover of 7.151 million TND (2.6 million USD) in 2020 against 9.203 million TND (3.03 million USD) in 2019: a decrease of 22.3% over one year.
- The Retakaful activity decreased by 11.8% and was set at 16.428 million TND (6.06 million USD).
- The net incurred losses of retrocession improved by 11.8% from 54.834 million TND (19.5 million USD) in 2019 to 48.361 million TND (17.8 million USD) by late 2020.
- At 31 December 2020, the financial products decreased by 1.4% to be established at 24.057 million TND (8.8 million USD).
- Tunis Re recorded a net technical result* increasing by 26% from 9.180 million TND (3.277 million USD) in 2019 to 11.583 million TND (4.274 million USD) in 2020.

➢ **Tunis Re Rating**

- Fitch Ratings has confirmed the "AA (tun)" financial strength rating of the Tunisian Reinsurance Company (Tunis Re). The outlook remains stable.
- According to the rating agency, the Tunisian reinsurer's profits for the period 2015-2019 are solid. The combined ratio over five years is slightly below 100% and the return on equity (ROE) is 8%.
- The rating also reflects the performance of Tunis Re's risk management system.

Tunisian Insurance Market: Key View & SWOT Analysis

Both the life and non-life sectors are expanding, the former with some strong annual increases from a particularly low base in recent years, despite security challenges. We believe that moderately firm growth will continue over the coming years, with the life sector expanding in local currency terms at a rate of 5.4% on average per annum and the non-life segment growing by an average of 6.5% average per year over our medium-term forecast period. A relatively competitive and accessible operating environment should create opportunities for investors and new entrants in both the life and non-life markets, with merger and acquisition activity on the cards if our moderately bullish market growth expectations are borne out.

Headline Insurance Forecasts (Tunisia 2021-2025)

Indicator	2021f	2022f	2023f	2024f	2025f
Gross life premiums written, TNDmn	557.0	590.0	623.5	659.2	688.2
Gross life premiums written, TND, % y-o-y	5.4	5.9	5.7	5.7	4.4
Gross life premiums written, USDmn	161.4	163.9	164.1	166.9	172.0
Gross life premiums written, USD, % y-o-y	-0.7	1.5	0.1	1.7	3.1
Gross non-life premiums written, TNDmn	1,982.2	2,140.9	2,261.1	2,397.5	2,535.4
Gross non-life premiums written, TND, % y-o-y	7.1	8.0	5.6	6.0	5.7
Gross non-life premiums written, USDmn	574.6	594.7	595.0	607.0	633.8
Gross non-life premiums written, USD, % y-o-y	0.9	3.5	0.1	2.0	4.4

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

Key Updates And Forecasts

We expect that life insurance premiums will rise by 5.4% in local currency terms in 2021 to TND557mn, averaging annual growth of 5.4% over the next five years to reach TND688.2mn in 2025. In US dollar terms, we expect premiums to increase in 2021 at USD161.4mn and we forecast that premiums will increase at an average rate of 1.6% per annum thereafter over the full forecast period up to and including 2025 to reach a level of USD172mn. Over our medium-term forecast period, we predict that non-life premiums will rise by an annual average of 6.5% in local currency terms. In US dollar terms we forecast that premiums will vary between contracting and growing in the next few years before picking, taking the respective premiums in 2025 to TND2.54bn and USD633.8mn. The already dominant motor segment will remain the key driver of growth in Tunisia's non-life market over the next five years, rising by 8.4% in local currency terms in 2021 to TND1.11bn and averaging annual growth of 7.6% through to 2025 when we foresee premiums reaching TND1.48bn.

SWOT Analysis

Strengths	There is high demand for motor insurance, which is a well-developed line. Tunisia's insurance market has been fairly welcoming of overseas companies and investors. The market is competitive, with few outright leaders, creating substantial opportunities for investment and mergers and acquisitions. The major Tunisian insurers are publicly listed, allowing investors access via the stock market.
Weaknesses	The sector is still underdeveloped by most metrics, such as penetration and density. Understanding of insurance is limited due to cultural barriers. Property claims have been volatile. The regulatory and legal framework to support the insurance market is underdeveloped, outside the motor segment.
Opportunities	Improving GDP growth will drive demand for a range of lines. Increasing rates of disposable income will drive demand for life insurance over the long term. Limited penetration of the life insurance market leaves opportunity for growth.
Threats	The volatile political, security and economic environment could undermine demand for insurance products. Even if Tunisia remains stable, the insurance market remains exposed to political risk from neighbouring states such as Libya and Algeria. The lack of understanding of life insurance will probably persist.

Source: Business Monitor Online - February 22, 2021 Monday

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THE PULSE OF INSURTECH

IMPACT COVID-CRISIS ON INSURTECHS
AND OUTLOOK FOR 2021

Roger Peverelli, Christian Irlbeck, Bertina Bus, Simon Kaesler, Jörg Mußhoff

THE DIA COMMUNITY

Knowledge partner:
McKinsey & Company

Written by Roger Peverelli and Reggy de Feniks - Founders The DIA Community on 24 Dec, 2020

INTRODUCTION

The covid-pandemic continues to wreak havoc, affecting people, businesses and economies around the globe. While there seems to be light at the end of the tunnel with several vaccines now being available, there is still uncertainty about both short term and long term impact on companies and the economy in general.

The crisis is also creating new opportunities, with restricted mobility and working from home accelerating digitization and changing people's mindset about digital. Companies have been adjusting to this new reality, removing internal barriers and speeding up their digital transformation.

We asked ourselves: how has the covid-crisis impacted the insurtech community? Did sales drop or did they actually increase in certain areas? Which areas are benefitting from this situation? Did covid really accelerate digital transformation programs? What is the insurtechs' perspective on these developments – and what is their outlook for the future?

We spoke with more than 100 leading insurtechs and investors to get their perspective and combined this with recent industry insights.

What we've found, is a mostly positive picture across the insurtech landscape and optimistic expectations for the future in terms of more demand, stronger growth and increasing impact. Investors, on the other hand, expect lower valuations and less funding to be available, especially for smaller companies.

With going back to normal maybe taking somewhat longer than expected, this could lead to a "make or break" moment for insurtechs. Now it's more important than ever for insurtechs to focus on scaling their business, making use of the opportunities that arise from this crisis – and emerge even stronger.

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https://www.digitalinsuranceagenda.com/thought-leadership/the-pulse-of-insurtech/

1
GROWTH

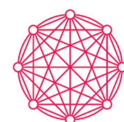
1. THE COVID-CRISIS IS ACCELERATING DEMAND FOR DIGITAL ACROSS THE INSURANCE INDUSTRY AND BEYOND

> "This unfortunate crisis is a kind of trigger point in accelerating some of the underlying trends that we've been seeing over the last years. I really see this accelerating these days."
> Stéphane Guinet, Founder & CEO,
> Kamet Ventures

We've all experienced it this year: working from home, meeting through Zoom, Teams or other online platforms, avoiding stores and buying everything online, getting groceries delivered – transitioning a substantial part of our lives online. Triggered by the covid-crisis, customer behavior has fundamentally changed with increasing expectations towards digital services. This is leading to increasing demand for digital solutions, for both products and services, and across industries – including insurance. Since the crisis started, insurers and insurtechs with digital capabilities in customer onboarding and servicing, including remote advice for models with physical distribution, have excelled and won market share, against their less digitized peers. These changes have clearly been accelerated by the covid-crisis, but won't go away after the crisis – they're here to stay.

So the market environment is definitely favorable for digital business models, which is something most insurtechs are already focused on.
Insurtechs agree that the covid-crisis has triggered more demand for online, digital and remote services. They're convinced that the crisis is having a positive impact on the speed of digital transformation: a true acceleration.

"THE CRISIS IS HAVING A POSITIVE IMPACT ON THE SPEED OF DIGITAL TRANSFORMATION: A TRUE ACCELERATION"



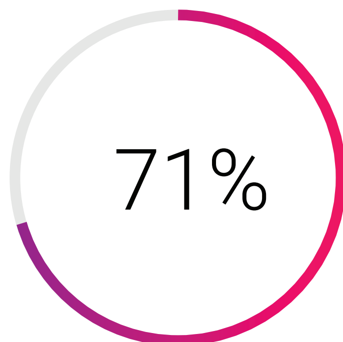
2. THE FUTURE FOR INSURTECH IS LOOKING BRIGHT: STRONGER DEMAND FOR INSURTECH PRODUCTS AND SERVICES

Building on the change in customer behavior and changing market environment, expectations are that the demand for insurtech products and services will increase. It's important to realize that, although customer behavior is shifting more towards digital channels, we don't expect a true inflection point where the majority of insurance sales completely moves to digital-only channels. However, it may lead to more early adopters in areas, where so far we've seen less digital sales, for example in Life and Health Insurance, as our study indicates.

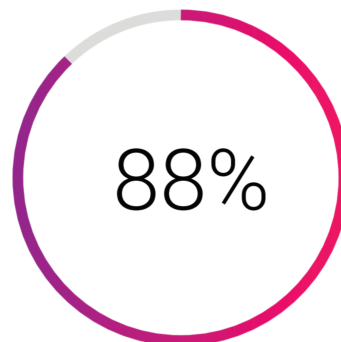
The majority of insurtechs is optimistic, with 71% of insurtechs taking a positive view of their sales pipeline for the coming months. Insurtechs focused on Life or Health Insurance stand out as being most positive about the immediate future.

Furthermore, especially on the B2B insurtech side, there is now a huge demand from incumbents to retool themselves with insurtech solutions, in order to not fall behind competition. Therefore, the demand for digital solutions, ranging from distribution tools to claims or back-office solutions, to entire IT-back-end systems may show an even stronger increase – and this rise in demand is likely to stay even after the crisis is over.

Insurtechs fully agree: 88% expect there to be a stronger demand for their product and services, once the crisis is over. This optimistic view is shared by insurtechs across the different business lines.



of insurtechs are optimistic about sales pipeline coming months



of insurtechs expect stronger demand for their product/services once the crisis is over

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"The dominant opportunity is for the incumbent industry to retool and take the advantages of a digital model. The fundamental change in perspective that some of the good insurtechs have brought about, is in terms of their customer advocacy stance. Melding those things with the advantages of incumbency is the dominant opportunity."
Jonathan Larsen, Chief Innovation Officer, Ping An Group and CEO, Global Voyager Fund

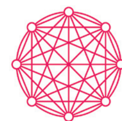
2
ORGANIZATION & CULTURE

3. THE COVID-CRISIS HAS ALREADY REMOVED SOME ORGANIZATIONAL BARRIERS FOR DIGITAL TRANSFORMATION BUT SOME HURDLES STILL TO TAKE

While the covid-crisis has certainly pushed organizations to change their mindset on digital technologies, not all have been able to manage this change so quickly. Here the crisis has also worked as an accelerator, speeding up change. At the same time it is increasing the differences between companies, widening the gap between the leaders, making more progress quickly, and the digital laggards, being left further behind. While the attention to digital solutions is certainly increasing, the technical barriers such as old legacy systems are still there. So far only a few insurers have made the transition to API-driven IT architectures on cloud systems.

According to insurtechs several important impediments that were holding back digital transformation have now been removed, due to the covid-crisis. Most importantly, there is now more acceptance of digital and a shift in mindset. Less reliance on physical interactions and less resistance to working from home, are also being mentioned.
Investors agree that some of the barriers to change have been removed: indecision, procrastination, corporate stupidity (..), C-level sense of urgency, organizational lethargy, resistance from incumbents' sales organizations and trust in digital channels.

We're not there yet, though. Some hurdles still remain, like the cultural mindset, internal barriers, reliance on legacy systems and inertia are still holding back change, according to insurtechs.
Investors agree and mention the lack of open insurance standards, internal turf-wars, complex and lagging regulation, length of decision making processes, lack of digital skills and internal culture blockers (right to fail; test-and-learn) as hurdles still to be removed.



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“On the insurance player side, I think they’re now more than ever convinced, that the time has come to fully digitize the business. On the other hand, obviously they are all in this crisis, the decision- making processes, the internal budgeting process and so on are not facilitating. These very complex, large so-called legacy processes and systems and technology are still there – it’s messy.”
Stéphane Guinet, Founder & CEO, Kamet Ventures

“I’m surprised that there’s not more push towards transformation from within. That’s why I also see a lot of benefits in insurtech coming from within. So insurtech regarding the back office processes, middle office- and core processes: this is where the bigger changes are needed. That will take long, but this change will come.”
Ramin Niroumand, Founder & CEO, Finleap

“We are still only scratching the surface, when it comes to digital transformation.”
Adrien Lebegue, Head of Strategy, ZA Tech Global (ZhongAn Group)

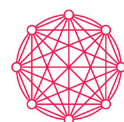
4. INSURTECH ORGANIZATIONS ARE STILL GOING STRONG – NO MAJOR DOWNSIZING YET

Even though most markets have seen severe negative economic contractions over the past months, this hasn't resulted in any major downsizing among insurtechs. The majority of insurtechs (52%) and investors (55%) indicate that insurtech organization size hasn't changed over the past 3 months. There are no indications of any major downsizing yet on the immediate horizon.

Across European markets we have only seen limited downsizing due to the crisis, so far – although this seems to be picking up with a number of retailers, airlines and financial institutions announcing lay-offs. Insurance organizations so far seem to be weathering the storm – some have even shown strong growth during 2020, fueled by digital advantage of insurtechs.

However, with ongoing uncertainty, also in the job market, we have seen a trend towards somewhat larger insurtechs, that can provide more job safety than early/seed stage insurtechs, which might continue to face some level of uncertainty over the next year or so.

We also shouldn't lose sight of the fact that many companies used short-term work- or other financial aid programs, provided by local governments to cover (part of) the costs of the initial lockdowns. Some of these companies went into "hibernation" and it remains to be seen what will happen when these financial aid programs are winding down.



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3 FUNDING

5. NO WIDESPREAD NEED FOR EMERGENCY FUNDING FOR INSURTECHS

More than 70% of investors reported no or very limited emergency funding for the insurtechs in their portfolio so far; with smaller groups of investors indicating that some of their insurtechs have needed emergency funding.

In the early days of the covid-crisis there were several smaller bridge-financings, which in most cases weren't widely communicated to the market.

Other insurtechs have taken the route of steering their company towards less aggressive growth strategies, to save costs and extend runway, while avoiding emergency funding.

6. FUNDING AVAILABILITY STILL HIGH

WHILE INVESTORS EXPECT LESS FUNDING TO BE AVAILABLE, INSURTECHS MORE OPTIMISTIC AND RECENT FUNDING ROUNDS SUPPORT THIS VIEW

A majority (65%) of investors expect less funding to be available for the coming months, but insurtechs are more optimistic: 45% of insurtechs expect funding availability to remain the same; 35% expect less funding to be available.

Even though investors expect less funding availability, we still see big funding rounds around the globe and several insurtech IPOs in the second half of 2020 – so there are no dramatic signs of a shortage in capital yet.

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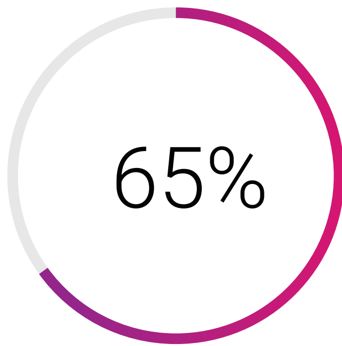
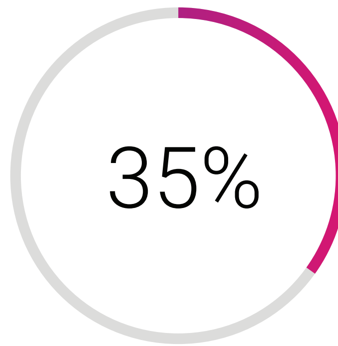


65% of investors expect less funding to be available



35% of insurtechs expect less funding to be available

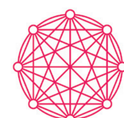
With interest rates still very low or zero and new large VC funds closed, investors are still very active, looking beyond their current portfolio to find new firms.

On the other hand, corporate venture capital is known to be somewhat cyclical and driven by economic factors, so there might be less capital available if the crisis continues for some time. Especially growth investments are showing a strong increase currently, thanks to the interest of private equity funds and new corporate investors who are reluctant to invest in too early stage companies.

"Venture capital is a very long-term asset class. So, there will be a lot of venture capital money in the market. I don't see a slowdown in funding, especially because there's a lot of later stage capital available in the market."
Max Chee, Head of Aquiline Technology Growth

"I see more and more interest of investors, even new investors coming to this space. Insurance is and remains probably one of the biggest industries. But it is far, far, far behind what other industries have done over the last 5-10 years. So, there is an immense opportunity for creating innovation and then creating value out of it."
Stéphane Guinet, Founder & CEO, Kamet Ventures

"... Companies that provide you with super focused functionalities, that help your value chain become more effective and more successful. Here I would expect a little less money going in for the next 6-8 months; then I would expect it to pick up again."
Tom van den Brulle, Global Head of Innovation, Munich Re

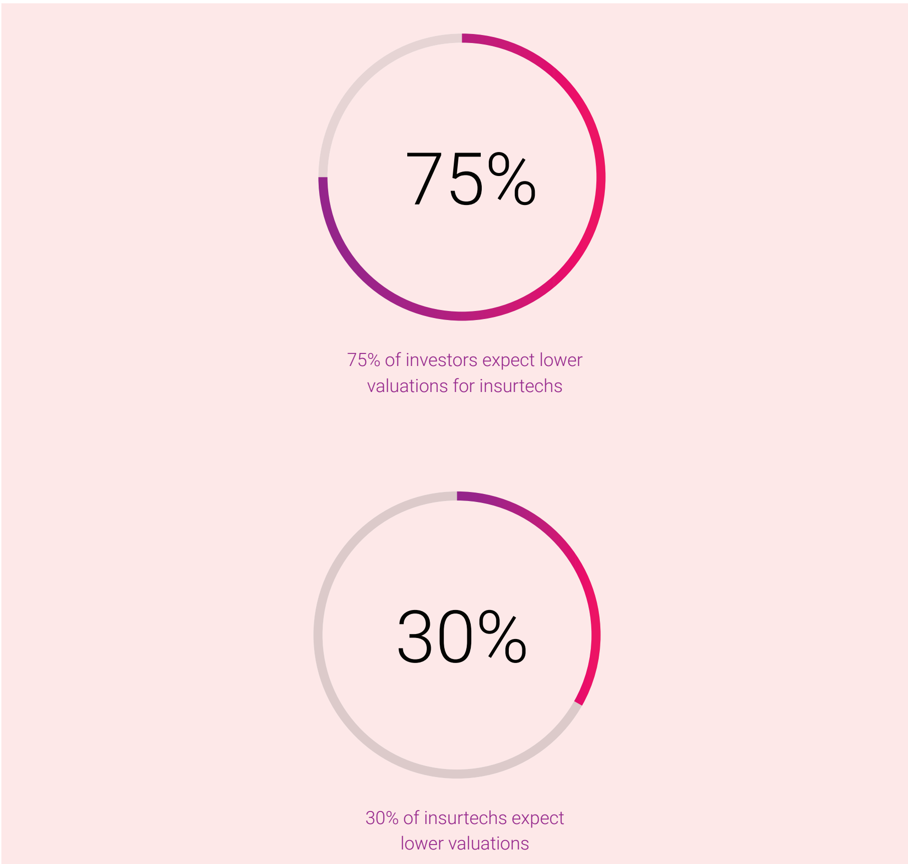


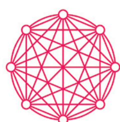
7. LOWER VALUATIONS EXPECTED BY INVESTORS – YET INSURTECHS AND PUBLIC MARKETS STILL OPTIMISTIC

The majority of investors (75%) expect lower valuations for insurtechs. Insurtechs have a more optimistic view: 40% of insurtechs expect valuations to be higher or much higher; 30% expect valuations to remain more or less the same and only 30% expect lower valuations.

Against the expectations (or wish) from investors to see lower valuations, the assumed value potential of insurtechs is still very high. So far, the markets seem to agree with the insurtechs, with publicly traded insurtechs like Root, Lemonade and others still showing remarkably high valuations, ranging from 5x to up to 26x their sales or premiums.

In parallel with the continuing strong availability of capital, the current valuation levels might continue as well.





"With successful IPOs of Root and Lemonade and the valuation of Duck Creek, there has been a lot of momentum in Insurtech. I think there's a huge bifurcation. Companies that are growing 100 percent or above, have valuations that are double or triple the valuation of companies with growth rates of 50 percent or less. It's really just a function of how quickly you're growing – this will get you kind of the multiple and the valuation, at least from an investor standpoint."
Max Chee, Head of Aquiline Technology Growth

"Valuation will actually be more reasonable and will create, in my view, a more sustainable market. Insurtechs that are not able to scale will have more difficulty to access funding and may not actually be carrying on forever, as would have been the case one or two years ago."
Adrien Lebegue, Head of Strategy, ZA Tech Global (ZhongAn Group)

4
NEW NORMAL

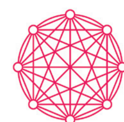
8. WE'RE HEADING TOWARDS A NEW NORMAL SOME TIME IN 2021 OR EVEN LATER

The majority of investors (61%) expect most of their insurtech portfolio to be "back to normal" at some point in 2021, but several investors expect this will take longer – until 2022.

With recent developments around covid-vaccines becoming available soon, hopes for a fast recovery have risen. Simultaneously, other estimates place a return to normal, including the recovery of sectors like travel, more towards 2022 and beyond.

This won't be a return to pre-crisis conditions though – we're heading towards a "New Normal". While some shifts in consumer behavior may go back to what they were before the crisis, expectations are that the shift to digital is here to stay. People expect to continue to work at least a couple of days a week from home, continue to pay cash-less in stores, buy online and use several services online instead of in-person. This will fundamentally change many sectors, like mobility, real estate, health care – including financial services and insurance.
Insurtechs are well positioned to make use of the opportunities this change will offer, and help incumbents speed up their digital transformation.

"It's going to be mid-22, 23 before we see any kind of real normalization. (...) The new normal for sure will accelerate the digitization trends that have been present through the development of the digital economy over the last 20 years. Insurance is a very good example that has hitherto really not fundamentally changed and not fundamentally digitized. It hasn't been transformed by it. For the most part it has just interfaced itself with the digital economy. And I think that there is a chance in the next two, three years."
Jonathan Larsen, Chief Innovation Officer, Ping An Group and CEO Global Voyager Fund

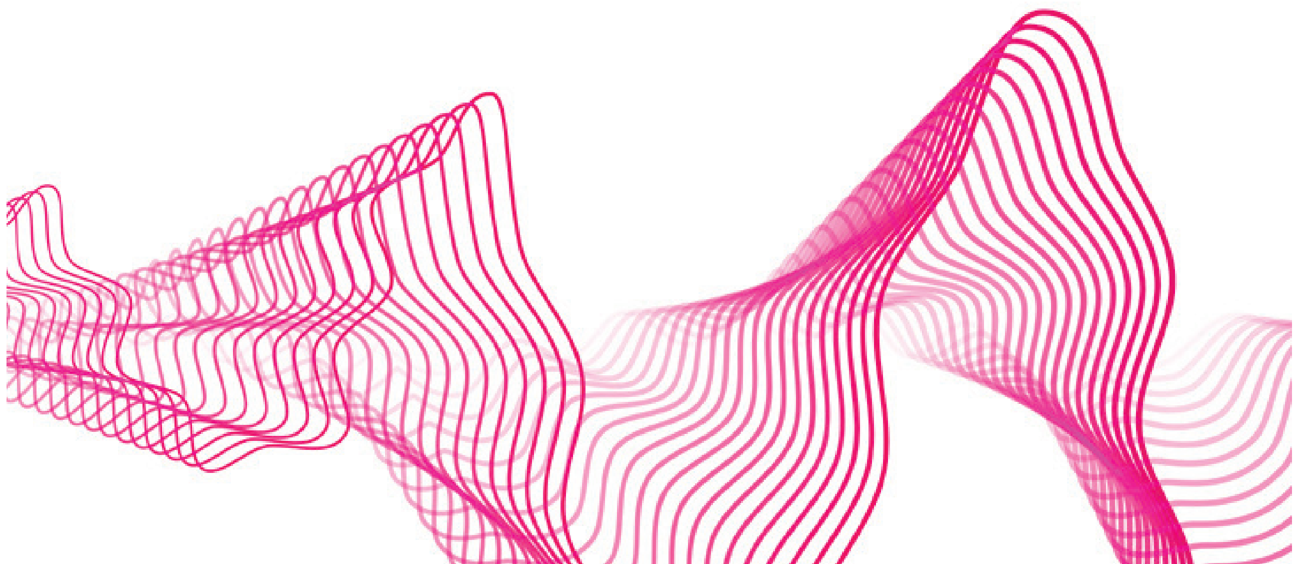


9. "MAKE OR BREAK" MOMENT FOR INSURTECHS

There is broad agreement that we will still have to deal with ongoing uncertainty for months – and maybe year(s) - ahead. Financial aid programs winding down may lead to increased lay-offs and restructuring, negatively affecting consumer behavior and spending. It may take many markets longer to return to economic growth, which in turn will affect funding availability and insurtechs' perspectives for growth.

We've already seen some insurtechs going out of business, while others had to reduce their funding amount or are trying to sell their business to exit "before it's too late". While these are anecdotal examples, it is certain that the gap between the leaders and the laggards will further increase.

This is a "Make or Break" moment for insurtechs, with insurtechs focused on adding real value and being able to scale, being best positioned to make it through.

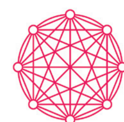


"So the reality of covid is going to be with us for quite a while. And there is no doubt that the digital pivot is upon us. So the question for every company is: Are you doing what you need to do? Because it's going to be a very painful year, two years, if you're not."
Jonathan Larsen, Chief Innovation Officer, Ping An Group and CEO Global Voyager Fund

"In insurtech, we're coming to the next chapter. There will be some consolidation. Some of the companies are growing less quickly. There is a lot of capital, so capital is a competitive advantage. And if you're a well-capitalized competitor, you could start acquiring businesses as well within insurtech."
Max Chee, Head of Aquiline Technology Growth

"There is probably going to be a refocus and not everyone in insurtech is going to survive."
Adrien Lebegue, Head of Strategy, ZA Tech Global (ZhongAn Group)

"Now it's about two things. The first will be to prolong your runway. Everyone can see that things that you don't do digitally probably aren't done very well. And the second thing would be, making sure that you communicate your vision in the right way. Because now there is a big opportunity actually to surf on that wave, that made it more visible to everyone."
Tom van den Brulle, Global Head of Innovation, Munich Re



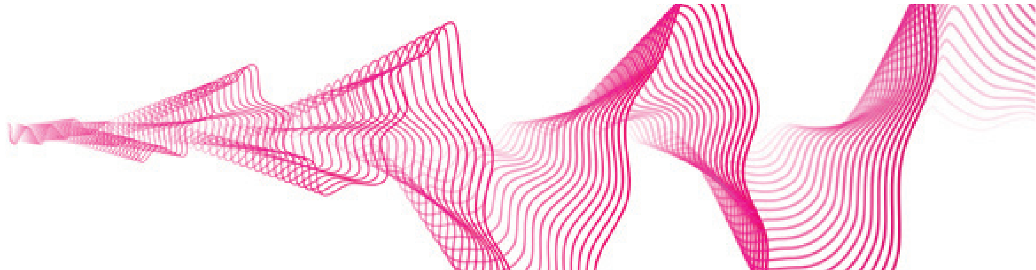
OST VALUE CREATION COMES FROM SCALING AND TECHS NEED TO BOOST THEIR BUSINESS NOW TO TO STAY ANT

nsurtechs be focusing on now, to make sure they make crisis and emerge even stronger?
und is that most value is created during scale-up, with reation linked to the build-up phase of startups, versus the scale-up phase (Venture Monitor, McKinsey). Yet, ies still struggle to reach this stage and scale up their very 100 startups that have successfully built product, e to rapidly scale up, independently. A small group (5%) e inactive – a far bigger group (46%) ends up in an sustaining phase.

surtechs boost their business and achieve scale? page you'll find the five key ingredients for a boost, for any insurtech determined to grow and achieve scale.

"... If you really want to be very valuable, if you want to be a five hundred million, one billion, two billion, five billion dollar company, you better be addressing a very big problem in the market. So, thinking big and constantly iterating your model in the anticipation that you will scale to many, many times your current size, I don't think that comes naturally to most people."
Jonathan Larsen, Chief Innovation Officer, Ping An Group and CEO Global Voyager Fund

INGREDIENTS FOR A BOOST



GO-TO-MARKET

Design and test winning propositions, scale customer acquisition and build ROI-focused marketing and leads engine

TECH & OPERATIONS

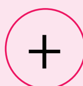
Enable cutting edge operations and customer service through strong tech development, state-of-the-art infrastructure and analytics

GOVERNANCE

Establish fast, facts-driven decision making by leadership team and ensure sufficient independence, e.g. from (corporate) investors

CAPITAL

Secure sufficient funding for fast scale-up of teams and build network in investor community



MOST CRITICAL:
PEOPLE
Assemble talent into strong teams, form a growth-oriented minset/culture and build (digital) talent recruiting engine

source: McKinsey & Company

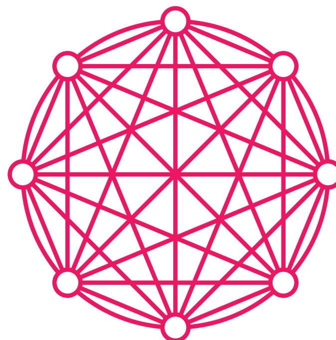
ABOUT THE PULSE OF INSURTECH

The Pulse of Insurtech is a proprietary study, conducted by Digital Insurance Agenda (DIA) in partnership with McKinsey & Company. At its heart is a survey among more than 100 insurtechs and investors around the globe. Insurtechs covering a wide range of verticals, from Property & Casualty, to Life Insurance, Health Insurance and Commercial Insurance, participated in the survey. The participating insurtechs apply a range of different technologies, from Advanced Data Analytics, AI, IaaS, Machine Learning, API, IoT, Telematics to Blockchain.

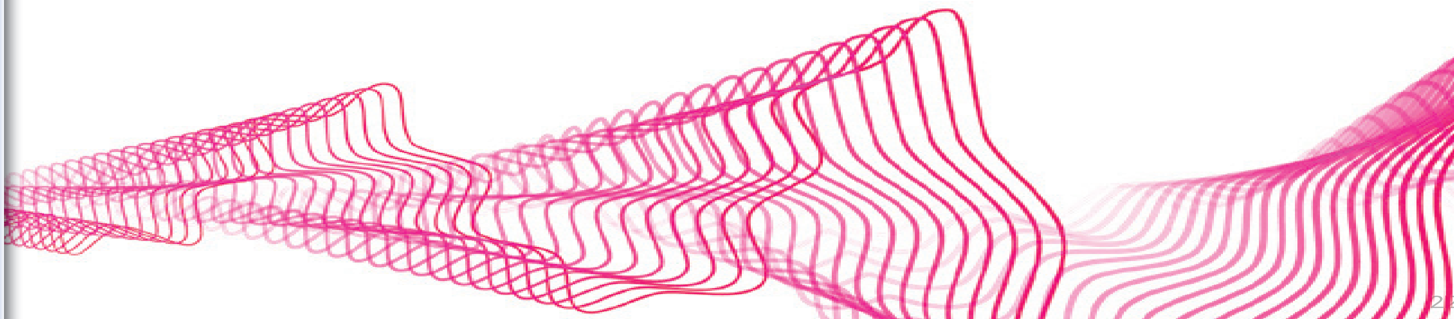
Investors, who participated in the study, range from VCs, Corporate VCs to investment managers and investment consultants.

The Pulse of Insurtech research took place in the third quarter of 2020.

In October – November 2020 we spoke with senior insurance, insurtech and investment executives, to capture their reactions to the study's key findings and share their perspectives on the outlook for insurtech.



THE DIA COMMUNITY



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"...the cycle can be up or down, but if you have a strong enough technology trend, where you're saving your customers money, you're having a great user experience, you leverage technology for all the things that it can do to improve the business and a consumer 's life; that's not going to change in an up-cycle or a down-cycle."
Max Chee, Head of Aquiline Technology Growth

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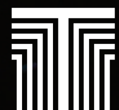

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