FAIR Review

Issue No. 188 (2 -- 2021)

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ISSN 1687-2231

FAIR Review

FAIR in Brief

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

Vision:

FAIR aims to become a driving force international insurance cooperation by 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.

FAIR's added value is based on:

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

FAIR Review

The "FAIR Review" is published quarterly by the central office and circulated to Members free of charge. It is devoted to disseminate the research work, articles and information, to enhance professional knowledge among insurance professionals.

Issue No. 188
2 -- 2021

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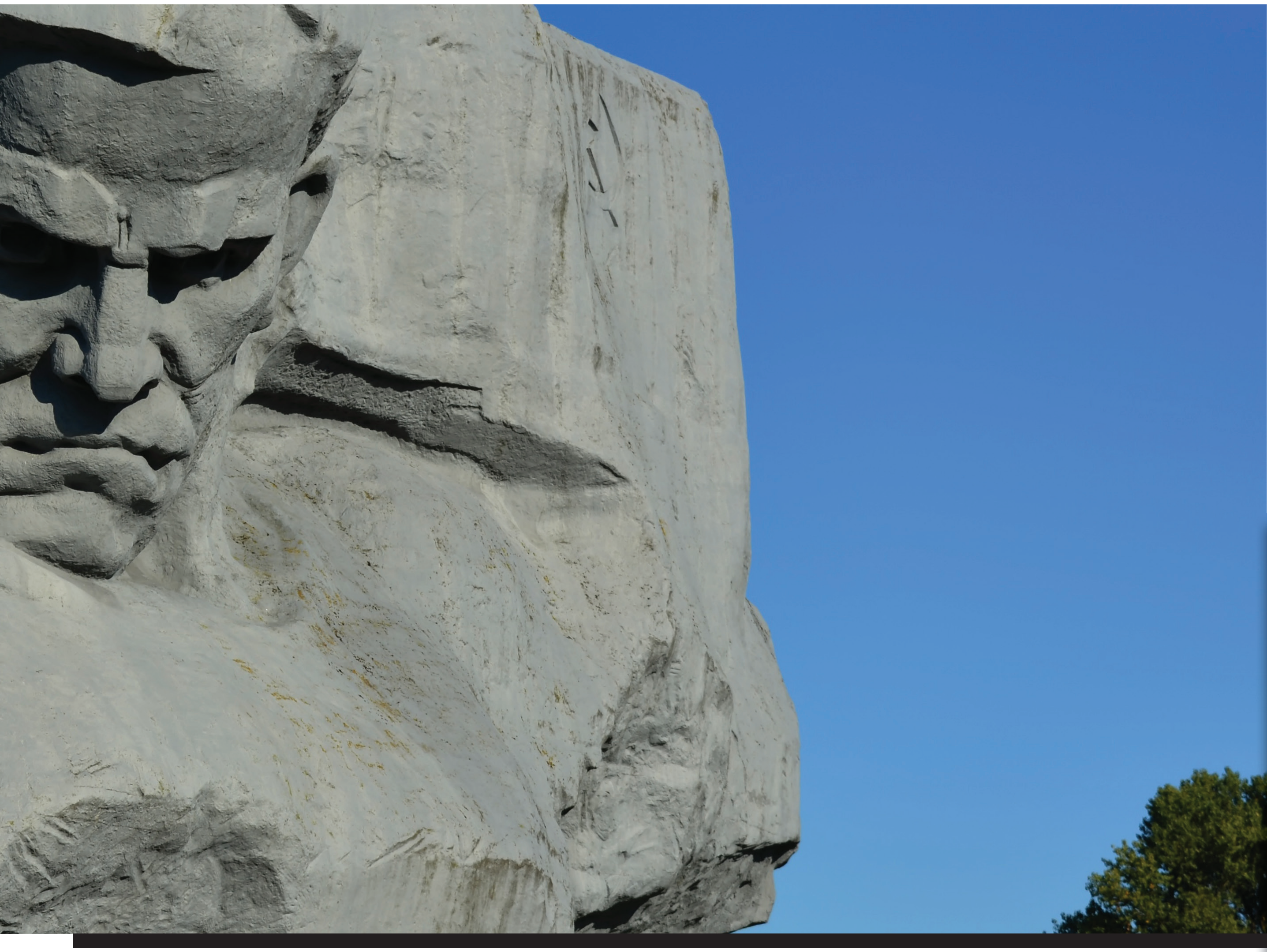


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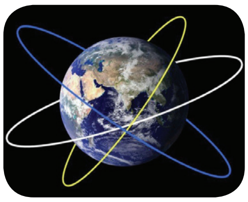
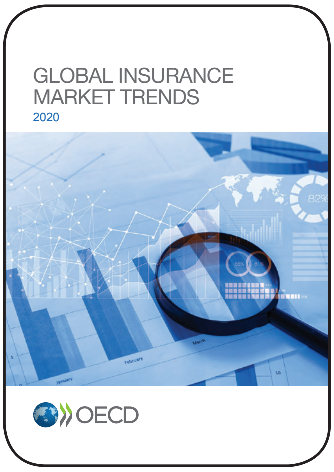


• *Global insurance market trends*

By OECD, , 28 Jan 2021, 36 pages



Before COVID-19, gross premiums were still mainly on the rise in the life and non-life sectors in 2019. An increased demand for some life insurance and non-life insurance policies, such as motor insurance, likely accounted for this expansion of insurance business worldwide.

As premiums grew, claims payments also increased in a number of countries. However, a relatively mild year for catastrophe losses meant that claims payments were not as high as they might have otherwise been. Overall, underwriting performance was positive and improved for non-life insurers in 2019. Stock markets were also buoyant, after financial losses in the last quarter of 2018. Insurers benefitted from this upturn in stock markets and achieved positive investment rates of return in general, especially among those that invested a significant share of their assets in equity. ■

Contents:

Read/Download: https://bit.ly/3vcBbUI

• *Covid-19 and non - damage Business Interruption Insurance:*

The UK Response

Simon Cooper

Insurersr[1] in the United Kingdom have cooperated with the regulator to obtain declaratory judgments on significant coverage issues under 'non-damage' business interruption policies. In January 2021, the Supreme Court gave judgment on these issues on the basis of sample wordings agreed upon by the parties in advance. The parties have agreed to be bound by the outcome of the case and it is hoped that this cooperation will significantly accelerate and simplify the claims settlement process. Nonetheless, important issues as to evidence and proof of loss remain.

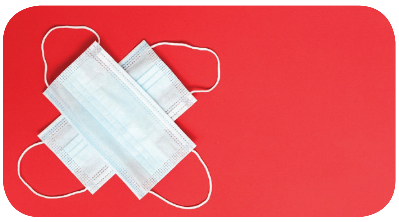
I Background

Business interruption (BI) insurance is often purchased as an extension to a property damage policy. These policies usually only provide cover for BI loss that results from damage to the insured property. There has been a good deal of debate about whether or not contamination with covid-19 causes 'damage to property' within the meaning of these policies. In the United Kingdom, however, the Financial Conduct Authority (FCA), which regulates the insurance industry, has not challenged insurers' position that the presence of covid-19 alone does not amount to property damage.

By contrast, the regulator has been concerned at insurers' response to claims under two classes of non-damage BI insurance: disease covers and prevention of access covers.

In general terms, disease covers provide protection for business interruption losses flowing from an outbreak of disease at, or within a certain distance of, the insured premises. Prevention-of-access cover protects the insured in respect of the BI loss flowing from the prevention or hindrance of access to the insured premises as the result of the actions of, or restrictions imposed by, the authorities in response to the outbreak of a notifiable disease.[2]

Insurers' response to claims under these policies raised a number of common coverage issues. For example, insurers commonly argued that disease policies should only respond to a local outbreak of disease and not a national pandemic. In relation to denial-of-access policies, insurers argued that access to premises was only 'denied' for coverage purposes if premises were ordered to close by government action that had the force of law. Access to businesses that closed voluntarily, for example because of government advice, was not, in insurers' view, 'prevented' within the terms of the insurance. There were also significant differences with regard to the meth-



odology for the calculation of loss and the interpretation of 'trends clauses'.

II Declaratory proceedings

To resolve these and other related issues the FCA initiated declaratory judgment proceedings with the cooperation of eight leading insurers,[3] who were defendants in the action. Two policyholder groups also joined the action as interveners[4] and it was agreed that the proceedings would take place on an expedited basis.

The parties selected 21 sample policies that contained language typical of the non-damage BI cover at issue and asked the court to make a series of rulings on the proper construction of the relevant clauses and the manner in which they respond to the covid-19 pandemic in the United Kingdom. The proceedings took place on the basis of an agreed set of facts relating to the timing and nature of governmental interventions and the court was not asked to make any findings of fact.

III Judgment

The Commercial Court, part of the High Court, Queens Bench Division, handed down its judgment on 15 September 2020: Financial Conduct Authority v. Arch Insurance (UK) Limited and Others.[5] The judgment was subject to a 'leapfrog' appeal to the Supreme Court, which gave judgment on 15 January 2021.[6]

IV Disease policies

Addressing the nature of the risk insured under the disease policies, the Supreme Court held that the peril insured against was loss caused by an occurrence of illness resulting from covid-19 that occurred at or within a specified radius of the insured premises.

The Supreme Court found that an 'occurrence' in this context meant something that happened at a particular time, in a particular place and in a particular way. Accordingly, a disease was not an occurrence and the covid-19 pandemic was not an occurrence. By contrast, an individual case of disease could be an occurrence.

The Supreme Court therefore concluded that the typical disease clause provided cover only in respect of loss resulting from a case of illness at the premises or within a specified radius of the premises. There was no cover under a typical disease clause for loss caused by illness outside the specified radius.

It was accepted by the parties that the disease will have occurred in the relevant area when at least one person is infected. It is not necessary, however, that the case has been diagnosed. Clearly, this raises issues of evidence and burden of proof, which are discussed later in this article.

V Prevention of access and hybrid clauses

The Supreme Court accepted the lower court's analysis that the sample prevention-of-access polices with which it was concerned provided cover in respect of a 'composite' insured peril. While there were differences in detail in relation to the various policies at issue, the key elements comprising the peril were (1) prevention of access to the insured premises, (2) as a result of government action or advice (3) taken in response to an emergency likely to endanger life. It is this composite peril that must cause the interruption to the business for the cover to be triggered.

The insurers accepted that it was not necessary for access to be physically impossible for the clause to be triggered. The Court found, however, that 'prevention of access' was not that same as 'hindrance of access' or 'restriction of access'. Thus, access to premises was only prevented when the business was directed by the authorities to close because it fell within a particular category, such as restaurants. Access to businesses that were not within a class that was directed to close was not prevented, even if those businesses chose to shut in accordance with government advice, to protect staff or because they had no customers in light of the impact of governmental advice or regulations more generally. For example, where law firms instructed staff to stay away from the office in accordance with government advice to work from home where possible, that did not amount to prevention of access to the business.

Consistent with this conclusion, the Court also held that, in the context of the prevention-of-access policies, 'government action' meant something that was mandatory (although not necessarily with the force of law) and was distinct from advice or recommendations, however strongly worded these may have been. In an important departure from the lower court's decision, however, the Supreme Court held that the prevention-of-access clause could be triggered if only a discrete part of the premises or a discrete part of the business was directed to close. The clause did not require closure of the whole business or of the entire premises.

Finally, the Supreme Court was required to consider the nature of the risk insured under 'hybrid clauses', which respond to loss resulting from an inability to use the insured premises because of restrictions imposed by government following an outbreak of disease at the premises or within a specified radius of the premises.

The Court found that on its proper construction, an 'inability to use' premises meant a complete inability to use: hindrance or restriction of use was insufficient to trigger the clause. As with the prevention-of-access clauses, however, the cover could be triggered by an inability to use a discrete part of the premises or business.

As with the other clauses under consideration, mandatory governmental measures were required – advice was insufficient.

VI Causation and quantum

The Supreme Court's findings with regard to the nature of the peril insured under the sample clauses meant that the issue of causation was

crucial. Could it be said that the insured's entire covid-19 business interruption loss was 'caused by' a single occurrence of covid-19 at or near its premises?

Insurers argued that since it could not be said that 'but for' an outbreak of the disease at or near the premises, the insured would not have suffered its covid-19 BI loss, then there was no cover.

The Supreme Court accepted the first part of this analysis agreeing that it could not be shown that but for a single case of covid-19 at the premises the losses would not have occurred. They went on to emphasise, however, that the but-for test is not always appropriate. In particular, it is not appropriate when there are multiple proximate causes of loss. This may occur where there are two distinct causes, either one of which is sufficient to bring about the loss or where there are a number of distinct causes that combine together to bring about the loss. It was this latter analysis that was applicable to these cases. In the Court's view, each individual case of covid-19 was a separate and equally effective cause of the government restrictions, which were a response to all the cases of covid-19 throughout the country. Accordingly, the test of causation could be satisfied if there was a single outbreak of covid-19 at or within the specified radius of the premises.

VII Trends clauses

One of the most contentious areas of dispute arose in connection with the quantification of damages. Most BI policies contain a trends clause. Typically, these require circumstances that would have affected the insured's business had the loss event not occurred to be taken into account as part of the counterfactual for the purposes of calculating the BI loss. Insurers argued that if the outbreak of disease at the insured premises (or within the relevant area) was the loss event, then that was all that should be stripped out to arrive at the counterfactual. Consequently, the insured's BI loss would have to reflect the fact that the rest of the country was subject to lockdown and other restrictions as a result of the nationwide pandemic. Clearly, in the majority of cases, this would substantially reduce the insured's recovery.

In the view of the Court, however, it was necessary to remove from the counterfactual all the elements of the composite peril for the different policies. Consequently, the actions and advice of the government, in so far as they affect the insured premises, were inseparable from the nationwide action and advice. Accordingly, the only way of establishing what the insured business would have achieved if the covered event had not occurred was to assume that there had been no covid-19.

In reaching this decision, the Court considered the controversial case of Orient Express Hotels v. Assicurazioni Generali Spa (UK) (t/a Generali Global Risk),[7] which concerned the calculation of BI loss to a hotel in New Orleans following Hurricanes Katrina and Rita. The insured hotel, in the city's French Quarter, was completely devastated by the hurricanes, as were the surrounding districts. On appeal from arbitrators, however, the Court held that the proper interpretation of the trends clause in that policy required the only counterfactual to be the damage to the hotel, with the result that the lost profit should be what an undamaged hotel in a damaged city would have earned.

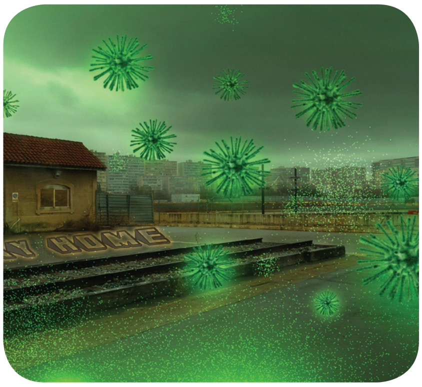
The Supreme Court in FCA v. Arch held that Orient Express had been wrongly decided and overruled the case. In reaching this decision, the Court found that the principal error in the Orient Express judgment was to apply the but-for test to the alternative causes of loss: damage to the hotel and damage to the surrounding area. The correct approach would have been to consider the damage to the hotel and the damage to the surrounding areas as concurrent causes of loss. If that approach had been taken, it would have been possible for the hotel to establish that its entire loss was caused by one of those concurrent causes (here the damage to the hotel itself) provided that the other cause was not excluded.

VIII Prevalence

During the High Court proceedings, the parties made lengthy submissions on the type of evidence that might be used to prove the prevalence of covid-19 within a relevant area to trigger coverage. The parties were able to agree that official statistics of various kinds could be used in principle, but there were differences as to the inferences that could be drawn from material of this kind, particularly as to the timing of an outbreak of the disease and the consequence of the fact that the statistics were produced by reference to geographical areas that were not the same as the relevant areas in the policies concerned. In the absence of any factual or expert evidence, however, the High Court was reluctant to go much further than recording the areas of agreement and disagreement between the parties.

The High Court took a similar position with regard to what would be required to discharge the burden of proof in any given case using the above statistical sources as the best available evidence. Again, there was significant agreement between the parties, but the point of contention was in relation to the reliability of proposed methodologies put forward by the FCA. In the absence of any evidence on the point, the High Court was unable to offer any guidance other than encouraging the parties to continue to seek agreement on these issues.

This aspect of the case was not subject to appeal and was not, therefore, considered by the Supreme Court in its judgment.



IX Conclusions

The Supreme Court's ruling in FCA v. Arch has provided answers to a number of pressing coverage issues in respect of both disease and prevention-of-access policies, but it is far from the end of the story. The wordings considered in this case were sample policies and, while they were intended to be reflective of commonly used wordings and formulations, there will inevitably be many wordings in use that contain different language and that will require careful analysis in their own right. Of equal significance, however, is the Court's reluctance to make any declarations with regard to a number of evidential issues, such as the potential sources of evidence available to establish the occurrence of an outbreak of disease within the relevant area, or what would be required of policyholders to discharge the burden of proof in that regard. This is crucial because without this evidence policyholders whose wordings contain a relevant area qualification cannot show if or when their policy was triggered. It is to be anticipated that the FCA will be anxious to reach agreement on these issues, but, in the absence of such agreement, we may well face a further round of litigation to address this uncertainty.

In the meantime, the FCA has written to all insurers requiring them to address claims on the basis of the Supreme Court's judgment (and those elements of the High Court judgment that were not appealed). Under a recent amendment to Insurance Act 2015, it is now implied into all UK insurance policies agreed after 4 May 2017 that claims will be settled within a reasonable period. A failure by the insurer to comply with this provision will enable the insured to claim damages for breach of contract. The reasonable pursuit of coverage litigation does not amount to delay in this context, but it is clear that insurers will be under significant pressure from both the regulator and insureds to settle claims as quickly as possible now that these common coverage issues have finally been resolved by the Supreme Court.■

Footnotes

1 Simon Cooper is a consultant at Ince.
2 A notifiable disease is one in respect of which medical professionals and others have a statutory obligation to notify the authorities. Covid-19 became a notifiable disease in England on 5 March 2020 and in Wales on 6 March 2020.
3 Arch Insurance (UK) Limited, Argenta Syndicate Management, Ecclesiastical Insurance Office, Hiscox Insurance Company, MS Amlin Underwriting Limited, QBE Limited, Royal & Sun Alliance Insurance Plc and Zurich Insurance PLC.
4 Hospitality Insurance Group Action and Hiscox Action Group.
5 Financial Conduct Authority v. Arch Insurance (UK) Limited and Others [2020] EWHC 2448 (Comm). The consequent declarations were made available on 20 October 2020.
6 [2021] UKSC 1.
7 Orient Express Hotels v. Assicurazioni Generali Spa (UK) (t/a Generali Global Risk) [2010] EWHC 1186 (Comm).

• *Top 10 Global insurers & reinsurers in 2020*

Top 10 insurers in 2020 according to turnover

Figures in millions

Rank 2020	Company	Country	Class of business	2020 turnover		2019 turnover		2019-2020 evolution *
				Local currency	USD	Local currency	USD	
1	**UnitedHealth Group**	USA	Life & health	201478	201478	189699	189699	6.21%
2	**Ping An Insurance Group**	China	Life & Non-life	797880	122243	795064	113774	0.35%
3	**AXA Group**	France	Life & Non-life	96723	118799	103532	115941	-6.58%
4	**Anthem**	USA	Life & health	104109	104109	94173	94173	10.55%
5	**Allianz**	Germany	Life & Non-life	82986	101927	82919	92858	0.08%
6	**Centene Corporation**	USA	Life & health	100055	100055	67439	67439	48.36%
7	**China Life Insurance**	China	Life & health	600000	91926	567086	81150	5.80%
8	**Assicurazioni Generali**	Italy	Life & Non-life	70704	86841	69785	78149	1.32%
9	**People's Ins Company (Group) of China**	China	Life & health	560460	85868	555251	79456	0.94%
10	**Humana Insurance**	USA	Life & health	74186	74186	62948	62948	17.85%

Top 10 global reinsurers in 2020 according to turnover

Figures in millions

Rank 2020	Company	Country	Class of business	2020 turnover		2019 turnover		2019-2020 evolution *
				Local currency	USD	Local currency	USD	
1	**Munich Re**	Germany	Life & Non-life	37321	45839	33807	37859	10.39%
2	**Swiss Re**	Switzerland	Life & Non-life	36579	36579	36014	36014	1.57%
3	**Hannover Rück**	Germany	Life & Non-life	24765	30417	22598	25307	9.59%
4	**SCOR**	France	Life & Non-life	16368	20104	16341	18300	0.17%
5	**Berkshire Hathaway**	USA	Life & Non-life	19761	19761	16952	16952	16.57%
6	**China Re**	Chine	Life & Non-life	115530	17700	98205	14053	17.64%
7	**Lloyd's**	UK	Non-life	12159	16509	11418	14976	6.49%
8	**Great West Lifeco**	Canada	Life & Non-life	19652	15373	17847	13657	10.11%
9	**Reinsurance Group of America**	USA	Life & Non-life	12641	12641	12438	12438	1.63%
10	**Korean Re**	South Korea	Life & Non-life	8377100	7707	8043400	6917	4.15%

* Evolution in local currency **Sources :** Companies reports

Exchange rate at 31/12/2020 :

1 EUR = 1.22824 USD ; 1 CNY = 0.15321 USD ; 1 GBP = 1.35 772 USD ; 1 CAD = 0.78228 USD ; 1 KRW = 0.00092 USD

Exchange rate at 31/12/2019:

1 EUR = 1.11986 USD; 1 CNY = 0.14310 USD; 1 GBP = 1.31160 USD; 1 CAD = 0.76524 USD; 1 KRW = 0.00086 USD

Source: Atlas Magazine | 6 & 13 April 2021

• Allianz Travel to launch a short-stay coverage

Allianz Travel is introducing an insurance product for extended weekends of 1 to 6 days in France, Europe and North Africa.

The coverage includes access to a teleconsultation service providing 24/7 access to a doctor, coverage of medical expenses, including those related to Covid-19, repatriation, damage to luggage (lost or stolen), transportation delays and a cancellation guarantee (optional). ■

Source: Atlas Magazine | 4 June 2021

• Insurance Europe: No need for new initiatives regarding further powers for EIOPA

Insurance Europe has published its response to a consultation by the European Commission on supervisory convergence and the single rulebook.

A well-functioning European Insurance and Occupational Pensions Authority (EIOPA) is a crucial element of an effective and efficient single market for insurance, and Insurance Europe supports its work.

The European Supervisory Authorities (ESAs) regulation recently went through a review, which already provided for some new powers for EIOPA. The only area where there is evidence to justify any further consideration of powers is to ensure an appropriate cooperation and communication between national supervisory authorities regarding cross-border business. However, changes to address this issue are already being examined as part of the review of Solvency II.

There is no need for any new initiatives regarding further powers for EIOPA. It is key that EIOPA focuses its resources on its core mandate and makes use of its existing powers to further integrate the single market, increase supervisory convergence and ensure fair competition and consistent consumer protection. ■

Contify Insurance News – 7 June 2021 (Source: Insurance Europe)

• RSA completes the sale of its activities

Royal & Sun Alliance (RSA) has finalized the sale of some of its activities to the Canadian financial group Intact Financial Corporation and the Danish insurer Tryg. The transaction amounts to 7.2 billion GBP (9.5 billion USD).

Tryg now owns the Swedish and Norwegian activities of the British insurer. Intact holds the Canadian and British ones. The two companies shall jointly control RSA's activities in Denmark. ■

Atlas Magazine – 7 June 2021

• Growing use of cyber exclusions bring complexity for buyers

By Stuart Collins

Insurance buyers must develop more sophisticated and analytical insurance buying strategies to mitigate growing cyber exclusions and coverage restrictions, a leading cyber risk management firm has told Commercial Risk Europe.

Insurance buyers face an increasingly complex challenge when looking to cover cyber exposures, according to Scott Kannry, chief executive officer of Axio, which provides cyber risk management software.

He explained that insurers are constantly making changes to coverage in response to evolving cyberattacks and litigation, as well as to address regulatory and ratings agency concerns around silent cyber, also known as non-affirmative cyber.

Most recently, some insurers have introduced restrictions on cover following an increase in the frequency and severity of ransomware claims during the past two years. Notably, AIG introduced a co-insurance requirement for cyber extortion. For insureds that have only average or below-average controls, AIG introduced a 50% co-insurance requirement for ransomware losses in order to promote higher levels of cybersecurity maturity, Mark Camillo, head of cyber at AIG in the EMEA region, told CRE earlier this year.

Companies also faced sudden changes to cyber coverage following the NotPetya cyber attack in 2017, which sparked a number of disputes between corporates and their insurers. Food company Mondelez is suing its property insurer Zurich Insurance, which denied a claim for NotPetya losses by invoking a war clause. Likewise, pharmaceutical company Merck has filed against its property insurers, which also used a war clause to avoid paying the claim.

The NotPetya attack, and resulting insurance disputes, sparked a debate in the industry over the insurability of nation-state attacks, and how insurers might attribute the cause of a cyberattack when there is suspected nation-state involvement. Cyber insurers have since sought to limit the application of war clauses to 'kinetic' war, or offer a carve-back for cyberterrorism. But uncertainty remains over the extent of cover available for potential nation-state cyber-attacks.

"We see never-ending changes in the insurance industry's treatment of cyber," said Mr Kannry. "Insurance disputes, such as those resulting from the NotPetya attack, can be impactful and change coverage overnight. All of a sudden, coverage that was there is no longer available," he told CRE.

More broadly, the insurance market has moved to clarify insurance cover in property

Scott Kannry

and casualty (P&C) insurance, which has led to the introduction of a raft of new exclusions, and in some cases limited forms of carve-backs and policy extensions. Regulators, such as the UK's Prudential Regulatory Authority, and Lloyd's have told insurers to clarify cyber coverage in traditional P&C policies, which has resulted in complex and inconsistent use of cyber exclusions.

"Cyber exclusions in property and casualty policies are now widespread. Often, the exclusionary effect is achieved through sublimits – a slight of hand by insurers. Rather than fight on the basis of a cyber exclusion, you are hamstrung by affirmative cover with a small limit, compared to the previous [full limit] debatable silent cyber cover," said Mr Kannry.

However, a wholesale change to the industry does not happen overnight, so it will likely take a few years before all commercial P&C policies treat cyber affirmatively or negatively, he explained. In the meantime, companies can hope for the best where uncertainty exists, or seek affirmative coverage that offers specific cyber-gap coverage, he said.

The constantly evolving state of cyber cover means companies should take a more holistic view of their insurance policies, according to Mr Kannry. A major cyber incident could potentially affect multiple lines of insurance, including property, crime, terror, professional liability, environmental liability, general liability, D&O and others, he said.

"Companies often do not understand that the insurability of cyber is a portfolio question. It is not binary. You can't look to one policy, you have to look at other lines," Mr Kannry said.

He recommends risk managers scenario-test their entire insurance portfolio against cyber scenarios to identify gaps in cover, better understand potential recoverability and inform future investments in cybersecurity and insurance protection.

According to Mr Kannry, the results of such tests usually come as a surprise. Many companies do not realise there are gaps in standard standalone cyber insurance, such as around property damage, while P&C policies typically contain cyber exclusions, he explained.

"One consistent eye-opener is that clients in certain industries are often unaware that they have cyber property damage risk, and they presume a cyber insurance policy covers more than it actually does, while their property policy rests on extensive cyber sublimits or exclusions," he said.

"If you understand the confidence level of recoveries, you have the option to reserve cash on the balance sheet or consider the use of a captive. It may also be possible to ask the insurer if it can amend wordings, such as put in a caveat for kinetic war," Mr Kannry said.

He also cautioned against relying on peer benchmarks when deciding how much cyber insurance to buy. "Typically, portfolio stress-testing shows that most companies' cyber insurance purchasing is uninformed. Many companies buy their cover using peer benchmarks but this is a risky strategy. What your peers buy, especially with cyber, will not respond to the underlying risk and will raise questions around limits and efficiency," he said. ■

Source: Commercial Risk Europe | 24 May 2021

• Pipeline attack a "timely reminder" of cyber cost: Bloomberg Intelligence

Author: Matt Sheehan

Bloomberg Intelligence has said that the recent attack on Colonial Pipeline serves as a "timely reminder" of the vulnerability of energy infrastructure and the need for cyber insurance.

Cyber security BI cited a recent report by the Center for Strategic and International Studies in partnership with McAfee which estimates the annual monetary cost of cyber-crime at $945 billion.

When added to global spending on cybersecurity of around $145 billion, this puts the economic cost of cyber-crime at more than $1 trillion.

Part of the reason for the cost is better reporting but the bill is also growing because of increasing use of ransomware and phishing-related ploys, BI notes.

Popular targets for cyber criminals now include healthcare bodies, pharmaceutical companies, academia, medical research groups and local governments.

"The Colonial Pipeline attack isn't the first on a US energy facility. Aging US energy and power infrastructure makes it particularly vulnerable to cyberattack threats in our view" said BI Senior Industry Analyst Charles Graham.

According to BI, a cyberattack on US energy infrastructure has long been flagged as a major risk by insurers with a report by Lloyds' of London and University of Cambridge warning in 2015 that the cost of an attack could rise to more than $1 trillion in the most extreme scenario.

Industries at particular risk include manufacturing, shipping, energy, and transportation as all rely on industrial control systems which when breached can lead to major insured losses from explosions and safety system failures.

Those risks are driving demand for cyber insurance protection with Munich Re forecasting it will rise to $20 billion by 2025 compared with $3.25 billion in 2016. However, some industry experts warn cyber-attacks are virtually uninsurable. ■

Source: Reinsurance News Website (www.reinsuranceNe.ws) | 17 May 2021

• *IFRS 17 to cost global insurance industry as much as $20bn: WTW*

Willis Towers Watson

The implementation of IFRS 17, the International Financial Reporting Standard that was issued by the International Accounting Standards Board, is estimated to cost the global insurance industry as much as $20 billion, according to a survey by Willis Towers Watson (WTW).

The global insurance and reinsurance broker recently polled 312 carriers from 50 countries ahead of the January 1st, 2023 IFRS 17 effective date.

While estimated costs vary significantly by insurer size, the overall global industry estimate of the cumulative cost of delivering IFRS 17 is $15 billion to $20 billion.

Additionally, WTW's survey finds that the average programme cost for the largest 24 multinationals stands at between $175 million to $200 million each, and $20 million for the remaining 288 insurance companies.

Kamran Foroughi

Kamran Foroughi, Global IFRS 17 Advisory Leader at WTW, commented: "This is an extraordinary figure that will naturally lead to many questions from Boards and investors.

"For many, significant improvements will also be required in business processes and finance operations to deliver IFRS 17 efficiently and link with other metrics. With smart investment and the right people, an insurer's IFRS 17 programme has the potential to help deliver long-term annual savings to show against the daunting up-front costs."

According to WTW, results from the survey also show that issues relating to people, data, systems, and processes are among the main challenges for carriers as they look to successfully implement IFRS 17.

Other findings from the comprehensive IFRS 17 survey include:

Over 10,000 Full Time Equivalent employees will be required to deliver IFRS 17. This presents major challenges for insurers' recruitment and retention strategies, both within and beyond their IFRS 17 programmes.

Only 52% of survey respondents believe that IFRS 17 earnings / equity will be slightly or much more helpful than current GAAP earnings / equity, and 54% believe that the need for non-GAAP reporting will either slightly or significantly increase.

Only 6% of companies in 2020 had a good understanding of the business implications of IFRS 17 – this has now improved to 17%. Insurers believe that the impact on a majority of KPIs is likely to be small. KPIs which are believed to be affected are related to measuring profit, new business and return on capital/equity.

Large multinationals have made more progress on a scale from 0 to 5 (average: 3.5) than the remaining insurers (average: 2.6), with progress highest in EMEA (average: 2.9) and lowest in APAC (average: 2.4).

Nevertheless, much work remains and companies need to consider how best to ensure benefits of the IFRS 17 programme.

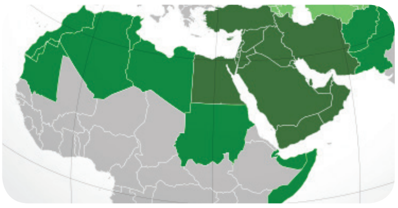
“Strong doubts evidently remain about whether IFRS 17 will lead to a more useful metric than current GAAP/IFRS standards. This is particularly true in more mature markets, where we do not see an improved KPI benefit commensurate with the costs, and insurers are actively planning new supplementary reporting to help explain business performance,” said Foroughi.

“If insurers are to unlock value from IFRS 17 they should be aiming for significant business process improvements including automation, efficiency and auditability ‘out of the box’.

This will save time and money, allowing experts to be deployed on higher value tasks and enabling insurers’ reporting functions to do more, faster and with less. Regulation can be a spur to drive performance, if the conditions are right.”

As highlighted by the broker, clear progress has been made in areas such as data and IT workstreams, since WTW’s survey back in June 2020. Although, WTW’s most recent survey also shows that not enough progress has been made in dry runs, disclosures and automation. ■

Source: Reinsurance News Website (www.reinsuranceNe.ws) | 7 June 2021 -



• Middle East
Total assets of top 5 insurers in the region jump by 7% in 2020

The total assets of the five largest listed insurance companies in the Arab region increased by 7% in 2020 to reach $26.2bn, compared to $24.5bn in 2019, according to a Forbes Middle East report.

Qatar Insurance Company (QIC) topped the ranking, as its assets grew by 8% to QAR42.58bn ($11.7bn) at the end of last December.

Morocco's Wafa Assurance is placed second with total assets of $5bn, followed by Saudi Arabia's Tawuniya with a value of $3.8bn; then by Bupa Arabia with a value of $3.1bn while Kuwait's Gulf Insurance Group ranked fifth with total assets of $2.7bn.

In terms of ranking by net profit, Bupa Arabia leads the pack with $185.6m, followed by Tawuniya with $105m.

The following table summarizes the positions of the top 5 insurers in the Arab insurance sector. ■

Rank	Assets as at 31 Dec 2020 ($bn)		2020 net profit ($m)	
1	QIC	11.7	Bupa Arabia	185.6
2	Wafa	5.0	Tawuniya	105.0
3	Tawuniya	3.8	Gulf Insurance Group	54.2
4	Bupa Arabia	3.1	Wafa	42.3
5	Gulf Insurance Group	2.7	QIC	27.7

Source: Middle East Insurance Review| June 2021

• Rate hardening to persist through 2022, says Swiss Re

Author: Charlie Wood

According to key market conditions identified by global reinsurer Swiss Re, price rises are expected to continue both this year and next, further increasing the profitability of new business.

For example, Swiss Re notes how re/insurance rates have been hardening since 2018, with price momentum having picked up at this year's January renewals.

While the market is one currently defined by tighter capacity, analysts say this is driven by a reduced risk appetite on the re/insurer's end, rather than a shortage of capital per se.

This reduced appetite is said to be driven by an environment that has been rife with uncertainty, ambiguity and volatile capital markets.

Indeed, last year's capital losses proved temporary as asset valuations recovered quickly from the lows of March 2020.

According to data from Aon, global reinsurance incumbents and a few new players raised close to $15 billion of capital in 2020 to take advantage of the hard market opportunities created by attractive rates.

Elsewhere, US liability claims growth has been trending higher since around 2015. Swiss Re says the current period of social inflation relates to single-claimant cases rather than mass tort and is not caused by legislative changes.

Key drivers include the trial bar increasingly using psychology-based strategies, data analytics, digital media advertising and litigation funding

The uncertainty about liability reserves and pricing new business is seen as having a particular effect on excess liability and liability reinsurance treaties.

There is also property-insurance-related social inflation, Swiss Re highlights, particularly in connection with the assignment of benefits in Florida, which is driving up homeowners' attritional claims costs.

The impact of low investment returns on re/insurer earnings is a further factor pushing up re/insurance rates.

Aon's January 2021 reinsurance market outlook reported that investment returns were lower at all reinsurers in its analysis.

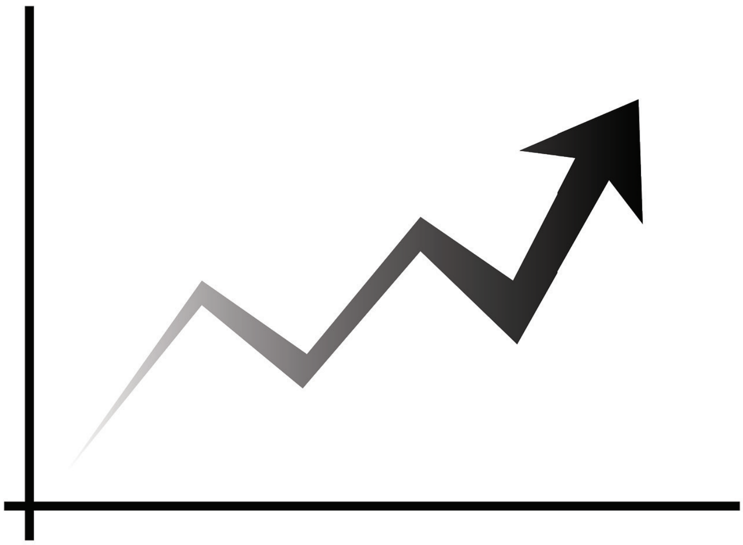
Even after rises in the first quarter this year, interest rates and consequently investment returns remain low by historic standards, placing more focus on underwriting profitability to make up for the lost investment income.

Meanwhile, as Swiss Re points out, macro risks are elevated, with an increasing focus on rising inflation and interest rate scenarios, which can trigger adverse reserves development and losses in asset valuations.

And lastly, reinsurance capacity provided by third-party capital is highlighted as an important contributor to property cat lines of business.

A reduction in capacity in collateralised reinsurance, which has suffered poor returns in recent years, is said to be contributing to selective tightening in the retrocession market and is also a factor in rate hardening in the reinsurance market. ■

Source: Reinsurance News Website (www.reinsuranceNe.ws) | 4 June 2021 -



• Life reinsurers hit with $4.4bn of COVID-19 claims in Q1, says Bloomberg report

According to a new report from Bloomberg, the cumulative cost of COVID-19 claims for the largest life reinsurers hit $4.4 billion in the first quarter of the year as mortality rates spiked.

The biggest costs for life reinsurers came from the US and to a lesser extent the UK and Canada but it was also claims from other countries including South Africa and in Latin America which added to the costs.

However, with the vaccine rollout resulting to a drop in deaths in the US and UK, firms such as Swiss Re, Reinsurance Group of America (RGA), Munich Re and Hannover Re are expecting profit recovery to start.

Bloomberg estimates Swiss Re accounted for around 35% of claims followed by RGA on 27% but the decline in deaths should mean much lower claims for the second half of the year.

Bloomberg reported that Swiss Re booked COVID-19 losses of $972 million last year and $570 million in the first quarter while SCOR Global Life saw a €314 million ($383 million) loss in 2020 and €162 million ($197 million) in the first quarter.

Munich Re saw €370 million ($451 million) loss from COVID-19 last year and €167 million ($203 million) in the first quarter while Hannover Re's claims were €261 million ($318 million) last year and €151 million ($184 million) in the first three months of this year.

BI Senior Industry Analyst Charles Graham said: "COVID-19 mortality claims rose sharply in the first quarter after deaths spiked in the US, UK and other countries.

"New variants of the virus remain a threat yet the success of vaccines give reinsurers hope mortality claims won't return to first quarter levels."■

Source: Reinsurance News (www.reinsuranceNe.ws) | 1 June 2021

• Austral Re acquires Markel Brazil businesses

Brazilian reinsurance company Austral Re has acquired the run-off reinsurance operations of Markel Resseguradora do Brasil, and its parent company Markel Participações (Markel Brasil), with the value of the deal not currently being disclosed.

This marks Austral's second acquisition within the last two years, as the reinsurer expands through the South American Market.

The negotiations between Austral and Markel started in 2019 and resumed last year due to the group's decision to review its performance in Latin America.

The contract was signed in February and the acquisition was approved by the Superintendency of Private Insurance last week.

With the approval of the regulatory body, Austral Re will integrate Markel's operation in Brazil, incorporating the reinsurer's processes and staff into its team.

According to the financial statements released by Markel Brazil for the fiscal year ended December 31, 2020, the company reported a net worth of approximately R$76 million and total assets of almost R$180 million.

Markel Brasil operations are 100% ceded to Markel UK via a quota share agreement.

The acquisition will be paid with a five-year bank loan, which translates into a pro-forma consolidated leverage of 9.8% debt to tangible capital at the end of 2020 for the group after the acquisition.

The resulting pro-forma interest coverage ratio is 6.3x at the end of 2020. ■

Source: Reinsurance News (www.reinsuranceNe.ws) | 1 June 2021

قناة السويس للتأمين

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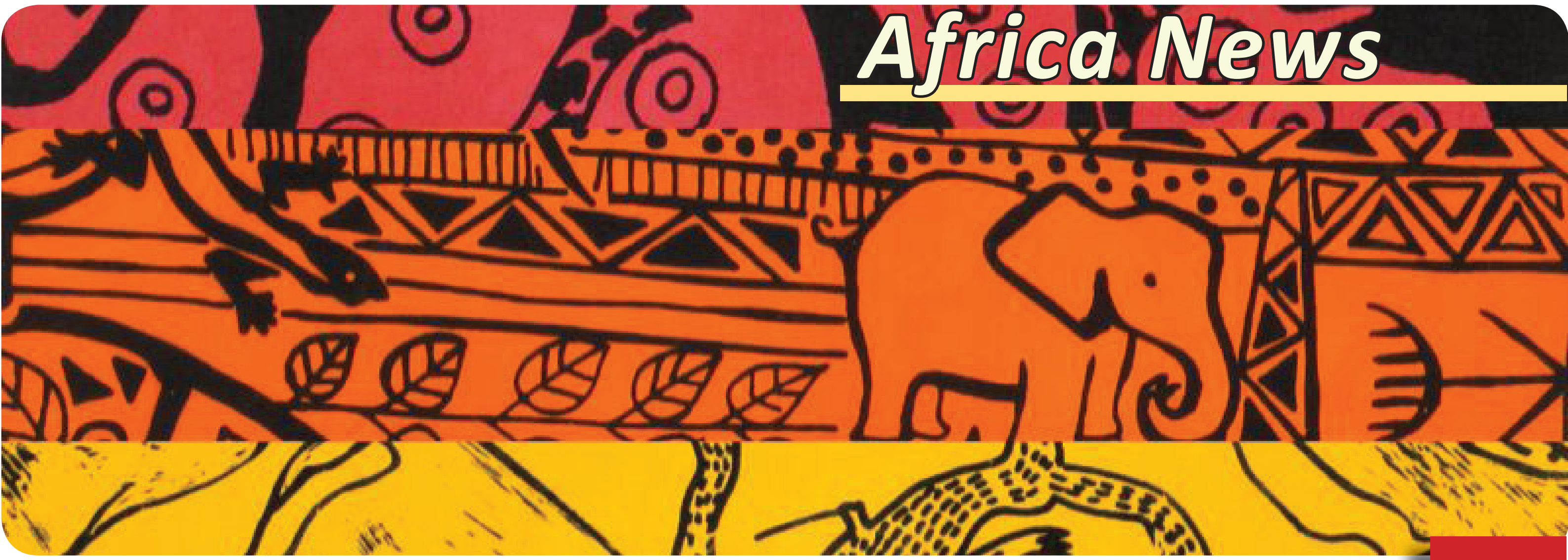


Africa News

• African Development Bank grants approximately USD1-million to strengthen the regional financial market

On 28 May in Abidjan, the African Development Bank (AfDB) and the Bank of Central African States (BEAC) signed a grant agreement to support the unified financial market support project of the Central African Economic and Monetary Community (CEMAC).

This funding of USD994,638 comes from the Fund for African Private Sector Assistance, financed by Japan and Austria and hosted by the AfDB. It is in addition to resources already made available by the AfDB in support of the regional financial market.

The support provided by the AfDB will make it possible to implement three main components: boosting the public securities market, supporting the stock exchange and supporting project management.

The project will stimulate the deepening of the regional financial market through a series of reforms aimed at further developing the market for public securities, encouraging the growth of long-term domestic savings.

Specifically, the project will support insurance companies through the Inter-African Conference on Insurance Markets by promoting the collection of reliable, automated, available and coordinated insurance market data and the compliance of the regulatory framework with international standards. ■

Source: AfDB – 6 June 2021

• Parametric solutions seen as the future for agricultural insurance

Reto Schneider

Delphine Traore

The insurance industry in Africa recorded a cumulative premium of about $300m from agricultural insurance in 2020. The Southern and Eastern regions of Africa contributed more than 80% of the recorded premium, according to a statement from Allianz Africa.

Mr Reto Schneider, regional head of agriculture at Allianz Re, stated that "the agricultural sector in the insurance industry could reach the potential of $1bn within 10 years, provided that penetration can be substantially increased."

He was speaking at a webinar on 24 March on the issue, "The Digitisation of Agriculture Insurance Through Parametric Solutions" organised by Allianz Africa in partnership with Allianz Re.

"There is an ever-increasing need to invest in agriculture, given the vital importance of agriculture as a food source, especially in view of the increase in global population", said Ms Delphine Traore, COO of Allianz Africa, explaining the interest of Allianz Africa for sustainability in the agricultural sector.

Indeed, agriculture production makes up a substantial portion of the continent's GDP in Africa, yet only a small number of the producers are insured. In addition, climate risks increase the need for investments to make agriculture more resilient.

Allianz is preparing to expand its presence in the East African insurance market, building on a solid foundation in Kenya and with the acquisition of the majority of shares in Jubilee General Insurance Company in Kenya, Tanzania, Uganda, Mauritius and Burundi

Parametric solutions

During the webinar, parametric solutions were presented as the direction for the future.

They bring a number of advantages such as high accuracy with state-of-the art satellite information, hybrid products to address additional perils, increased efficiency through fully paperless processes, fast and automated payouts possible, and high level of traceability, in combination with loans and integration of the value chain.

Despite certain limitations, “technology is closing the gap between indemnity and parametric crop insurance and allows one to get the best of both worlds in a single product”, Gregoire Tombez, CEO of WARM Consulting Group and co-founder of Green Triangle, said.

To have a reliable parametric system that provides efficient solutions, the webinar panel emphasised the necessity for significant improvements through product suitability, affordability, value chain efficiency, distribution, information and training. ■

Source: Middle East Insurance Review| 29 March 2021

• *Continental trade insurance agency posts record profits in 2020*

The African Trade Insurance Agency (ATI) has announced profits for the ninth consecutive financial year in 2020 despite facing turbulence and uncertainty due to the COVID-19 global pandemic.

Headquartered in Nairobi, ATI closed 2000 with a record net profit of $39.4m, a 43% increase from 2019, it says in a statement. A record GWP of $125.6m was reported for 2000, a 12% increase over 2019.

Marking its 20th anniversary in 2000, the agency’s proposed dividend distribution of $9.9m was approved at the annual general meeting (AGM) held virtually on 2 June 2021. The amount represented an annual growth rate of 139% from 2019.

Membership

As ATI strives to be fully pan-African, its membership base continues to grow, underpinned by its increased relevance and support from the African Development Bank (AfDB), the European Investment Bank (EIB) and the German Development Bank (KfW).

In 2000, three new members/shareholders joined ATI and they were Niger, Togo and the Spanish export credit agency, CESCE.

Angola, Burkina Faso, Cameroon, Chad, Egypt, Gabon, Mali and Senegal are at an advanced stage of finalising membership, while additional funding has been secured for capital increases for some existing members. With the growth of membership comes other advantages such as increase in ATI’s equity and investment earnings.

The AGM bureau confirmed Mr Kenneth Ofori-Atta, Minister of Finance and Economic Planning of Ghana as the incoming chairperson, with Dr Uzziel Ndagijimana, Minister of Finance and Economic Planning of Rwanda confirmed as vice chairperson.

ATI has maintained its A/stable rating by Standard & Poor’s and A3/Stable rating by Moody’s. ■

Source: Middle East Insurance Review| 7 June 2021

Gregoire Tombez

Kenneth Ofori-Atta

Uzziel Ndagijimana

ANGOLA

• *Ensa Privatisation Puts an End to Oil Co-Insurance Monopoly*

ARSEG
AGÊNCIA ANGOLANA DE REGULAÇÃO E SUPERVISÃO DE SEGUROS

Elmer Serrão

ENSA
SEGUROS DE ANGOLA
A ESTRELA QUE PROTEGE

The co-insurance of the oil activities led by ENSA - Angola Insurance Company since 2016 will be decentralised with its privatization, whose first phase of the process started this month (June) with the sale of 51%.

ENSA won the privilege of leading oil co-insurance by the Presidential Order No. 39/16, of 30 March, published in the Official Gazette which, provisionally, names ENSA - Angola Insurance Company SA as the new leader of the special co-insurance regime for the oil activities.

ENSA takes over from the AAA, which performed this role and subject to personal insurance and assets of companies in the oil sector.

The CEO of the Angolan Agency for Insurance Regulation and Supervision - Arseg, Elmer Serrão, said that the change in co-insurance will still depend on how the legal regime that will regulate the co-insurance of oil activity will be approved in the country. "We cannot have a vacuum", concluded the manager.

At the moment, said Arseg´s manager, the Presidential Order that attributes this leadership to ENSA is valid, adding that

it will be a rotating leadership among the various insurance companies".

Elmer Serrão, who was speaking at the webinar on ENSA´s privatisation, said that other aspects around the process will be taken into account, such as the need for regulations, duties and a set of other issues that will govern this co-insurance relationship. ■

Angola Press Agency - June 17, 2021

CAMEROON

• Insurance Market in 2019

Distribution of Premiums by Branch in 2019

Figures in thousands

Class of Business	2019 turnover		2018 turnover		2018-2019 evolution*	2019 shares
	FCFA	USD	FCFA	USD		
Motor	45980560	78627	45682959	79488	0,65%	22,00%
Bodily injury and health	38017923	65011	37999977	66120	0,05%	18,19%
Fire and other property damage	22338527	38199	20532432	35726	8,80%	10,69%
Marine	18357187	31391	19174252	33363	-4,26%	8,78%
General third-party liability	5708283	9761	5060876	8806	12,79%	2,73%
Credit and surety insurance	2685686	4593	3188281	5548	-15,76%	1,28%
Others	4211757	7202	7997382	13915	-47,34%	2,02%
Acceptances	3876210	6628	3212917	5590	20,64%	1,85%
Total non-life	141176132	241411	142849078	248557	-1,17%	67,54%
Total life	67838010	116003	63910026	111203	6,15%	32,46%
Grand total	209014141	357414	206759103	359761	1,09%	100%

* Evolution in FCFA

• Insurance companies: 2019 ranking

Ranking of life insurance companies in Cameroon

Figures in thousands

Rank 2019	Life companies	2019 turnover		2018 turnover		2018-2019 evolution*	2019 shares
		FCFA	USD	FCFA	USD		
1	**Allianz Vie**	19933644	34087	19603710	34110	1.68%	29.38%
2	**Prudential Beneficial Life**	13619106	23289	12830101	22324	6.15%	20.08%
3	**SUNU Assurances Vie**	10787685	18447	9082870	15804	18.77%	15.90%
4	**ACTIVA Vie**	8344319	14269	8099579	14093	3.02%	12.30%
5	**SAAR Vie**	4514986	7721	4354005	7576	3.70%	6.66%
6	**WAFA ASSURANCE Vie**	4308818	7368	4155159	7230	3.70%	6.35%
7	**SAHAM Life**	3319963	5677	3647187	6346	-8.97%	4.89%
8	**NSIA Vie**	1509761	2582	1572877	2737	-4.01%	2.23%
9	**ACAM Vie**	1159421	1983	207887	362	457.72%	1.71%
10	**PRO ASSUR Vie**	340306	582	356650	621	-4.58%	0.50%
	Total life	**67838010**	**116003**	**63910026**	**111203**	**6.15%**	**100%**

* Evolution in FCFA

Ranking of non-life insurance companies in Cameroon

Figures in thousands

Rank 2019	Non-Life companies	2019 turnover		2018 turnover		2018-2019 evolution*	2019 shares
		FCFA	USD	FCFA	USD		
1	**AXA Assurance**	20774176	35524	20480769	35637	1.43%	14.72%
2	**Activa Assurance**	17396249	29748	18705007	32547	-7.00%	12.32%
3	**SAAR Assurances**	17251844	29501	18650196	32451	-7.50%	12.22%
4	**Allianz Cameroun**	14917852	25510	14483151	25201	3.00%	10.57%
5	**Chanas Assurances**	12188371	20842	11644872	20262	4.67%	8.63%
6	**NSIA Cameroun**	10255171	17536	8803157	15317	16.49%	7.26%
7	**Garantie Mutuelle des Cadres - GMC**	9265545	15844	9040304	15730	2.49%	6.56%
8	**SAHAM Cameroun**	9015102	15416	10478664	18233	-13.97%	6.39%
9	**Zenithe Insurance**	5678899	9711	8928648	15536	-36.40%	4.02%
10	**Area Assurances**	4536152	7757	5172368	9000	-12.30%	3.21%
11	**Assurances Générales du Cameroun - AGC**	3828630	6547	4008377	6975	-4.48%	2.71%
12	**SUNU Assurances**	3253059	5563	1853795	3226	75.48%	2.31%
13	**Prudential Beneficial General Insurance**	3021228	5166	3280755	5709	-7.91%	2.14%
14	**PRO ASSUR Assurances**	2997597	5126	3558658	6192	-15.77%	2.12%
15	**Atlantique Assurance**	2951588	5047	1357296	2362	117.46%	2.09%
16	**Compagnie Professionnelle d'Assurance - CPA**	2208411	3776	2403060	4181	-8.10%	1.57%
17	**Royal Onyx Insurance**	1636259	2798	-	-	-	1.16%
	Total non-life	**141176132**	**241411**	**142849078**	**248557**	**-1.17%**	**100%**

* Evolution in FCFA

Exchange rate as at 31/12/2019 : 1 FCFA = 0.00171 USD ; as at 31/12/2018 : 1 FCFA = 0.00174 USD

CAMEROON

• Foreign competition poses existential threat to local reinsurers

ASAC

ASSOCIATION DES SOCIÉTÉS D'ASSURANCES DU CAMEROUN

The new president of the Association of Insurance Companies of Cameroon (ASAC), Mr Thiery Kepeden, who is also managing director of Axa Cameroon, says that his mandate includes increasing the turnover of the insurance market in Cameroon.

Giving an indicator of the insurance gap in the country, he points out that Cote d'Ivoire, with population size and purchasing power comparable to those of Cameroon, generated an insurance turnover of XOF415bn ($768m) in 2020 whereas the figure was XAF-210bn ($389m) in Cameroon, representing 1% of its GDP.

Thiery Kepeden

Calling for quick action, he says that one lever which can be used to increase premium income in Cameroon is compulsory insurance, reported Eco Matin.

Mr Kepeden who assumed the position of ASAC president on 4 June, said, "We know that third party liability auto insurance is mandatory, yet 50% of cars in circulation are uninsured." He says that remediation actions need to be taken, in particular against forged insurance certificates.

Enforcement of existing law

As a second lever, Mr Kepeden plans to press the government to enforce a 1975 law and its 1977 implementing decree. These oblige those engaged in any construction project with a value of at least XAF100m to take out all-risk construction insurance. The same law obliges architects, design offices and technical inspection companies to take out 10-year inherent defect insurance. However, to date, these are still not abided by.

Mr Kepeden, who will be ASAC president for two years, said, "We have drawn the attention of the government, so that this obligation is inserted in the bundle of documents for the issuance of a building permit." He also hopes that the government would make effective a 2018 law providing for compulsory insurance for containers leaving ports. The provisions of this law are still not implemented by the concerned parties.

Mr Kepeden adds that insurers must also work to introduce new lines of compulsory insurance, such as compulsory fire insurance for all buildings open to the public (e.g. stadiums, markets and theatres, etc).

The insurance industry in Cameroon has 28 companies operating in it, comprising 17 non-life companies and 11 life companies. ASAC was created in 1973. ■

Source: Middle East Insurance Review - 14 June 2021

EGYPT

• Travel insurance pool in Egypt

The travel insurance pool, established in 2020 by the Egyptian Financial Regulatory Authority (FRA), is expected to record a turnover of 1 billion EGP (63.6 million USD) during its first year of activity.

Before the creation of the pool, the annual travel insurance premiums would vary between 60 million EGP (3.8 million USD) and 70 million EGP (4.4 million USD). ■

Source: Atlas Magazine | 4 June 2021

• Regulator to set up IT system to combat insurance fraud

The Financial Regulatory Authority (FRA) is planning to install an "e-score" system targeted at clients of insurance companies who have made attempts to defraud insurers, according to the regulator's vice chairman, Mr Reda Abdel Moaty

He says that the FRA is currently preparing a tender document spelling out technical specifications for the insurance "e-score" system.

In an exclusive statement to Amwal Al-Ghad, he says that the goal is to help insurance companies avoid losses resulting from clients' tampering with insurance policies and other illegal activities.

He points that the FRA has already launched an electronic platform in collaboration with the Insurance Federation of Egypt to exchange data among insurance companies, especially with regard to insurance applications rejected by insurers and the reasons for the rejection. He explains that the FRA is seeking to transform this platform into an insurance inquiry system.

He stresses that the proposed online platform will contribute to exposing negative practices carried out by some individuals to defraud insurance companies. This will also lead to improvement in technical underwriting. Insurers can also benefit from credit information on customers. He says that in the future, the "e-score" system for insurers could pave the way for a unified system with information on all dealings by a particular customer in the financial services sector. ■

Source: Middle East Insurance Review| 8 June 2021

Reda Abdel Moaty

GHANA

• EU To Remove Ghana from Money Laundering List

European Union has announced plans to remove Ghana from the list of countries that are deficient anti-money laundering and terrorism financing.

The decision to remove Ghana from the list followed a two-day working visit by the President of Ghana, Nana Addo Dankwa Akufo-Addo to Brussels, Belgium from the 19th to 20th May, 2021.

A statement by the Acting Director of Communications, Office of the President of Ghana, Eugene Arhin said Akufo-Addo met with the President of the European Council Charles Michel where he intimated the EU with efforts of his government in implementing the action plan of the International Country Risk Guide.

The statement said that the EU acknowledged the efforts made by Ghana in this regard and has decided to remove the country from the list of the countries that are deficient anti-money laundering and terrorism financin. ■

Daily Guide Network (formerly Daily Guide Ghana) – 21 May 2021

KENYA

• Strong balance sheet & adequate operating results mark composite reinsurer

Kenya Reinsurance Corporation's (Kenya Re) balance sheet strength, underpinned by risk-adjusted capitalisation, is assessed as very strong by AM Best, says the credit ratings company.

AM Best has affirmed the Financial Strength Rating (FSR) of B (Fair) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "bb+" (Fair) of Kenya Re.

The balance sheet strength assessment also considers Kenya Re's exposure to the high levels of economic, political and financial system risks that are associated with the company's core markets. Capital consumption is influenced significantly by the company's exposure to illiquid investments, such as private equity and real estate, which together account for over 50% of capital and surplus, notes AM Best.

While the ratings reflect Kenya Re's balance sheet strength, the reinsurer's operating performance is deemed adequate, with a neutral business profile and weak enterprise risk management.

Outlook

AM Best's outlook for the Long-Term ICR is negative, while the outlook of the FSR is stable.

The negative outlook on the Long-Term ICR reflects poor non-life underwriting profitability in recent years, demonstrated by considerably weaker results than its historical average and regional peers.

Although Kenya Re has not yet released financial results for the financial year ended December 2020, AM Best anticipates that underwriting performance will have improved materially compared with the prior year, when the company reported a combined ratio of 117.5%. Failure to improve underwriting performance materially in the short term likely will result in a negative rating action.

Business profile

Kenya Re operates as a composite reinsurer primarily across Africa and Asia, with a focus on markets in East Africa. The company has privileged market access in Kenya, where it benefits from a 20% compulsory cession from domestic insurers. Its competitive position is significantly weaker in other markets.

Kenya Re's risk management framework is considered to be evolving, and its risk management capabilities are weak when compared with its risk profile. ■

Source: Middle East Insurance Review| 24 May 2021

• *Allianz finalizes the acquisition of 66% of Jubilee General Insurance*

Allianz has completed the acquisition of 66% of Jubilee General Insurance, the Kenyan subsidiary of Jubilee Holdings Limited (JHL).

The transaction followed an agreement signed on 29 September 2020 between the German insurer and the East African holding. It deals with the non-life activities of Jubilee General Insurance in five countries of the region, namely Kenya, Tanzania, Uganda, Burundi and Mauritius.

However, JHL retains a 34% stake in the capital of Jubilee General Insurance.

Allianz, which has been operating in Kenya since 2014 through Allianz Insurance Company, is to carry on its activities separately from Jubilee General Insurance Limited until the proposed acquisition is approved by the local authorities.

The merged entity will bear the name of Jubilee Allianz General Insurance. ■

Source: Atlas Magazine | 10 May 2021

MOROCCO

• *Moroccan insurers: decreasing profits in 2020*

The Supervisory Authority of Insurance and Social Welfare (ACAPS) has published a report on the Moroccan insurance and reinsurance market in 2020.

All insurance and reinsurance companies reported a 18.7% drop in net profit in 2020. The latter went from 3.969 billion MAD (409.02 million USD) as of 31 December 2019 to 3.228 billion MAD (358.38 million MAD) one year later.

Such decrease has been mainly recorded by direct insurers which posted a net result of 2.91 billion MAD (323.07 million USD) which stands for a 21% decline over one year.

For its part, the exclusive reinsurers' net profit grew by 11.57% to 318 million MAD (35.3 million USD).

As of 31 December 2020, the shareholder's equity of insurers and reinsurers reached 43.3 billion MAD (4.8 billion USD), raising by 4.9% compared to 2019. ■

Source: Atlas Magazine - 3 June 2021

NIGERIA

• *Regulator outlines 2021-2023 strategic plan*

The National Insurance Commission (NAICOM) will launch reforms, strategic plans, and digital development schemes to improve the insurance sector in Nigeria, according to Mr Sunday Thomas, the Commissioner for Insurance, in a speech last week.

In this respect, in its 2021-2023 strategic plan, NAICOM has outlined five goals which include ensuring that public interests and policyholders are adequately protected, entrenching effective and efficient deliverables, ensuring a safe and sound Insurance sector, improving trust, as well as encouraging innovation and promoting insurance market development, said NAICOM's head of the Corporate Strategy and Special Duties Department, Mr Usman Jankara.

Trust

On improving trust and confidence in the Nigerian insurance sector, he noted market conduct failures, ineffective complaints and grievance management, challenges with distressed insurers, and unethical practices and money laundering have negatively impacted trust in the industry.

He said that NAICOM is set to institute good market conduct in the Nigerian insurance industry and ensuring a fair complaint/grievance management system.

On facilitating the fight against money laundering and terrorism financing, he advocated for effective management of troubled institutions and improved utilisation of the Security & Insurance Development Fund (SIDF).

Mr Jankara said that lack of understanding and awareness, fake insurance, poor market conduct and claims practices, insolvency and cumbersome liquidation processes, etc result in unsavoury experiences for policyholders with insurers.

He said the Commission is promoting improvement through a policyholders' protection scheme. He also said that enhancing enforcement of market conduct rules and monitoring the degree of customers' satisfaction, and ensuring that government assets are adequately insured are captured in the plan.

Innovation

On encouraging innovation and promoting insurance market development, Mr Jankara said that a high rate of innovative technology adoption will impact the future of the insurance industry.

However, he said, NAICOM is facilitating innovative and competitive practices in the industry through the regulatory sandbox, service-based competition, facilitating the attainment of the National Financial Inclusion target and access to insurance through alternative distribution channels, implementing the Principles for Sustainable Insurance and facilitating regional integration of the West African insurance market.

He warned that price competition drives premiums down to the level where that the risk of unmet contractual obligations would become reality.

Monitoring

He said the implementation matrix has been developed and approved, and the Corporate Strategy and Special Duties Department empowered to monitor and evaluate the progress of the plan and will periodically appraise the progress made in the course of implementing the plan.

"The indices for measuring success already included under each of the strategic goals will provide the basis for monitoring progress and to ensure that we are on track to successfully implement the plan," he said.

Also part of the plan is the commencement of the Risk-Based Supervision policy.

Commissioner Thomas said that the relevant persons have been trained, the necessary skills have been acquired and the instruments that will enable implementation have been developed, adding that what is left is to do the finishing touches for the take-off of the policy.

On insurance awareness, Mr Thomas urged insurers to increase their budget for carrying out publicity.

"We are too far behind. Not much about insurance is known. The regulator will do its best but I tell you that the operators must cooperate with us for all of us to be on the same page", he said.

Some of the 2021-2023 goals are a follow-up on the 2016 -2020 strategic plan with new milestones required to enable the Commission to accomplish its mission. Mr Jankara said that some of the Commission's 2016 to 2020 strategic plans were not achieved due to the prevailing COVID-19 pandemic, among other factors.

Thomas Olorundare

Usman Jankara

"Our strategic plan has simplified what we will focus on and we are now more convinced that we will do much better this year.

"We want to have a stable insurance industry to compete globally and contribute to the country's economy,'' he said. ■

Source: Middle East Insurance Review| 7 June 2021

SOUTH AFRICA

Ranking of South African non-life insurance companies according to 2019's turnover

Figures in thousands

Companies	2019 turnover		2018 turnover		2018-2019 evolution [2]
	In ZAR [1]	In USD	In ZAR [1]	In USD	
Santam	28431000	2022013	26361000	1824972	7.85%
Hollard Insurance [3]	10856041	772082	10259310	710252	5.82%
Old Mutual Insure	10660000	758139	9511000	658447	12.08%
Guardrisk Insurance [3]	9983925	710057	8200592	567727	21.75%
OUTsurance Insurance [3]	8380352	596011	7796100	539724	7.49%
Bryte Insurance Company	4528179	322044	4274594	295930	5.93%
Mutual & Federal Risk Financing	3221478	229111	2847136	197107	13.15%
Absa Insurance	3093306	219996	2566695	177692	20.52%
Auto and General Insurance [3]	2993006	212862	3592071	248679	-16.68%
Standard Insurance	2758516	196186	2659180	184095	3.74%
Escap [4]	2721598	193560	3340874	231289	-18.54%
Sasria [4]	2168955	154256	1994199	138058	8.76%
Renasa Insurance [3]	2044864	145431	1405270	97287	45.51%
Lombard Insurance [3]	2018561	143560	1813441	125545	11.31%
Budget Insurance [3]	1827702	129986	1748909	121077	4.51%
Alexander Forbes Insurance [4]	1776101	126316	1695208	117359	4.77%
King Price Insurance [3]	1611631	114619	1173159	81218	37.38%
Compass Insurance	1496467	106429	1411342	97707	6.03%
Hollard Specialist Insurance [3]	1433548	101954	1395861	96635	2.70%
Nedgroup Insurance	1180062	83926	1174687	81324	0.46%
Infiniti Insurance [4]	1155450	82176	1123437	77776	2.85%
Allianz Global Corporate	1116843	79430	984993	68191	13.39%
First for Women Insurance [3]	952433	67737	935796	64785	1.78%
Momentum Short Term Insurance [3]	880795	62642	747327	51737	17.86%
The Federated Employers Mutual Assurance Co	857000	60950	957000	66253	-10.45%
Dial Direct Insurance [3]	824615	58647	899430	62268	-8.32%
Chubb Insurance	571083	40615	470808	32594	21.30%
Clientele General Insurance [3]	450200	32018	404006	27969	11.43%
Unitrans Insurance [5]	270355	19228	282353	19547	-4.25%
PPS Short-Term Insurance	203073	14442	173923	12041	16.76%
Indequity Specialised Insurance [5]	63565	4521	59148	4095	7.47%
Corporate Guarantee [4]	38169	2714	48648	3368	-21.54%
Total	**110568873**	**7863658**	**102307497**	**7082748**	**8.08%**
Rest of the Market	**21152127**	**1504342**	**39162503**	**2711252**	**-45.99%**
Grand Total	**131721000**	**9368000**	**141470000**	**9794000**	**-6.89%**

[1] Rand
[2] Growth rate in local currency
[3] The year ending June 30th
[4] The year ending March 31st
[5] The year ending September 30th

Exchange rate on 31/12/2019: 1 ZAR = 0.07112 USD; on 31/12/2018: 1 ZAR = 0.06923 USD

Companies	2019 turnover		2018 turnover		2018-2019 evolution (2)
	In ZAR (1)	In USD	In ZAR (1)	In USD	
Sanlam	87931000	6253653	67246000	4655440	30.76%
Old Mutual Life	55324000	3934643	53920000	3732882	2.60%
Liberty Group	38820000	2760878	37494000	2595710	3.54%
MML Group Limited (3)	27510000	1956511	21355000	1478407	28.82%
Hollard Life Assurance (3)	7447620	529675	6497835	449845	14.62%
Guardrisk Life (3)	7407644	526832	6790453	470103	9.09%
Professional Provident Society Insurance	4605942	327575	4211472	291560	9.37%
AVBOB Mutual Assurance (3)	4158073	295722	3635622	251694	14.37%
Absa Life	4084799	290511	3779717	261670	8.07%
Assupol Holdings (3)	3458166	245945	2987369	206815	15.76%
Nedgroup Life Assurance	2171744	154454	2006296	138896	8.25%
Clientele Life (3)	1826111	129873	1791811	124047	1.91%
1 Life (3)	1386956	98640	1333889	92345	3.98%
Old Mutual Alternative Risk Transfer	1144634	81406	1006888	69707	13.68%
Hollard Specialist Life (3)	718472	51098	821378	56864	-12.53%
OUTsurance Life Insurance (3)	503297	35794	468628	32443	7.40%
The Standard General Insurance (4)	81942	5828	64446	4462	27.15%
Total	**248580400**	**17679038**	**215410804**	**14912890**	**15.40%**
Rest of the Market	**281860600**	**20045962**	**350933196**	**24295110**	**-19.68%**
Grand Total	**530441000**	**37725000**	**566344000**	**39208000**	**-6.34%**

(1) Rand (2) Growth rate in local currency (3) The year ending June 30th
(4) The year ending March 31st (5) The year ending September 30th

Exchange rate on 31/12/2019: 1 ZAR = 0.07112 USD; on 31/12/2018: 1 ZAR = 0.06923 USD

Sources: KPMG and Swiss Re

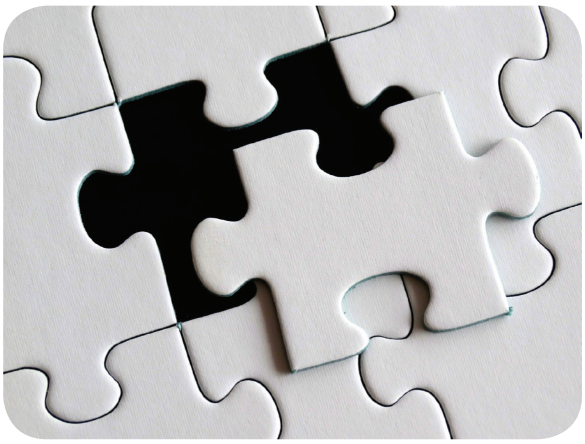
• *Sanlam to acquire the life activities of Alexander Forbes Life*

Through its subsidiary Sanlam Life Insurance Limited, Sanlam has acquired the risk and life insurance activities of Alexander Forbes Life. The transaction is valued at 100 million ZAR (7.25 million USD).

This deal allows Sanlam to strengthen its position on the South African life insurance market . For its part, Alexander Forbes is withdrawing from the life activity to focus on consulting and investment.

This combination between the two companies was first announced in April 2019. ■

Source: Atlas Magazine | 17 June 2021



ZIMBABWE

• Work Starts On New Prescribed Assets Framework

The Insurance and Pensions Commission says it is developing a new prescribed assets framework that will ensure that institutional investors' monies are hedged against inflationary pressures.

Prescribed assets are bonds or securities issued by the Government, local Government, quasi-Government organisations or any other bond that may be accorded the prescribed asset status.

Although the country's insurers and pension funds are required in terms of the law to invest a certain percent of their total investment funds in prescribed assets, compliance levels remain significantly low.

"The Commission has constituted a Prescribed Asset Investments Working Group to come up with a prescribed asset framework that will take into consideration industry needs to ensure preservation of value to both the investors and policyholder funds," said IPEC in Q1, 2021 sector reports.

"The Commission has also called upon the industry to come up with projects that can be accorded prescribed asset status as a way of improving their compliance."

With regards to specific sub-sectors, the regulator reported that all funeral assurers were non-compliant with the minimum prescribed asset ratio of 10 percent as stipulated by Statutory Instrument 206 of 2019.

"Prescribed asset investments were insignificant as they accounted for only 0,11 percent of the total asset portfolio. The total amount invested in prescribed assets investments was $1,82 million against a minimum amount of $172,17 million for the sector to comply with the 10 percent minimum prescribed asset threshold," said IPEC.

Of the eight short-term reinsurers, three were compliant with the minimum prescribed asset ratio of 10 percent as at March 31, 2021.

Nonetheless, the statistics showed that short-term insurers' investments in prescribed assets by short-term reinsurers increased by 13,89 percent from $1,08 billion at the close of 2020 $1,23 billion as at the end of the first quarter.

The pensions funds sector's compliance levels to prescribed assets remains very low despite an increase in prescribed assets holdings over the period, with the latest numbers show that the value of prescribed assets increased in nominal terms by 135,81 percent to $5,40 billion from $2,29 billion in the prior comparable period.

Pensions funds' compliance stood at 3,05 percent against the regulatory minimum of 20 percent for the period under review.

For the life assurance industry, IPEC reported an average prescribed assets compliance ratio for life assurers and life reassurers of 0,31 percent and 9,06 percent respectively against the required minimum prescribed asset ratio of 15 percent.

During the first quarter, the regulator said all direct life assurance companies and three out of four life reassurance companies were not compliant with the minimum prescribed asset ratio of 15 percent.

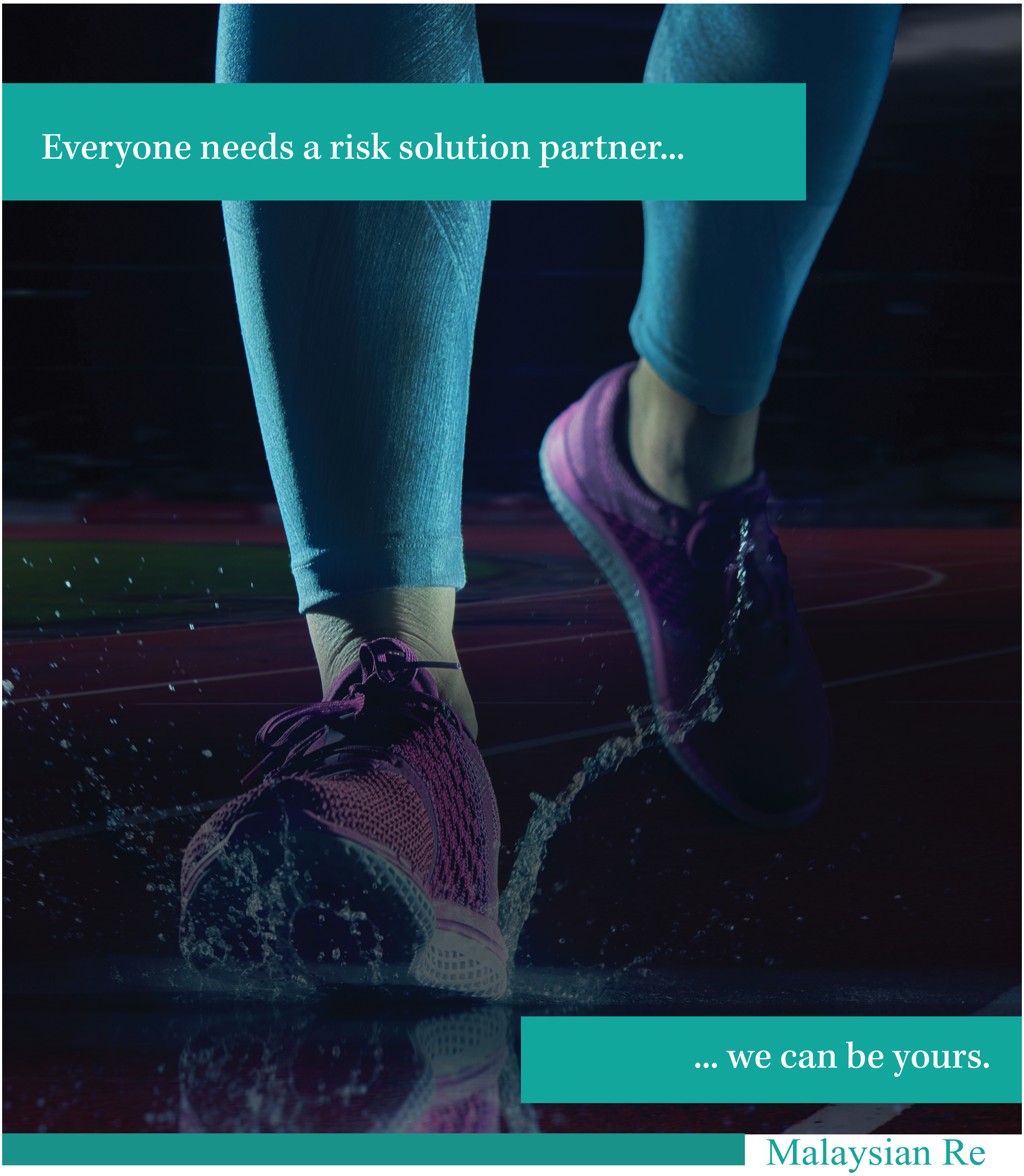
All things being equal, prescribed assets, such as stocks, bonds and other types of Government paper should be generating significant returns.

However, inflationary pressures have affected the level of returns investors can generate from such assets.

Because prescribed assets are mostly fixed interest assets, for the earlier part of 2020, it was difficult to reconcile a fixed interest instrument and very high inflation which peaked at 837 percent last July.

As a result, the majority of pension funds and insurance firms are still lagging in terms of compliance with the prescribed assets regulations. ■

Source: The Herald - 17 June 2021


Everyone needs a risk solution partner...
... we can be yours.

Asia News

BANGLADESH

• Some regulators studying feasibility of insurance coverage of pandemic risk

The Insurance Development and Regulatory Authority (IDRA) is making a move to find appropriate insurance products to protect the interests of bond investors and cover the risks associated with fixed-income financial instruments approved by the securities regulator. ■

Source: Asia Insurance Review – 27 May 2021

• Protection of Bangladeshi stock market employees

The regulatory authority, Bangladesh Securities and Exchange Commission (BSEC), has imposed a requirement on companies operating in the stock market to underwrite life and health insurance policies for their employees.

This decision applies to listed companies and stock market intermediaries (investment bankers, brokerage houses, asset management companies, credit rating agencies, etc.). The BSEC's objective is to guarantee the protection of employees in the context of a pandemic. ■

Source: Atlas Magazine | 20 May 2021

CHINA

• China, an engine of growth for insurance

According to the Allianz Global Insurance Report 2021, the global insurance market is expected to grow by 5.1% in 2021 compared to a 2.1% decline in 2020. China shall be the engine of such growth with a 13.4% increase in written premiums. After China, U.S.A is expected to post a 5.3% turnover increase.

On the other hand, Western Europe should record an improvement in written premiums of only 1.2% in 2021 due to a sharp premium decline in 2020.

The report also expects the global insurance market to witness an average premium growth of more than 5% throughout the next ten years. The latter should be set at 7 900 billion USD in 2031. Such market growth shall contribute to a better risk-awareness of the population and benefit from the growing power of emerging markets.

China alone should be holding a 31% market share by 2031. North America and Western Europe take the second and third positions with 24% and 15% of total worldwide written premiums respectively. ■

Source: Atlas Magazine | 21 May 2021

• General insurers to show weak underwriting results this year

Chinese non-life insurers' overall underwriting margin will remain weak in 2021 despite the recovery of economic activity, says Fitch Ratings.

Non-life insurers suffered a decline in both motor premium volume and underwriting margin after the implementation of the comprehensive reform of motor insurance in September 2020. The loss ratio of the motor insurance segment increased by 14% to 71% for the six months after the launch of the reform, to March 2021, according to statistics from the China Banking and Insurance Regulatory Commission.

However, a reduction in the expense ratio due to lower commissions and administrative costs could alleviate the escalation in motor incurred claims.

Insurers continue to shift the product focus to non-motor insurance policies, and Fitch believes earnings stability relies to a great extent on their capability to manage the underwriting risks associated with exposure to the non-motor business. ■

Source: Asia Insurance Review - June 2021

• *China consulting on changes to reinsurance regulatory regime*

The China Banking and Insurance Regulatory Commission (CBIRC) has proposed a number of revisions to its reinsurance regulatory regime, which aim to strengthen risk management functions, improve risk prevention and control, and promote the further development of the market.

A spokesperson for the regulator explained that there will be eight main strands to the revisions, which have been formulated in consultation with the industry.

Since being introduced in 2005, the current set of reinsurance regulations have played an important role in the development of the market, but both the regulator and re/insurers now feel that changes must be made for the rules to keep pace with the evolution of the market.

The first of the proposed changes would aim to strengthen the top-level strategic management of reinsurance, requiring insurance companies to formulate reinsurance strategies and clarify relevant content and implementation mechanisms.

Next, revisions would target improvements to the supervision of the safety of reinsurance business, strengthen the management requirements for reinsurance business concentration, and increase overseas reinsurance business risk monitoring, as well as liquidity management requirements.

Further changes concern the supervision of reinsurance contract management, including an emphasis on more timely signings of reinsurance contract documents, timely settlements of reinsurance funds and reporting of receivables and payables, in addition to strengthening file management requirements.

Another proposal would improve the management of direct insurance companies to carry out the inward business, CBIRC said, clarify the definition of the difference between temporary reinsurance and contract reinsurance, and strengthen the qualifications for direct insurance companies to carry out reinsurance inward business.

On the broking side, requirements could be increased for the prudent selection of reinsurance brokers, as well as tougher standardization requirements for the information disclosure of brokers and the performance of contract responsibilities.

Furthermore, restrictive clauses for insured's affiliated enterprises are set to be deleted, and the regulator is aiming to streamline information reporting tasks, unify reporting time, and delete unnecessary reporting tasks. ■

Source: Reinsurance News (www.reinsuranceNe.ws) | 3 June 2021

INDIA

• Gap between COVID deaths and insurance claims reflects underinsurance

The big gap between actual deaths from the COVID-10 pandemic and the number of death claims is a reflection of India's low insurance penetration rate.

The pandemic in India has officially claimed 311,388 lives as of 26 May. So far, though, around 35,500 death claims have been filed of which close to 29,300 have been settled, reported Moneycontrol.

"It is only in large metros and semi-urban areas where insurance awareness exists. Life insurance continues to be a push product, even though the country doesn't have any social security net. And this is reflected in the low COVID-19 death claims," said Mr Suresh Bhatt, CEO, InsurrRisk Consulting.

In FY2020, the overall insurance penetration stood at 3.76% in India. Life insurance penetration was estimated at 2.82% while non-life was 0.94%. The percentages are marginally different from the FY2019 overall penetration rate of 3.71%. Penetration was 2.74% for life and 0.97% for non-life. ■

Source: Asia Insurance Review – 3 June 2021

• Non-life sector's gross premiums predicted to grow by 7-9% in FY2022

India's general insurance sector is expected to see 7-9% growth in gross direct premium income (GDPI) in the current financial year ending 31 March 2022 (FY2022), says a report by the credit rating agency, Icra.

The growth is expected to be supported by growth in the health segment and an uptick in the motor segment.

Icra's assistant vice president and sector head (Financial Sector Ratings) Sahil Udani says in the report, "Despite underwriting losses, the sector is expected to report a marginal return on equity (3%-4.5%) largely supported by investment income."

Sahil Udani

The general insurance market saw its growth rate slow to 4% with GDPI reaching INR1.85tn ($25.4bn) in FY2021, compared to INR1.78tn in FY2020, largely the result of the coronavirus pandemic which had led to a nationwide lockdown last year. In FY2019, the industry grew by 14%.

Public-sector insurers

Public-sector insurers saw a 2% year-on-year decline in business to INR718bn in FY2021, and this was attributed to their slower adoption of digital technology. The private sector, however, reported

an 8% YoY increase in GDPI to INR1.13tn in FY2021.

Public-sector insurers are expected to report marginal GDPI growth of 4-5% in FY2022 as most of their solvency profile is stretched given reported losses. They are expected to report underwriting losses of INR124-135bn because of the likely high combined ratio of 121-123% in FY2022, driven by likely high claims ratio (in the health and motor portfolios) on uncertainty related to the second wave of pandemic and motor TP tail risk, Mr Udani says.

Icra analysed the performance of 17 general insurance companies, representing 90% of the industry-wide GDPI during the nine-month period of FY21. Of these companies, four were from the public sector and 13 from the private sector. ■

Source: Asia Insurance Review – 9 June 2021

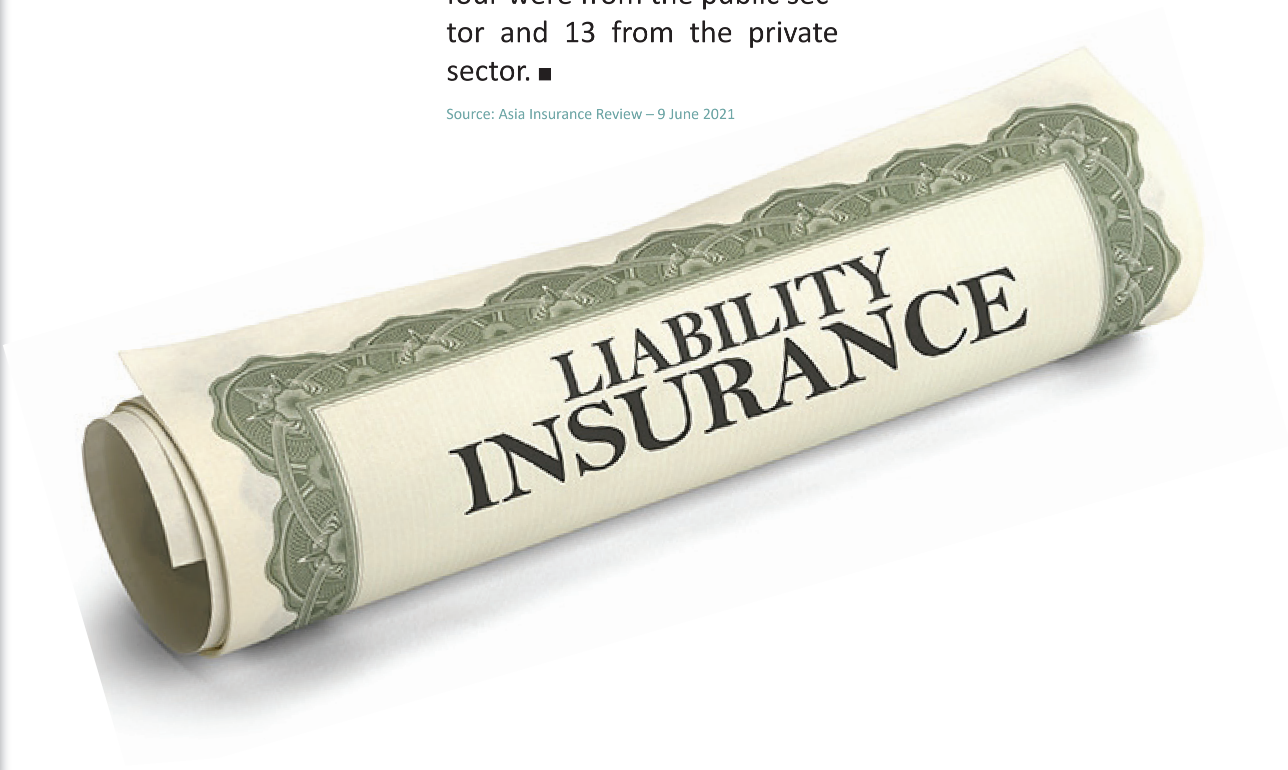
• *Mandatory third party liability insurance for Indian insurance intermediaries*

The Indian regulatory authority IRDAI has made it mandatory for insurance intermediaries engaged in the distribution of insurance products to underwrite a professional third-party liability insurance policy.

Insurers are now required to provide professional third-party liability coverage to brokers, agents, website aggregators and insurance marketing companies.

The new guidelines will come into effect on 1 July 2021. ■

Source: Atlas Magazine | 17 June 2021



JAPAN

• Moody's - Industry outlook on Japan's life insurance sector revised to stable from negative

» The change to a stable outlook on Japan's life insurance industry is on improving capitalization supported by resilient underwriting profit and a recovering operating environment

» Potential new regulations will promote risk control, while resilience in Japanese insurers' distribution capacity testifies to strong consumer preference for traditional in-person channels.

Moody's Japan K.K. has changed its industry outlook on Japan life insurers to stable from negative on insurers' improving capitalization supported by resilient underwriting profit and a recovering operating environment. These factors will enable insurers to maintain their credit strengths over the next 12-18 months, despite lingering threats from the pandemic.

"We expect Japanese life insurers to continue generating internal capital supported by their strong pricing power given customers' preference for captive sales agents and supportive regulations. This will keep the industry's capitalization strong over the next 12-18 months," says Soichiro Makimoto, a Moody's Vice President and Senior Analyst.

Meanwhile, new capital regulations will promote risk control. The Japanese authorities' latest clarification of the roadmap for the upcoming capital regime in its report, while tentative, will lead to insurers implementing more active capital management and undertaking initiatives to improve economic capital. One common focus across insurers will be the reduction of investment risks, including equity and interest rate risks.

Asset composition will gradually shift to credit investments and Japan Government Bonds from equities, as insurers react to the rising focus on economic capital management. Insurers' incorporation of environment, social and governance considerations in their investment process will grow. The result will be a reduction in insurers' overall asset risk, a mild credit positive.

A slow, steady pace of digitalization will support agent sales against the risk of future disruption. Life premiums will be steady and well supported by sizable recurring premiums from in-force policies and resuming new business inflows.

A strong consumer preference for traditional in-person channels has slowed the adoption of digital sales channels compared with other global markets. Nonetheless, insurers are developing technologies, such as video meeting tools for consultation and online systems for closing policy sales, to address the risk of future disruptions. ■

Source: Moody's Investors Service - 7 June 2021

Soichiro Makimoto

NEPAL

• Insurers ordered to invest in agriculture and other areas

The Insurance Board (IB) has ordered insurance companies to make mandatory investments in fields such as infrastructure, agriculture, water resources, and tourism. ■

Source: Middle East Insurance Review| 24 Feb 2021

• New partnership establishes parametric solution for Nepalese farmers

A new partnership co-funded by the InsuResilience Solutions Fund has been established to help protect climate-vulnerable smallholder farmers and marginalised people in Western Nepal against flood.

The parametric risk transfer mechanism, managed by Frankfurt School of Finance and Management and funded by KfW Development Bank, measures flood flows and rainfall level via hydrometric gauging stations.

The premium will be subsidised by the federal government. Community cooperatives and microfinance institutions will act as insurance policy holder as well as distribution partners.

Nepal is highly prone to multiple natural hazards yet agriculture is the main source of income for more than 65% of Nepal's population, contributing 27% to the national GDP.

Major floods and landslides are a regular phenomenon and cause devastating impacts on agricultural production and communities every year.

The project is implemented by a partnership consisting of the NGO Practical Action, as project coordinator, the insurtech Stonestep, the local insurance company Shikhar Insurance Co Ltd and the risk modeller Global Parametrics. ISF is providing co-funding for the product development of this innovative insurance solution. ■

Source: Reinsurance News (www.reinsuranceNe.ws) | 1 April 2021

• Himalayan Reinsurance receives operating license in Nepal

The Insurance Board, Nepal's insurance sector regulatory authority, has given Himalayan Reinsurance an operating license, allowing them to conduct business within the country.

This makes it the second reinsurer in Nepal, along with Nepal Reinsurance, after it was deemed fit to do so by Chairman of the Insurance Board, Surya Prasad Silwal.

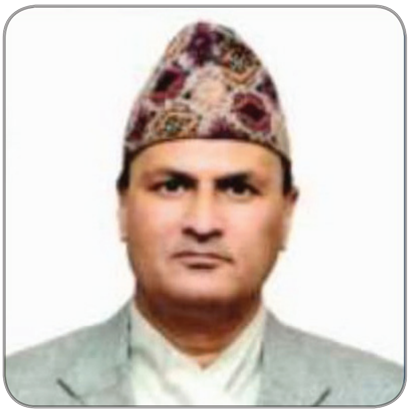
The President of Himalayan Reinsurance is Shekhar Golchha, who is also President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI).

The insurance regulatory body had previously published a public notice back in April seeking application to establish a reinsurance company.

The body had previously specified that any company with a paid-up capital of Rs 10 billion is eligible for attaining a license as a reinsurer.

The promoters of the Himalayan Reinsurance will own up to 70 percent of shares while 30 percent of the total issued capital has been proposed for subscription by the general public through initial public offering (IPO). ■

Source: Reinsurance News (www.reinsuranceNe.ws) | 2 June 2021



Surya Prasad Silwal

Shekhar Golchha

PHILIPPINES

• Insurance Commission releases ranking of life insurance companies as of year-end 2020

Insurance Commissioner Dennis Funa recently announced the top ten life insurance companies in terms of Premium Income, New Business Annual Premium Equivalent (NBAPE), Assets, Net Worth, Paid-Up Capital, Invested Assets, and Net Income based on the submitted unaudited Quarterly Reports on Selected Financial Statistics ("QRSFS") as of the quarter ending on December 31, 2020 ("4Q 2020").

Sun Life leads in Net Income and Premium Income

In terms of Net Income as of year-end 2020, Sun Life Canada (Philippines), Inc. obtained the top spot, with a Net Income of P8.47 billion. Second on the list was The Philippine American Life and General Insurance Co., Inc., with P4.52 billion. Occupying the third (3rd) and fourth (4th) spots were The Manufacturers Life Insurance Company (Phils.), Inc. and Pru Life Insurance Corporation of UK, respectively, with respective Net Incomes amounting to P4.05 billion and P3.27 billion. Ranked fifth (5th) was Philippine Axa Life Insurance Corporation, with a Net Income of P2.83 billion, and sixth (6th) was The Insular Life Assurance Company, Ltd., with P2.70 billion. Seventh (7th) and eighth (8th) on the list, respectively, were BPI-Philam Life Assurance Corporation, with a Net Income of P1.43 billion, and Sun Life Grepa Financial, Inc., with P958.09 million. Completing the top ten in terms of Net Income were United Coconut Planters Life Assurance Corporation, with a Net Income amounting to P674.22 million, and Manulife Chinabank Life Assurance Corporation, with P382.85 million.

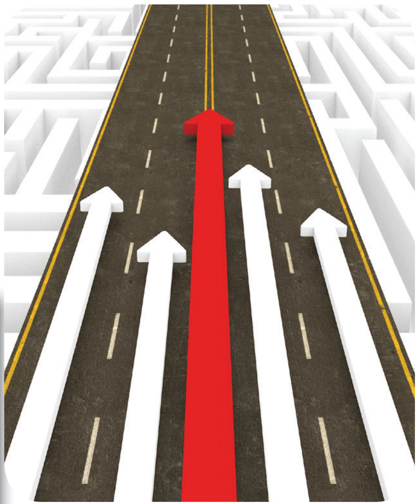
Life insurance companies were also ranked in terms of premium income as of the quarter ending 31 December 2020 as follows, to wit:

1. Sun Life of Canada (Philippines),Inc.,withP39.27billion;
2. Philippine Axa Life Insurance Corporation, with P31.27 billion;
3. Pru Life Insurance Corporation of UK, with P30.98 billion;
4. ThePhilippineAmericanLifeandGeneralInsuranceCo.,withP16.77billion;
5. BPI-PhilamLifeAssuranceCorporation,withP16.30billion;
6. The Manufacturers Life Insurance Co. (Phils)., Inc., with P15.88 billion;
7. AllianzPNBLifeInsurance,Inc.,withP15.76billion;
8. BDO Life Assurance Company, Inc., with P15.14 billion;
9. FWDLifeInsuranceCorporation,withP13.64billion;and
10. The Insular Life Assurance Company, Ltd., with P10.37 billion.

Net Worth

In terms of Net Worth as of year-end 2020, The Philippine American Life and General Insurance Co., Inc. ranked first (1st) with a Net Worth

Dennis Funa



amounting to P78.44 billion. Second (2nd) on the list was Sun Life of Canada (Philippines), Inc., with P31.34 billion. Ranked third (3rd) and fourth (4th) were The Insular Life Assurance Company, Ltd., with a Net Worth of P28.22 billion, and The Manufacturers Life Insurance Co. (Phils.), Inc., with P12.86 billion, respectively. Fifth (5th) on the list was BPI-Philam Life Assurance Corporation, with a Net Worth of P8.82 billion, while Philippine Axa Life Insurance Corporation, with P8.04 billion, ranked sixth (6th). Occupying the seventh (7th) and eighth (8th) spots were Pru Life Insurance Corporation of UK, with Net Worth amounting to P6.12 billion, and BDO Life Assurance Company, Inc., with P5.28 billion, respectively. To complete the list, ninth (9th) was Sun Life Grepa Financial, Inc., with a Net Worth of P4.22 billion, and United Coconut Planters Life Assurance Corporation, with P3.03 billion, landed tenth.

"The combined Net Worths of the top ten life insurance companies accounted for a remarkable 87.04 percent of the industry's entire net worth as of year-end 2020 based on the QRSFS, amounting to P214.10 billion," noted Commissioner Funa.

New Business Annual Premium

Based on the submitted unaudited QRSFS as of the quarter ending on 31 December 31, 2020, the following companies were ranked in terms of New Business Annual Premium Equivalent (NBAPE) as follows:

1. PruLife Insurance Corporation of UK, with P7.95billion;
2. Sun Life of Canada (Philippines), Inc., withP7.80billion;
3. Philippine Axa Life Insurance Corporation, with P4.81billion;
4. FWD Life Insurance Corporation, with P2.87billion;
5. BPI-Philam Life Assurance Corporation, with P2.83 billion;
6. The Manufacturers Life Insurance Co.(Phils.), withP2.76billion;
7. BDO Life Assurance Company,Inc., with P2.26billion;
8. Allianz PNB Life Insurance, Inc.,with P2.23billion;
9. The Philippine American Life and Genera lInsurance Co., Inc., with P1.86billion; and
10. United Coconut Planters Life Assurance Corporation, with P1.48 billion.

"A life insurer's NBAPE is computed by obtaining the sum of the value of first year premiums from products newly sold in a specific year (or the initialized annualized premium) and ten percent (10 percent) of single premiums written. It is an international standard that this Commission adopted to more accurately measure the life insurance industry's sales performance," Commissioner Funa explained.

Total Assets

Life insurance companies were also ranked based on their total assets as of year-end 2020 as follows, to wit:

1. ThePhilippine American Life and General Insurance Co.,with P291.22billion;

2. SunLife of Canada(Philippines),Inc.,withP274.21billion;
3. Philippine Axa Life Insurance Corporation,withP141.50billion;
4. The Insular Life Assurance Company,Ltd.,withP140. 93billion;
5. PruLife Insurance Corporation of UK,withP117.19billion;
6. The Manufacturers Life Insurance Company (Phils.),Inc.,withP117.13billion;
7. BPI-Philam Life Assurance Corporation,with P112.26billion;
8. BDO Life Assurance Company,Inc.,with P68.47billion;
9. Allianz PNB Life Insurance,Inc.,with P51.62billion;and
10. Sun Life Grepa Financial, Inc., with P48.57 billion. ■

The Manila Times Newsletter – 27 May 2021

• *Representatives pass Bill on environmental insurance coverage*

The House of Representatives has approved the final reading of a Bill requiring environmental insurance coverage for environmentally-critical projects (ECP) in order to protect the country's ecology and natural resources.

To be known as the Mandatory Environmental Insurance Coverage Act, the Bill has been transmitted to the Senate following its passage in the lower chamber on 1 June. The Bill was authored by Deputy Speaker Rodante D Marcoleta.

Rodante D Marcoleta

The Bill defines an ECP as a project that has high potential for significant negative environmental impact. Among these are resource extractive industries and infrastructure projects, reported Manila Bulletin.

Under the new law, when passed, owners and operators of ECPs are required to secure mandatory environmental insurance coverage to compensate for damages to health and property, environmental rehabilitation, remediation and clean-up costs resulting from impairment or damage to resources triggered by the projects.

The insurance coverage must be acquired before construction or commercial operations can start. An insurance company contracted for the coverage is required to pay all claims to a special escrow account in government depository banks, which shall in turn disburse the corresponding payment to beneficiaries.

Mr Marcoleta underscored the need for mandating environmental insurance for ECPs as he recalled numerous incidences of the destruction of natural resources, agricultural and sea resources resulting from man-made environmental destruction.

One incident was the 1996 Marcopper mining tragedy in Marinduque that destroyed several hectares of farmlands and led to the biological death of the Boac and Makalupnit rivers. ■

Source: Atlas Magazine | 7 June 2021


Our foundation
goes real deep.
Total Assets: US $ 12 billion
Net Worth: US $ 5.7 billion
(including US $ 3.5 billion on Fair Value Change Account)
Global Ranking (2015):
14th among Global Reinsurers (A M Best)
18th among Global Reinsurers (S & P)
Ratings:
Financial Strength: A- (Excellent) A M Best Company
Claims Paying Ability: "AAA(In)" by CARE
आपत्काले रक्षिष्यामि
GIC Re
General Insurance Corporation of India
Global Reinsurance Solutions
Website: www.gicofindia.in
Contact us at info@gicofindia.com
GICRE/CAPL/06-16/IQ-001
IRDAI Registration No.: 112
CIN No.: U67200MH1972GOI016133

QATAR

• Shura Council approves draft law on healthcare & mandatory health insurance

The Shura Council, or legislative body, has approved a draft law regulating healthcare services within Qatar, that also covers compulsory health insurance.

Under the draft law, the Ministry of Public Health shall set standards for providing healthcare services in government and private health facilities and compulsory health insurance and supervise it. The ministry will provide an integrated, high-quality, efficient and sustainable health system and work on developing and maintaining compulsory health insurance, reported The Peninsula.

According to the draft law, health insurance is mandatory to ensure the provision of basic healthcare services to expatriates and visitors to the state. An entry visa or residence permit for an expatriate or visitor may be granted or renewed, and expatriates may be employed, only after submitting proof of compulsory health insurance for the duration of the stay in Qatar.

The draft law defines the rights and duties of patients that must be observed when receiving healthcare services and the obligations of the parties to the insurance relationship and providers of healthcare services, as well as the penalties for violations of provisions. ■

Source: Middle East Insurance Review| 14 April 2021

SAUDI ARABIA

• 29 insurers post aggregate GWP of over US$10bn in 2020

The 29 listed insurance companies on the Saudi bourse reported an aggregate GWP of SAR38.3bn ($10.2bn) in the year ended 31 December 2020, 3.5% higher than in 2019, according to an analysis by regional boutique actuarial consulting firm, Badri Management Consultancy.

If Saudi Re was excluded from the 29, the GWP of the industry would have increased to SAR37bn in 2020 from SAR36bn 2019, says the report.

The top 5 insurers in terms of GWP in 2020		The 5 insurers with the lowest GWP in 2020	
Insurer	GWP in SAR	Insurer	GWP in SAR
Bupa	10,447,353,000	Al Jazira	233,934,000
Tawuniya	9,068,435,000	Buruj	202,251,926
Al-Rajhi	2,732,873,000	SABB	201,681,000
MedGulf	2,534,501,000	Al Alamiya	191,170,000
Walaa	1,472,703,000	Enaya	165,874,000

Source: Badri

The five biggest insurance companies have a combined premium of SAR26.2bn in 2020 as compared to SAR25bn in 2019. They have the same rankings in 2020 and 2019, except for MedGulf which was in 8th position in 2019 but jumped to 4th place in 2020, displacing AXA.

The fastest GWP growth in 2020 was shown by Al-Ahli with an increase of 178% in premiums compared to 2019. The steepest decline in GWP was seen in Buruj with a decrease of 34% in premiums.

Merged insurers

Solidarity Saudi Takaful Company (SSTC) and Al Ahlia Cooperative Insurance have been taken over/ merged with other entities. In order to give full-year comparisons of the top line for the Saudi insurance industry, Badri estimated the GWP for both these companies.

The merger of Al Ahlia with Gulf Union took place in December 2020 while SSTC's merger with Al Jazira Takaful Taawuni Co became effective in 2021. However, SSTC and Al Ahlia are not required to publish their financials.

If the estimates for SSTC and Al Ahlia for 2020 were included so as to provide a like for like comparison against 2019, then for the 31 listed companies, GWP would have grown from SAR37.5bn in 2019 to SAR38.9bn in 2020, representing growth of 3.5%.

Another insurer, Saudi Indian Company for Cooperative Insurance, announced its inability to publish its financials for 2020. ■

Source: Middle East Insurance Review | 22 April 2021

• Saudi insurance market in 2020

The Saudi central bank (SAMA) reported that the local insurers recorded a 2.3% turnover increase in 2020. The latter went from 37.89 billion SAR (10.09 billion USD) in 2019 to 38.78 billion SAR (10.32 billion USD) in 2020.

The Saudi insurance market is dominated by the health activity with 22.83 billion SAR (6.07 billion USD) of written premiums, which represents nearly 59% of the total premium income.

Set at 1.386 billion SAR (369.09 million USD), the net profit recorded for the entirety of insurance companies in 2020 grew by 61.5%. ■

Source: Atlas Magazine | 14 May 2021

• Insurance pools in Saudi Arabia

The Saudi Central Bank (SAMA) says the creation of insurance pools remains essential to cover certain risks that are difficult to assess.

Among other services, insurance pools make way for better pricing and ease of policy issuance.

Two pools are currently operating in Saudi Arabia. They involve:

- Construction pool for building defects
- Compulsory travel insurance pool including Covid-19 coverage. ■

Source: Atlas Magazine | 4 June 2021

البنك المركزي السعودي
SAMA
Saudi Central Bank

SOUTH KOREA

YONSEI UNIVERSITY

Rodante D Marcoleta

• Weakening profitability cited as reason for foreign FIs withdrawing from market

Falling profits and rising costs, as well as strict regulations, have been cited as the main reasons for foreign financial institutions, including insurers and banks, leaving South Korea.

High corporate tax is another reason, said Yonsei University economics professor Sung Tae-yoon. He said that the maximum corporate tax rate in South Korea is too high compared to that in other Asian countries such as Singapore.

In recent years, several foreign insurance companies have exited or are planning to exit the mostly stagnant Korean insurance market.

In 2020, US-based firm Prudential Financial sold its Korean business to KB Financial Group. Prudential's departure marks the fourth foreign insurance firm pulling out of the country following ING Group, Allianz Group and Prudential PCA of the UK.

According to data published by Financial Hub Korea which is under the Financial Supervisory Service, the number of foreign banks' branches and offices has been falling every year. As of end-December last year, the figure dropped further to 54, from 60 four years ago. ■

Source: Asia Insurance Review - June 2021

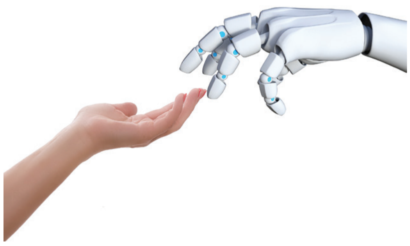
• Insurance for service robots in South Korea

In partnership with KT Corp, a South Korean telecommunications company, DB Insurance is developing an insurance coverage for artificial intelligence (AI)-based services.

Starting in June 2021, KT Corp will collect data on robotic errors and accidents for one year as part of the third-party liability insurance program provided by the South Korean insurer.

Based on this data, DB Insurance will be providing insurance products for service robots. ■

Source: Atlas Magazine | 3 June 2021



TAIWAN

• New law makes occupational accident insurance mandatory

Taiwan has passed the new Occupational Accident Insurance and Protection Act, which entitles all employees to two months of full salary payout after suffering from an occupational injury or disease, Asia Insurance Review reported citing the Central News Agency. The law will make occupational accident insurance coverage mandatory for all employees in Taiwan, irrespective of the size of their company. ■

Source: Business Insurance Magazine - 26 April 2021

• Chemical firms suffers over $7 million damage from factory fire

A fire at Taiwan-based Standard Chemical & Pharmaceutical Co. Ltd.'s subsidiary in Tainan City on May 20 caused an estimated 200 million Taiwanese dollar ($7.2 million) in property losses, Focus Taiwan reported. The subsidiary Syn-Tech Chem & Pharm Co. Ltd. is also facing a fine of TWD825,000 from the city government for causing environmental pollution, as high pollutant emissions from the factory fire affected the air quality in Hsinying and Houbi districts in Tainan and neighboring Chiayi County. ■

Source: Business Insurance Magazine - 21 May 2021

• Taiwan drought highlights water stress as growing environmental risk

Taiwan's extended drought indicates how water stress and changing precipitation patterns could emerge as financial risks and the stark choice governments may have to make in rationing water between households and industry according to a new report by Fitch Ratings.

The report expects climate change to make these challenges more common and difficult globally over time. Fitch says Taiwan's typhoon season failed to materialise in 2020 and has been followed by a persistent lack of rainfall.

Data from Taiwan's Central Weather Bureau shows that Taipei averaged around eight precipitation days per month in the first quarter of 2021, a 35% decline from the average for the first quarter over 2010-2020. The shortage led the government to introduce water rationing for households and businesses in April 2021.

Taiwan's high-value export-oriented sectors, such as semiconductor manufacturing, have continued operations by transporting water from less affected regions. It is likely that the government will continue to support water access for the technology parks over agriculture, another water-intensive sector, given the negative impact the drought has already had on crop yields.

A prolonged drought and more extensive rationing could, however, create societal tensions over the allocation of water. Taiwan's government has recommended that heavy users (more than 10,000 metric tonnes per month) face an additional surcharge, but this has yet to be introduced.

Fitch previously analysed how water stress and extreme weather events could have a medium- to long-term credit impact on issuers, including sovereigns and agribusinesses. The current situation in Taiwan highlights the challenges many water scarce economies could face. ■

Source: Asia Insurance Review - June 2021

Thailand

• Thailand's non-life insurance market grew in 2020 despite economic contraction

Thailand's non-life insurance market expanded in 2020 despite the country's Covid-19-driven economic contraction, according to AM Best. The expansion was driven by strong growth in the health segment. While the country's real GDP shrank by 6.1% in 2020, Thailand's non-life companies recorded an overall underwriting profit of THB12.5bn, a six-fold increase over 2019, driven by premium growth along with lower expenses and claims. The non-life market expanded by 3.5% to THB253bn in terms of direct premium written (DPW).

Much of the growth was seen in health insurance, which has grown steadily in recent years, and posted a 44% expansion in 2020, said Best. Motor insurance, the largest line of business accounting for more than 55% of total DPW, grew by 1.4%. Best noted that the decrease in automobile sales and weaker consumer purchasing power in 2020 has not fully translated to a decline in motor premiums, as the potential negative impact was offset by some rate hardening.

"Government-imposed Covid-19 containment measures have catalysed digitalisation and innovation in Thailand's insurance industry, as companies jostle for a share in the kingdom's highly competitive and developing non-life market," said Best. "Despite a decrease in travel insurance demand, which usually is sold online, insurance sales via online channels doubled in 2020 as insurers sought to enhance digital platforms and tools to meet changing consumer behaviour."

Best said it expects insurers to place greater focus on innovation during the coming years in order to remain competitive. Digital transformation of the non-life insurance segment can help to raise operational efficiency, diversify distribution, as well as strengthen product development and pricing capabilities.

Best expects growth in Thailand's non-life segment to continue, supported by a positive 2021 GDP forecast of 2.6%. "The impact of the Covid-19 pandemic and capital market volatility have pushed non-life insurance companies to enhance risk management, particularly in response to regulatory changes. As headwinds remain, it is also crucial for Thailand non-life insurers to adopt underwriting discipline and effective enterprise risk management to maintain their overall performance and financial strength," said Best.

Thailand Non-Life Insurance – Key Indicators

(THB million)	2019	2020	Change (%)
Total Direct Premium Written	**244,055**	**252,716**	**3.5**
Fire	10,118	10,167	0.5
Motor	144,025	146,038	1.4
Health	10,983	15,825	44.1
Personal Accident	30,640	30,864	0.7
Industrial All Risks	24,262	26,685	10
Others	24,026	23,135	-3.7
Underwriting Profit	2,094	12,544	
Net Profit After Tax	10,957	13,749	
Loss Ratio	58%	55%	
Expense Ratio	41%	37%	
Combined Ratio	98%	93%	

Thailand Non-Life Insurance – Loss Ratio by Line of Business (%)

	2018	2019	2020
Fire	14.4	16.1	18.6
Marine	32.8	34.8	40.1
Motor	65.3	66.1	63.2
Industrial All Risks	34.5	44.2	46.4
Liability	23.3	22.1	52.9
Personal Accident	36.6	38.4	36.1
Health	64.0	59.4	46.2
Travel	22.2	23.4	23.5
Others	43.6	40.8	44.3
Overall	**56.7**	**57.8**	**55.3**

Thailand Non-Life Insurance – Investment Asset Breakdown (%)

	2018	2019	2020
Stocks	28	26	23
Cash and Term Deposits	27	28	30
Government Bonds	22	23	23
Debentures	14	15	16
Unit Trusts	8	7	7
Others	1	1	1
Total	**100**	**100**	**100**

Thailand Non-Life Insurance – Overall Capital Adequacy Ratio (%)

	2016	2017	2018	2019	2020
CAR - RBC 1	312.3	319.9	315.7	-	-
CAR - RBC 2	-	-	-	284.7	348.4

Source: Office of Insurance Commission

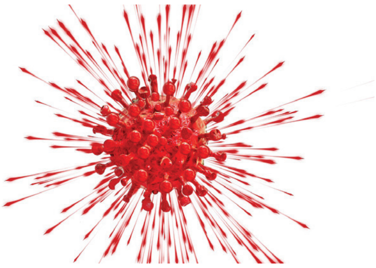
■

AM Best 19 May & Commercial Risk Online 21 May, 2021

Thailand

• Covid cover needed for long-stay O-A visas

New rule requires B3m insurance



Traisuree Taisaranakul

Foreign nationals with the non-immigrant O-A visa, sometimes known as a retirement visa, will in the future have to prove they have insurance coverage of at least US$100,000 (three million baht) against Covid-19.

The proposal was approved in principle by the cabinet on Tuesday (15 June 2021) and Traisuree Taisaranakul, deputy spokeswoman for the government, said it would apply to all holders of the one-year visa.

The new rule follows an amendment to the regulations approved by the cabinet in April last year.

The extra Covid-19 insurance coverage regulation does not apply to other non-immigrant visa categories: marriage, business, educational and media, among others.

At present, holders of the non-immigrant O-A visa must be insured to the tune of just 40,000 baht for out-patient treatment and 400,000 baht for in-patient treatment at a hospital. They are required to purchase Thai health insurance via a dedicated website which is problematic.

Future non-immigrant O-A visa applicants must produce proof they have taken out the far higher insurance against Covid-19 and if they are eligible for state-sponsored welfare or insurance, the same minimum coverage applies.

Those seeking to renew their non-immigrant O-A visas are free to buy the insurance from abroad.

If they have access to state-sponsored insurance, they must submit documentary proof certified by the Bangkok-based embassies of their respective nations or by authorised official of the Foreign Ministry of their native countries.

If someone is denied the requisite Covid-19 insurance because they are deemed to be in an at-risk group, they must present the rejection document as well as proof of financial security, bank account or other health insurance valued at a minimum of US$100,000.

Ms Traisuree said that since the cabinet had approved the new rule in principle the next step would be for the Immigration Bureau to publish full details and make it official.

The Foreign Affairs Ministry will also work to improve the non-immigrant O-A visa application procedure while the Public Health Ministry and the Interior Ministry will be in charge of modifying related regulations and telling the public about them.

Ms Traisuree said the current non-immigrant O-A visa regulations were flawed as expats aged over 70 could not buy insurance in Thailand, causing them to be disqualified from extending their stay in the kingdom.om remaining long-term in the kingdom. ■

Bangkok Post - 16 June 2021


10:41 PM
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BELARUS

Insurance Market Overview

BY HUSSEIN ELSAYED

(I) Socio-Economic Information

Official Name: The Republic of Belarus

Surface Area: 207,595 km²

Location: Eastern Europe. The country is bounded by Poland, Lithuania, Latvia, Russia, and Ukraine.

Capital: Minsk

Population: 9.5 mn (2021)

Currency: Ruble (Code: BYN since 2016)

Climate: Cold Winters, Cool and Moist Summers; Transitional between continental and maritime.

Religion: 55.4% Christianity | 7.1% Other Christian | 41.1% No religion | 2.4% Other | 1.1% Unspecified

Languages: Belarus has two official languages: Belarusian and Russian. Belarusian is closely linked to Russian and has largely died out as a spoken language except in some rural areas.

Nonetheless since Belarus became independent efforts have been made to encourage the use of Belarusian and some official documents have been issued in that language.

The majority of all communication in Belarus, however, is in Russian, which is the normal day-to-day language of all the educated classes, particularly in the towns.

English is not spoken widely amongst insurance professionals in Belarus although most organisations have some English speakers.

Belarus Economy Data

	2015	2016	2017	2018	2019
Population (million)	9.5	9.5	9.5	9.5	9.5
GDP per capita (USD)	6,183	4,948	5,738	6,490	6,813
GDP per capita (EUR)	5,552	4,455	5,022	5,554	5,992
GDP (USD bn)	58.6	47.0	54.5	61.6	64.6
GDP (EUR bn)	52.6	42.3	47.7	52.7	56.8
Economic Growth (GDP, annual variation in %)	-3.8	-2.5	2.5	3.1	1.2
Consumption (annual variation in %)	-2.4	-3.2	4.8	8.0	4.7
Investment (annual variation in %)	-15.5	-14.5	5.5	4.4	5.6
Industrial Production (annual variation in %)	-6.6	-0.4	6.1	5.7	1.0
Unemployment Rate	5.9	5.8	5.6	4.8	4.0
Fiscal Balance (% of GDP)	1.4	1.5	3.0	4.0	2.6
Public Debt (% of GDP)	46.9	47.2	47.2	45.4	44.8
Money (annual variation of M2 in %)	-0.4	19.4	30.2	20.1	27.4
Inflation Rate (CPI, annual variation in %, eop)	12.0	10.6	4.6	5.6	4.7
Inflation Rate (CPI, annual variation in %)	13.5	11.8	6.0	4.9	5.6
Policy Interest Rate (%)	25.00	18.00	11.00	10.00	9.00
Exchange Rate (vs USD)	1.86	1.96	1.97	2.17	2.11
Exchange Rate (vs USD, aop)	1.60	1.99	1.93	2.04	2.09
Current Account (% of GDP)	-3.1	-3.4	-1.7	0.0	-1.8
Current Account Balance (USD bn)	-1.8	-1.6	-1.0	0.0	-1.2
Trade Balance (USD billion)	-2.1	-2.5	-3.0	-2.5	-4.1
Exports (USD billion)	26.2	23.1	28.7	33.4	32.3
Imports (USD billion)	28.3	25.6	31.7	35.9	36.4
Exports (annual variation in %)	-26.1	-11.7	24.2	16.5	-3.3
Imports (annual variation in %)	-25.6	-9.5	23.7	13.5	1.3
International Reserves (USD)	4.2	4.9	7.3	7.2	9.4
External Debt (% of GDP)	65.3	79.8	73.0	63.8	63.1

Sovereign Credit Ratings

	Rating	Outlook	Rating Date
Fitch	B	Negative	5/2021
Standard & Poor's	B	Negative	9/2020
Moody's	B3	Stable	2/2020

Sources: Moody's, Standard & Poor's, Fitch Ratings

Competitiveness

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index *	37/190	49/190	N.A
Logistics Performance Index **	2.44	N.A	N.A
Corruption Perception Index ***	70/180	66/180	63/180

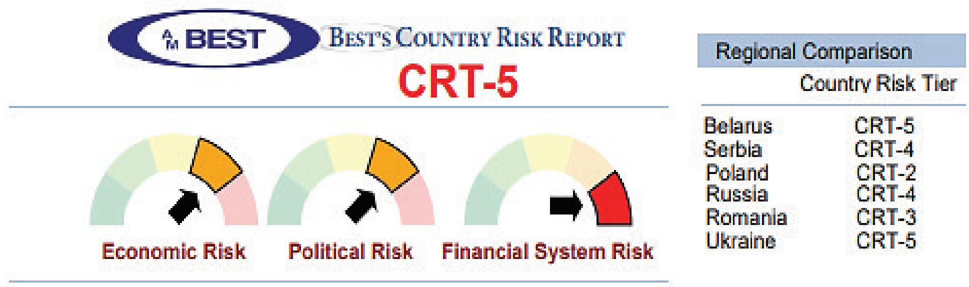
* World Bank ** World Bank (1=low to 5=high *** Transparency International


Government House, Minsk


Victory Square in Minsk


The Opera and Ballet Theater in Minsk

Country Risk



Natural Hazards

- **Earthquake hazards** is classified as 'moderate', meaning that there is a 10% chance of potentially-damaging earthquake shaking Belarus in the next 50 years. The hazard level is highest in the southeast regions.
- **River flood hazard** is classified as 'high', meaning that potentially damaging and life-threatening river floods are expected to occur at least once in Belarus in the next 10 years. The hazard level is highest in central to southern and western regions. Major flooding events during the 1990s affected large numbers of people and caused damage to infrastructure and agricultural areas. River flood hazard level may increase due to more frequent and intense precipitation days in winter and an increase in the number of extreme rainfall events9. Flooding is regarded as the greatest natural hazard in Belarus.
- **Water scarcity hazard** is classified as 'moderate', meaning that there is up to a 20% chance droughts will occur in Belarus in the coming 10 years. The hazard level is highest in central to eastern, southern and western regions.
- **Forest fire risks** are increased by high temperature and dry conditions. In 2006, 3,252 fires were recorded in Belarus, effecting an area of more than 2,500 hectares.

(II) INSURANCE MARKET

Insurance Market Main Features:

- The Ministry of Finance (MoF) http://www.minfin.gov.by is the government body responsible for regulating and supervising the Belarusian insurance industry and oversees all insurance activities and undertakes registration and licensing activities.
- The Belarusian Association of Insurers (BAI) http://belasin.by/default.aspx was established in 2001 and funded by the companies out of their profits as opposed to a levy on written premium.
  The BAI is charged with promoting closer synergies between the association and the supervisor in developing the local market and with regulation issues having the right to receive at first instance all draft insurance legislation or presidential decrees for members' comments and input. The association is also the official body representing insurance brokers. Both insurers and brokers are aware of the potential conflict of interests in this but are bound by legislation.

- Workers' compensation, motor third-party liability, aviation liability and health insurance for foreigners are the key classes of compulsory insurance in Belarus.
- Companies are not permitted to transact both life and non-life insurance, and all are joint stock companies.
- There are two wholly state-owned non-life insurers: Beleximgarant, and Belgosstrakh which is the largest insurer in the market with more than 50% market share.
- There are no mutual insurers.
- The private sector non-life companies are small in size of income and have only a small combined market share.
- Foreign insurance companies are permitted to own locally domiciled insurers but they may not engage in compulsory insurance or insurance bought by the state/state-owned companies.
- Premium taxes are not imposed on insurance policies issued in the country.
- Plans for Belarus' first nuclear plant foresee construction of two nuclear reactors between 2016 and 2020, and probably two more reactors by 2025. A nuclear pool has been established and comprises the two wholly state-owned insurers and the four MSOIs plus Belarus Re as leader; private sector insurers are not allowed to join. Risks are offered to each member, which is then able to decide its participation on a case by case basis.

- Non-admitted insurance is not permitted. However, non-admitted reinsurance is permitted after rejection by Belarus Re.
- All outward reinsurance placed by the market must flow via the Belarusian National Reinsurance Organization (BNRO), known as Belarus Re.
- Insurance companies are permitted to reinsure voluntary classes of insurance with a foreign reinsurer registered with the Ministry of Finance, subject to financial rating requirements and other eligibility criteria.

- Insurance brokers are now allowed to place reinsurance contracts and the insurances of property relating to state-owned and semi state-owned organizations.

List of regulations governing insurance activities:

Codes of the Republic of Belarus:

Civil Code of the Republic of Belarus (Chapter 48)

Decrees and decrees of the President of the Republic of Belarus:

Decree of the President of the Republic of Belarus of September 7, 2020 No. 336
On insurance of crops, livestock and poultry in 2021
Decree of the President of the Republic of Belarus of May 11, 2019 No. 175
On Insurance
Decree of the President of the Republic of Belarus of July 18, 2016 No. 272
"On Amendments and Additions to Decrees of the President of the Republic of Belarus"
Decree of the President of the Republic of Belarus dated March 30, 2016 No. 115
"On insurance of crops, livestock and poultry in 2016"
Decree of the President of the Republic of Belarus of November 23, 2015 No. 470
"On Amendments to the Decree of the President of the Republic of Belarus"
Decree of the President of the Republic of Belarus of August 20, 2015 No. 364
"On Amendments and Additions to the Decree of the President of the Republic of Belarus"
Decree of the President of the Republic of Belarus of June 1, 2015 No. 221
"On Amendments and Additions to the Decree of the President of the Republic of Belarus"
Decree of the President of the Republic of Belarus of April 14, 2014 No. 165
"On Amendments and Additions to Decrees of the President of the Republic of Belarus on Insurance Activities"
Decree of the President of the Republic of Belarus dated September 1, 2010 No. 450
"On licensing certain types of activities"
Decree of the President of the Republic of Belarus of October 23, 2009 No. 519
"On Amendments and Additions to Certain Decrees of the President of the Republic of Belarus on Insurance Matters"
Decree of the President of the Republic of Belarus dated June 10, 2009 No. 302
"On funds for preventive (preventive) measures for certain types of insurance"
Decree of the President of the Republic of Belarus dated May 19, 2008 No. 280
"On the inclusion of insurance premiums for types of voluntary insurance, not related to life insurance, in the costs of production and sale of products, goods (works, services)"
Decree of the President of the Republic of Belarus of August 25, 2006 No. 534
"On Assistance in the Development of Export of Goods (Works, Services)"
Decree of the President of the Republic of Belarus of August 25, 2006 No. 531
"On the establishment of insurance rates, insurance premiums, liability limits for certain types of compulsory insurance"
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"On approval of the Regulation on the procedure for special certification for compliance with qualification requirements for the head of the temporary administration for managing an insurance organization, and amending the Resolution of the Council of Ministers of the Republic of Belarus dated February 17 2012 No. 156 "
Resolution of the Council of Ministers of the Republic of Belarus dated June 30, 2014 No. 637
“On approval of the Regulation on the procedure for paying additional costs associated with damage to the health of the insured, for compulsory insurance against industrial accidents and occupational diseases, amendments and additions to some resolutions of the Council of Ministers Of the Republic of Belarus and recognition as invalid of some resolutions of the Council of Ministers of the Republic of Belarus and their individual provisions "
Resolution of the Council of Ministers of the Republic of Belarus dated June 24, 2014 No. 613
"On approval of the Regulations on the register of insurance agents of the Ministry of Finance and amendments to the Resolution of the Council of Ministers of the Republic of Belarus dated February 17, 2012 No. 156"
Resolution of the Council of Ministers of the Republic of Belarus of August 30, 2007 No. 1118
"On the procedure for paying 95 percent of the insurance premium under a compulsory insurance contract with state support for crops, livestock and poultry at the expense of the republican budget allocated for the development of agricultural production, fish farming and processing agricultural products "
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"On approval of the composition of the Supervisory Board over the activities of the Belarusian Bureau for Transport Insurance"
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Resolution of the Council of Ministers of the Republic of Belarus dated October 10, 2003 No. 1298
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"On the procedure for placing and recording insurance reserves in separate special accounts and invalidating some resolutions of the Ministry of Finance of the Republic of Belarus and the Board of the National Bank of the Republic of Belarus"
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"On approval of the Instruction on the specifics of the implementation of types of insurance related to life insurance"
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Resolution of the Ministry of Finance of the Republic of Belarus dated June 20, 2014 No. 37
"On some issues of carrying out insurance activities"
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"On approval of instructions on the procedure and conditions for concluding an insurance contract in the form of an electronic document and on the procedure for appointing, exercising and terminating the activities of a temporary administration for managing an insurance organization"
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"On approval of the Instruction on the volume and procedure for disclosure (publication, distribution, provision) of information on the activities of insurance organizations, insurance brokers"
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"On establishing the form of a requirement (order) to eliminate the identified violations of insurance legislation based on the results of desk audits"
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"On the procedure and timing for the submission of annual and interim individual accounting and (or) financial statements by insurance brokers and invalidation of some resolutions and certain structural elements of resolutions of the Ministry of Finance of the Republic of Belarus"
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"On the establishment of forms for calculating the part of profit (income) to be transferred to the budget"
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"On approval of the Instruction on the procedure for determining the best among insurance organizations for entry on the Republican Board of Honor"
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"On establishing the amount of commission remuneration"
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Resolution of the Ministry of Finance of the Republic of Belarus of July 15, 2008 No. 117
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"On the procedure and conditions for the formation of insurance reserves of insurance organizations"
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"On the establishment of forms 1-SU" Receipt for accepting cash (insurance contributions) ", 1-SUO" Receipt for accepting cash for compulsory insurance of buildings owned by citizens ", And approval of the Instructions for filling out and using receipts of form 1-SU" Receipt for accepting cash (insurance premiums) "and form 1-SUO" Receipt for accepting cash for compulsory insurance of buildings owned by citizens "and on making changes and additions to some resolutions of the Ministry of Finance of the Republic of Belarus "
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"On approval of application forms, contracts, act on an insured event for compulsory insurance with state support for crops, livestock and poultry"
Resolution of the Ministry of Finance of the Republic of Belarus dated May 10, 2007 No. 73
"On approval of the Instruction on the criteria and procedure for assessing the solvency of insurance organizations and amending the Resolution of the Committee for Supervision of Insurance Activities under the Ministry of Finance of the Republic of Belarus No. 3 dated December 13, 2000"
Resolution of the Ministry of Finance of the Republic of Belarus dated February 23, 2007 No. 34
"On some issues of carrying out insurance activities"
Resolution of the Ministry of Finance of the Republic of Belarus of November 29, 2006 No. 145
"On approval of the Instruction on the procedure for transferring obligations by insurance organizations under a voluntary insurance contract, other than life insurance, in excess of the liability standard established by the legislation to the republican unitary enterprise" Belarusian National Reinsurance Organization "
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Resolution of the Ministry of Finance of the Republic of Belarus dated July 6, 2006 No. 77
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"On the establishment of a liability standard under a voluntary insurance (coinsurance, reinsurance) contract other than life insurance"
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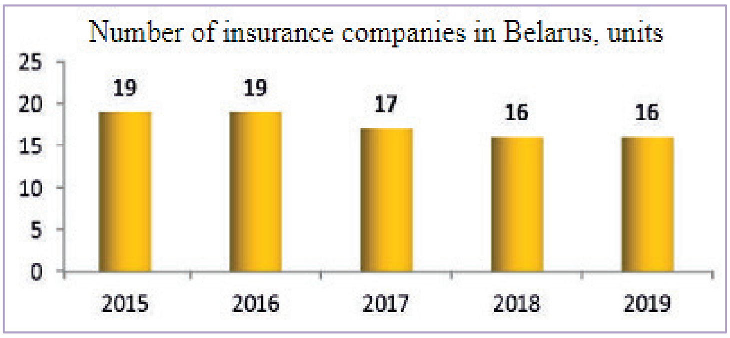
"On approval of the Instruction on the procedure for confirming the professional suitability of managers, their deputies, chief accountants of insurance organizations, managers, their deputies of insurance brokers, as well as heads of separate divisions of insurance organizations, insurance brokers"

Insurance Market Performance and Statistics

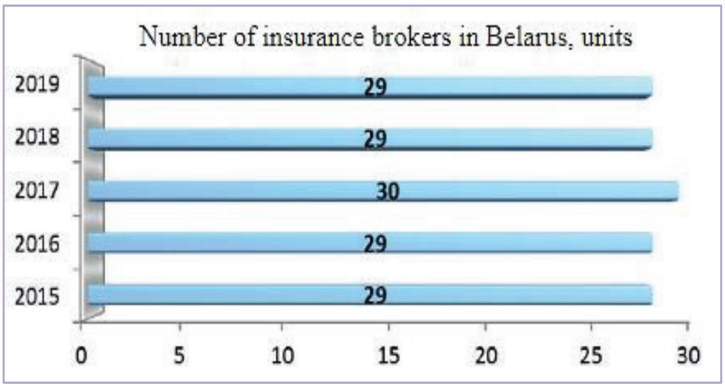
As of January 1, 2020, the insurance sector of the Republic of Belarus included 16 insurance companies. organizations, including 2 organizations that carry out types of insurance related to the country life, and the State Enterprise "Belarusian National Reinsurance organization"

The insurance market of the Republic of Belarus can be divided into three groups of insurance companies organizations by property:

- 4 state (2 - non-life, 1 - life, 1 - reinsurance);
- 4 semi-public (4 - non-life);
- 8 private (7 - non-life, 1 - life)



The number of brokers providing intermediary activities in insurance has not changed compared to 2018. Thus, at the end of 2019 in the insurance market 29 insurance brokers worked in Belarus.



Six insurance organizations operated with the participation of foreign capital as shown represent the main foreign investors in the insurance market of the Republic of Belarus.

Major foreign investors

CJSC IC Belrosstrakh	RESO Group	Russia
CJSC Ingosstrakh	INGO Group	Russia
SBA ZASO "Kupala"	VIG Group	Austria
CJSC IC "ERGO"	ERGO Group	Germany

For 2019, contributions of insurance organizations of the republic for direct insurance and compassion amounted to 1,403.4 million rubles.

The growth rate of insurance premiums in 2019 compared to 2018 was 114.5%, in US dollars the volume of assessed contributions increased by 11.5%.

The share of life insurance in total premiums in 2019 was 12.1%, while in all developed countries, the life insurance segment often makes up the bulk of the insurance second market (it accounts for 50% to 60% of the total amount of insurance premiums).

For 2019, payments of insurance compensation and insurance coverage in the country as a whole amounted to 710.6 million rubles (equivalent to 339.8 million US dollars), of which the share of types of additional total insurance accounts for 428.4 million rubles (60.3%), compulsory insurance - 282.2 RUB million (39.7%).

Compared to the previous 2018, the total amount of insurance payments increased by 13.7% (in US dollars - by 10.8%). Insurance payments for voluntary insurance in 2019 grew by 16.7%, while in 2018 this growth was 29.3%. Payments under contracts compulsory insurance increased by 9.6% (in 2018 - by 2.5%).

MINISTRY OF FINANCE
OF THE REPUBLIC OF BELARUS

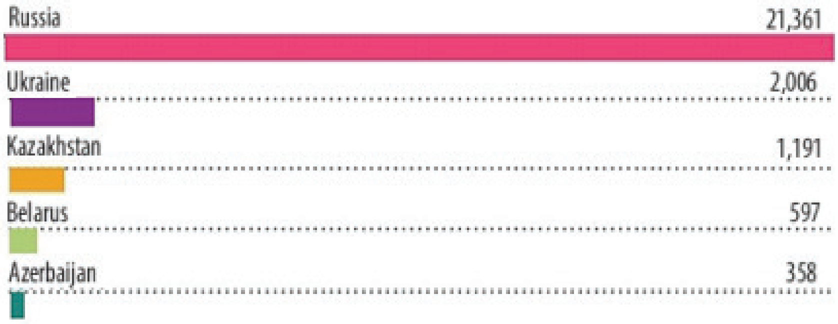
The main achievement in 2019 for the insurance market was adoption of the Presidential Decree No. 175, aiming at liberalization of the insurance business

Market experts believe that voluntary life insurance can be considered as the new market driver (growth by more than 30% y-o-y)

The novelty of 2019 was that insurers finally provided their customers with an opportunity to buy MTPL policies in electronic format

		2015	2016	2017	2018	2019
Gross written premiums	GEL million [3]	822.71	987.86	1,070.13	1,226.04	1,403.42
	EUR million [4]	405.28	483.06	454.35	495.69	596.59
Paid claims	GEL million [3]	472.64	540.76	535.16	624.75	710.60
	EUR million [4]	232.83	264.43	227.21	252.59	302.07
Insurance penetration	% in GDP [4]	0.92%	1.04%	1.01%	1.01%	1.07%
Insurance density	EUR/capita [4]	42.75	50.86	47.80	52.22	62.96

Belarus Insurance Market 2019 GWP premium (in EUR million) *in comparison with, Russia, Ukraine, Kazakhstan and Azerbaijan*

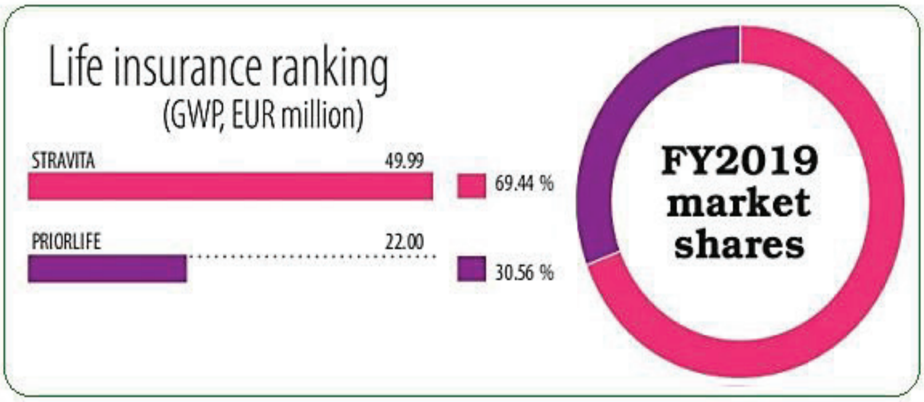


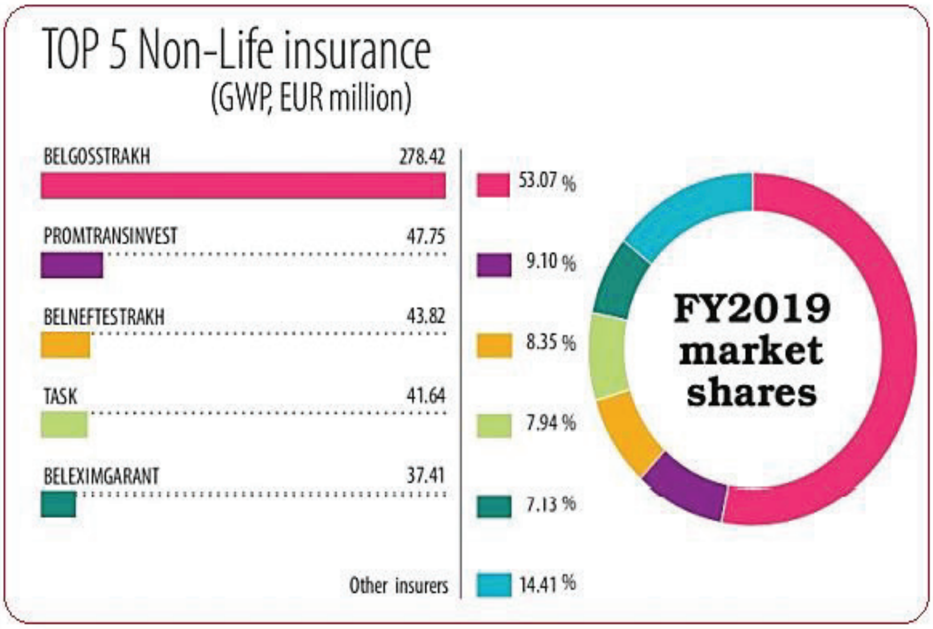
Market porfolio at December 31st, 2019

Business line	GROSS WRITTEN PREMIUMS			PAID CLAIMS			Weight in all GWP	
	2019	2018	Change	2019	2018	Change	2019	2018
	EUR m	EUR m	%	EUR m	EUR m	%	%	%
TOTAL MARKET	596.59	495.69	20.35	302.07	252.59	19.59	100.00	100.00
TOTAL LIFE (V)	71.99	49.64	45.03	29.09	21.55	34.97	12.07	10.01
Life insurance	42.61	28.17	51.25	20.02	14.75	35.74	7.14	5.68
Supplementary pension ins.	29.38	21.46	36.86	9.07	6.80	33.29	4.92	4.33
TOTAL NON-LIFE (V)+(M)	524.60	446.05	17.61	272.99	231.04	18.16	87.93	89.99
VOLUNTARY INS. (V), OF WHICH:	293.66	239.78	22.47	153.05	126.95	20.55	49.22	48.37
Medical expenses insurance	53.93	38.35	40.63	36.76	25.96	41.62	9.04	7.74
Accidents	28.62	26.66	7.31	10.77	9.42	14.29	4.80	5.38
Property of legal entities	78.92	65.30	20.86	53.47	40.50	32.01	13.23	13.17
Property of individuals	65.38	56.64	15.43	32.77	26.47	23.78	10.96	11.43
Cargo	3.87	3.53	9.59	0.50	0.31	60.61	0.65	0.71
Business risks	29.45	29.11	1.16	11.11	14.91	-25.48	4.94	5.87
Construction risks	8.72	4.00	117.86	0.52	0.31	65.16	1.46	0.81
Liability insurance	19.17	16.18	18.45	5.71	9.07	-37.04	3.21	3.26
Blanket insurance	5.61	-	-	1.45	-	-	0.94	-
MANDATORY INS. (M), OF WHICH:	230.94	206.27	11.96	119.94	104.08	15.24	38.71	41.61
Real estate property of individuals	5.60	4.66	20.21	1.91	1.63	17.18	0.94	0.94
Ins. with State support of agricultural crops, livestock and poultry	11.04	8.29	33.14	1.78	2.35	-24.08	1.85	1.67
Medical ins. for foreign citizens	4.16	3.56	16.90	0.64	0.57	11.63	0.70	0.72
Accidents at work and occupational diseases	94.96	79.10	20.06	54.43	46.37	17.38	15.92	15.96
Compulsory state insurance	0.37	0.19	99.83	0.35	0.18	96.68	0.06	0.04
MTPL	70.93	66.62	6.47	49.79	42.71	16.59	11.89	13.44
Green Card insurance	38.89	38.69	0.50	10.45	9.84	6.23	6.52	7.81
Carriers' liability	1.70	1.81	-6.11	0.51	0.42	20.76	0.28	0.36
Commercial organizations engaged in real estate activities	0.20	0.25	-19.27	0.01	0.01	26.22	0.03	0.05
Temporary managers in case of economic insolvency (bankruptcy)	0.09	0.08	8.66	0.01	0.01	173.22	0.01	0.02
Civil liability of legal persons and individual employers for demages caused by activities related to the operation of certain facilities	2.76	2.96	-6.79	0.06	0.01	878.16	0.46	0.60
Civil liability of the carrier for the carriage of dangerous goods	0.24	0.06	277.38	0.00	0.00	-52.63	0.04	0.01

1 EUR = 2.4734 New Belarusian Ruble - BYN (December 31st, 2018)

1 EUR = 2.3524 New Belarusian Ruble - BYN (December 31st, 2019)



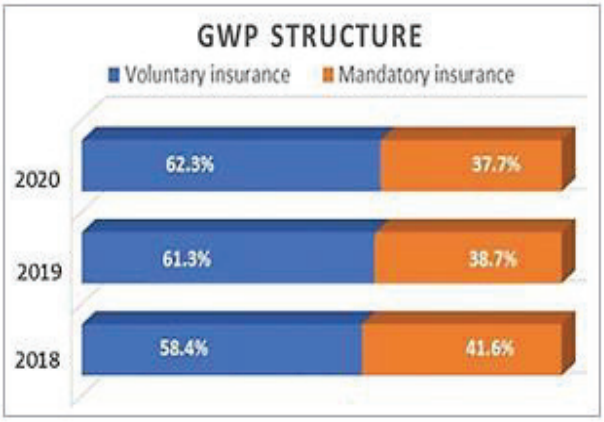


INSURANCE IN BELARUS 2020

In 2020, **total GWP** of the Belarusian insurance market amounted to BYN 1,510.2 million (EUR 476.70 million), which is 7.61% more y-o-y in BYN. At the same time, total number of insurance contracts decreased by 16.5%, according to the data published by the Ministry of Finance of the Republic.

In the GWP structure of voluntary insurance, personal insurance accounts for 42.1%, property insurance - 50.9%, liability insurance - 4.9%, complex insurance - 2.1%, the Ministry noted. The main growth drivers were such types of voluntary insurance as insurance of export risks with the state support, life insurance, insurance of vehicles of legal entities, and medical expenses.

GWP of mandatory insurance amounted to BYN 569.9 million.

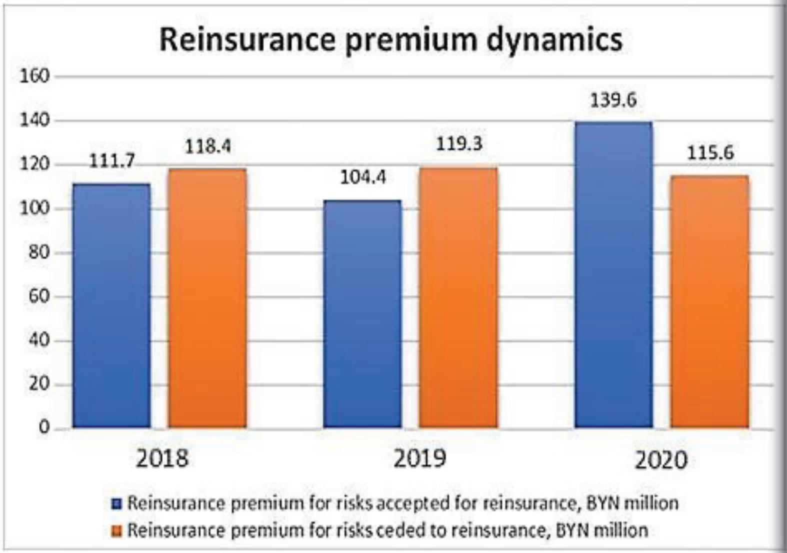


At that mandatory insurance accounts for 37.74% of the total market. In the GWP structure of mandatory insurance, personal insurance accounts for 44.7%, property insurance - 7.6%, liability insurance - 47.7%.

It is worth noting that the **penetration of insurance in GDP** from 2018 to 2020 remained almost unchanged (1% in 2018, 1.04% in 2019 and 1.03% in 2020).

Paid claims of insurers in 2020 reached BYN 814.71 million, which is 14.65% more y-o-y. Of this amount, voluntary insurance accounted for 61.4%, while mandatory - for 38.6%. The level of paid claims in the total market GWP in 2020 increased by 3.3 p.p. y-o-y to 53.9%.

At the end of 2020, total cost of doing business of insurers amounted to BYN 332.4 million (+3.3%). The share of business expenses in the total GWP amount slightly decreased, to 22.0%.



In 2020, GWP for risks accepted for reinsurance amounted to BYN 139.6 million (+33.7%), while GWP for risks ceded to reinsurance decreased to BYN 115.6 million (-3.1% y-o-y).

As of 01.01.2021, total amount of insurance reserves reached BYN 2,386.6 million, which is 29.7% more than in 2019.

The assets of insurers also grew by 21.0% to BYN 4,699.6 million. The equity capital increased over the past year to BYN 1,833.7 million, at that charter capital accounts for 71.5% of the equity capital of insurers. The profit before tax in 2020 increased 2.6 times compared to 2019 (to BYN 207.2 million).

As of 01.01.2021, 16 insurance organizations (of which one is providing exclusively reinsurance) and 26 insurance brokers carried out insurance activities in Belarus. In the non-life sector, BELGOSSTRAKH continues to lead, occupying more than half of this market, and of the two life insurers, the biggest portion of premiums was generated by STRAVITA.

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- *The Belarusian Association of Insurers (BAI)*
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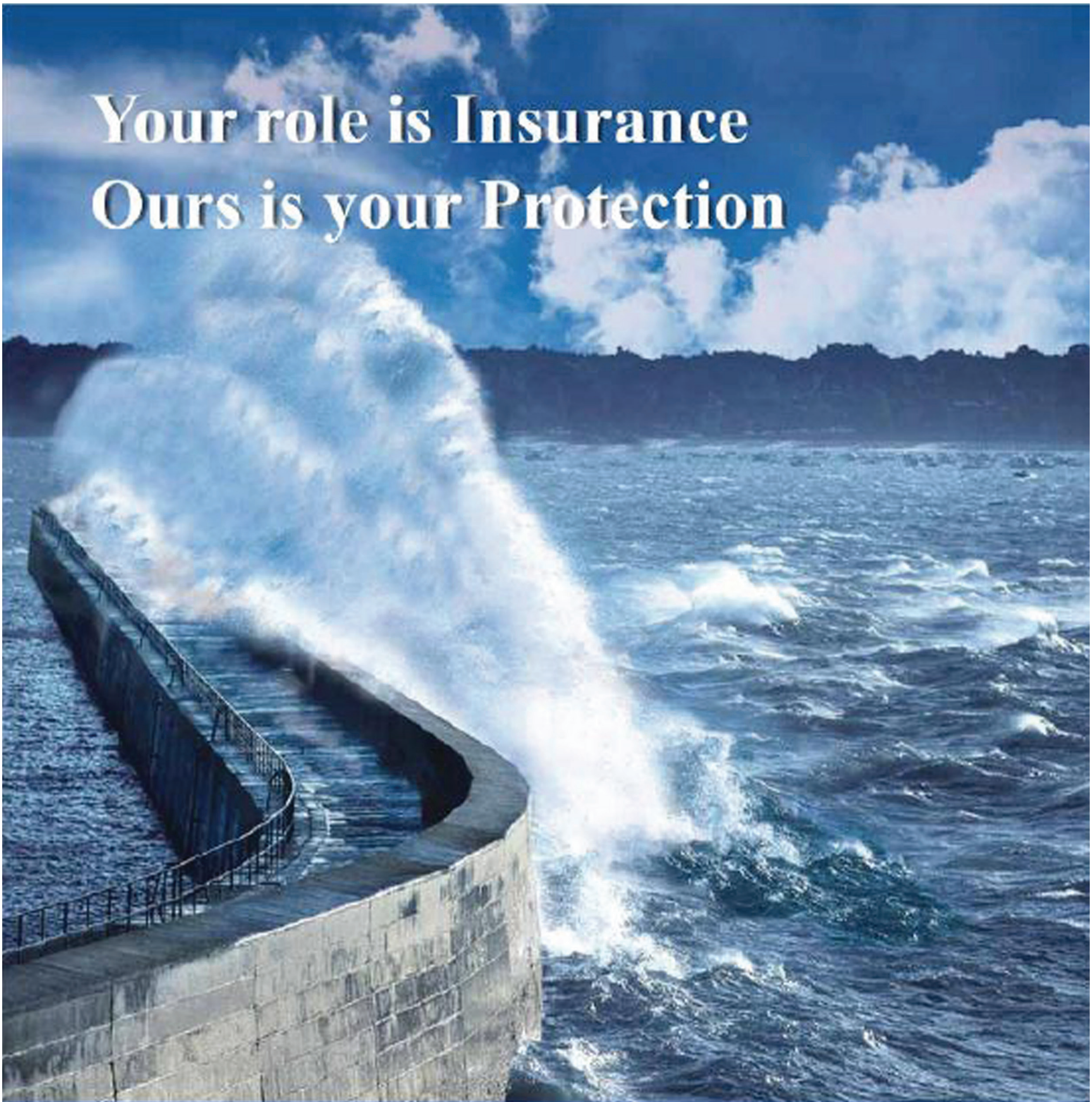
- *Belarus Insurance Market - XPRIMM Insurance Report FY2019 & HY2020*


Your role is Insurance
Ours is your Protection

The Impact of the Transitional Period in Libya on Insurance Industry and its Policies

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The Impact of the Transitional Period in Libya on Insurance Industry and its Policies

During its transitional period since 2011, Libya went through difficult phases that were reflected on the economic situation of the country in general and the financial sector in particular, and it also reflected on the insurance industry and its policies as one of the components of the financial sector. The government tried to make a transformation in economy in the years preceding the outbreak of the Libyan revolution in 2011, as it supported settling all sanctions and the falling oil prices. The government also worked on building a more open economy, engaging the private sector especially in the financial sector, insurance industry and launched other methods of financing like stock exchange market. However, with vulnerabilities inherited over the years, most of the reforms had a minimal impact, even until the protests in 2011.

A previous review of the financial sector, including insurance industry, (in 2012) showed a lot of rising weak points, and those points include: gaps in preparing the supporting environment, sector governance, lack of skills and the absence of Takaful Insurance framework. One of the main recommendations was to reconsider the country's role in the insurance sector. However, there was no progress and it is not surprising as there is still conflicts[1].

The political crisis in Libya stopped the reform attempts and weakened the insurance services levels. The war consequences and political division led to the development of insurance sector, which led to new challenges and increased this list. The most important challenges are[2]:

- The division of Insurance Supervisory Authority (between Tripoli and Benghazi), its weak role and absence of statistics that indicates the market trend. As a result, the insurance sector does not have enough information and internal capacity to take informed and rational decisions. The poor performance of inquiry system and the absence of monitoring information quality mechanisms.

[1] Review of Libya Financial sector, February 2020, World Bank report on Financial Sector

[2] The previous reference

- Rise in the reinsurance costs because of the higher risk levels, and the reluctance of a number of reinsurers to work in the Libyan market.
- Difficulty in obtaining foreign currency with the official pricing. This was reflected on difficulties faced by insurance companies to fulfill its obligations to reinsurance companies.
- Charge a fee of 183% on the foreign currency transactions; this led to a rise in reinsurance costs. As a result, it will lead to a rise in local insurance costs.
- The lack of supervision on reinsurance operations; where many insurance companies, especially the new and small ones, did not follow reinsurance procedures, in compliance with legal controls, to reduce insurance costs and then speculate on insurance prices to compete with other companies.
- Freezing all the initiatives and developing plans in the insurance sector.
- Fall in insurance companies investments and assets.

(1) The development of the Libyan insurance market during the transitional period (2011 – 2020).

The Libyan insurance market is still new, so it is not common to buy insurance instruments for family insurance and businesses, unlike automobile insurance. Non-life insurance represents (property and liability/ people insurance) around half of the investment in this field. The total asset value is less than 1% of gross domestic product, against more than 5% of gross domestic product in the region. The general average in the region is already very low compared with international standards, and far less than the average of high income economies 45% of the gross domestic product[3]

Market openness took place, but the industry remained weak and unorganized. This industry developed and was dominated by one state-owned company, which is Libya Insurance Company that was established in 1971. This company issued insurance policies for companies to manage investment and trade risks in addition to providing a small range

[3] The insurance sector in the Middle East and North Africa, Rodney Lester, November 2010, report of the main world bank the on the financial sector

of essential products for retail market. At the beginning of the first decade of this century, like many other economic fields, and after 6 decades from establishing the insurance sector in Libya, the awareness of insurance activities has achieved substantial progress which encouraged engaging the private sector in the insurance sector. Within the framework of expanding ownership, it was allowed to establish many direct writing shareholding companies aside from Libya Insurance Company. The company was then revaluated, its capital reached (70,000,000) dinars and its stocks were traded in stock exchange market. Licenses were issued for new local companies whose activities were mostly restricted on making sales for international reinsurance companies.

The number of functioning insurance companies in Libya in 2011 reached (13) companies, (12) of which are national companies and one joint company with private and Arab capital (Al-Thika Company). By 2018, the number of licensed insurance providers has reached (22) of assets equal to (1.2) billion dinars.[4]

The industry remains highly centralized and structurally weak. By 2018, the largest two companies dominated more than 60% of the assets. The Regulatory Authority was already weak even before the crisis. Subsequently, the political unrest has caused assets devaluation to more than half its value before the crisis, whether in terms of claims number or their value. More than half of the assets value is at risk of default due to the crisis external impacts. These impacts are further complicated by high risk levels and lack of coverage provided by the poor-quality reinsurance companies.[5]

Statistics shows that between 2010 and 2014 the insurance sector has developed remarkably. During this period, the insurance market has witnessed an increase in written premiums as it took an ascendant a geometric progression.   until they reached a value of (517,324) million Libyan dinars in 2014. They witnessed a sharp decline in 2011 due to the 17th of February events when the activities of the economy and the insurance were severely affected as a result of the financial implications during the revolution. The written premiums have decreased and recorded a decline of (- 48%) comparing to 2010. Nonetheless, the

[4] Libya Financial Sector Review, February 2020, World Bank flagship report on the financial sector

[5] Libya Financial Sector Review, February 2020, World Bank flagship report on the financial sector

economy has picked up with high growth rates of 67.28%, 45.46%, 56.6% for 2012, 2013, 2014 respectively.

In contrast to the expected continuous growth, from 2015 to 2020 written premiums decreased. Although there were no official statistics to prove this, still it can be noticed by reviewing the financial results of insurance companies in the Libyan market. This decrease can be attributed to the severe political division that took place specially after 2014[6].

(1) **Supervision over insurance industry in Libya during the transitional period.**

In general, the supervision over insurance industry in Libya was limited. The Libyan Insurance Supervision Authority was established in 2008; it supervises (22) insurance companies (18) of which are affiliated to the Ministry of Economy under applicable law no. (3) of the year 2005 and are licensed to work in Tripoli. The other (4) companies are located in different areas in the east. The role of the Authority is limited to supervision only, and it does not have any regulatory or procedural power over the industry. Moreover, issuance of new laws or imposition of sanctions must be carried out through the Ministry of Economy. Since the crisis, the Authority has stopped issuing new licenses with a view of making the regulations stricter to create a stronger and more stable industry. The Authority has highlighted the lack of rules and regulations that govern risk management policies of the Libyan insurance companies and also the lack of a clear classification policy for selecting partners in the reinsurance sector. Currently, the Authority does not have the competence to supervise insurance companies' portfolios quality and the process of classifying their quality and solvency[7].

(2) Decisions made during the transitional period

In regulating Takaful insurance framework, Minister of Economy issued decree No. 301 in 2012 regarding the provisions of practicing Takaful insurance. The decree approved that Takaful insurance should be practiced in accordance with the provisions of Law No. (3) of 2005 on insurance supervision and control and its executive regulations. It can also be practiced through specialized insurance companies, independent departments in commercial insurance companies and for all insurance

[6] Insurance Supervision Authority report 2015

[7] Libya Financial Sector Review, February 2020, World Bank flagship report on the financial sector

branches stipulated under Insurance Supervision and Control Law after consulting Supreme Sharia Committee and requesting Insurance Supervisory Board approval. Risk management and investment operations which are related to subscriptions will also carried out on the basis of agency and speculation together.[8]

The decision necessitated the formation of Sharia Supervisory committee of three persons appointed by the board of directors after the approval of the General Assembly and the Supreme Fatwa Council. Their membership term will be three years subject to renewal.[9]

(3) Shedding light on insurance industry future

Analysts specializing in global insurance industry indicate that the Libyan insurance market is still very far [10]from international rates and the rate is low compared to markets in Arab countries and North Africa. This can be viewed through insurance density size and penetration rate. Insurance density in Libyan market is very low compared to the averages of international markets and Arab countries[11]. This reflects the lack of awareness regards insurance which is not only reflected by the extent of society knowledge on insurance services, but also the positive behavior of purchasing insurance policies and benefiting from the protection they provide. The accurate indicator for measuring insurance awareness is the insurance density, which means the annual per capita expenditure on insurance. Density rate has increased in the recent period. In 2006, it amounted to (26.71) dollars and $66.19 in 2014. However, it is still far from the international averages as in 2014 the density amounted to (678.20) dollars [12]which is ten times higher than Libyan market average.

By considering the penetration rate or permeability rate (GDP written premiums percentage), we found that it is significantly low. As it has reached its maximum level (1.3%) in 2014, but this percentage is considered unreal in light of the decline in GDP affected by current

[8] Minister of Economy decree No. (301) for the year 2012 AD regarding the regulations of practicing Takaful insurance business, Article 2-3-4-5

[9] Minister of Economy decree No. (301) for the year 2012 AD regarding the regulations of practicing Takaful insurance business, Article 10-11

[10]

[11] The Middle East Insurance Review, 2019

[12] World Bank and IMF assessments and economic databases, 2019

events. In case we measured the penetration rate under normal conditions, it will not exceed 0.5%.

Evaluating the situation generally, we found that the Libyan market provides great opportunities for expansion, as the low insurance density and penetration rate confirm the market's ability to grow. This requires the implementation of intensive media raising awareness campaigns to be carried out by the entire sector on insurance. This also requires implementing effective mechanisms for compulsory insurance systems and more active participation of relevant government agencies to implement these mechanisms to ensure inclusiveness of insurance coverage for all targeted groups.

Undoubtedly, by the end of the ongoing conflict and the divided institutions unification, the Libyan insurance sector will benefit from the economic and social development that Libya will inevitably and soon witness. The expected reconstruction and development plans numbers' will clearly double in the upcoming years due to the huge absorptive capacities and expected demand in the Libyan market in the coming period. In the context of the successive and rapid development of the Libyan insurance market and entering the openness stage, companies belonging to the private sector (local or foreign) will enter the competition battlefield and will compete with public companies to get the largest share in the market.


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