FEDERATION OF AFRO-ASIAN INSURERS AND REINSURERS

F.A.I.R.

FAIR Review

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FAIR Review

FAIR in Brief

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

Vision:

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

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Global News

• Geneva Association: Insurers would have to collect premiums for 150 years to cover the global output loss in 2020

Alexandra GUZUN

THE GENEVA ASSOCIATION
INSURANCE FOR A BETTER WORLD

Insurance Europe has published its 2020-21 Annual Report and the topics covered include the lessons learned from the COVID-19 pandemic; the need to enhance climate change adaptation and close protection gaps; ways to ensure citizens have enough income in retirement; and how policymakers can support insurers in their role as Europe's largest long-term institutional investors.

The report examines key issues related to building resilience in European societies and economies. The topics will also be discussed during Insurance Europe's Resilience Week: five days of high-level webinars exploring insurers' role in building resilience to the challenges of today and tomorrow.

As regards the challenges faced from the beginning of the pandemic, the report shows that businesses across OECD countries faced an estimated USD 1.7 trillion in revenue losses for one month of strict lockdown measures. By comparison, the largest economic loss from a single event since at least 1970, the earthquake that hit the east of Japan in 2011, resulted in USD 234 billion of losses.

At the same time, COVID-19 has exposed massive protection gaps in the area of business continuity risk. The Geneva Association calculated in October 2020 that less than 1% of an estimated USD 4.5 trillion of global pandemic-induced GDP loss for 2020 will be covered by business interruption insurance.

It has also exposed the mismatch between pandemic-related economic losses and the risk-taking capacity of insurers. With annual business interruption insurance premiums of about USD 30 billion, insurers would have to collect premiums for 150 years to cover the global output loss in 2020, according to the Geneva Association.

According to the report, pandemic risk challenges the principles of insurability, but with significant differences depending on the area. Insurance for life- and health-related pandemic risks, for instance, is generally widely available and affordable, as the risks are not systemic and data is available that allows life and health insurers to model pandemic risk and price it accordingly.

The Geneva Association expects underwriting losses for life insurers from COVID-19 to be significant but manageable and believes that pandemic risk poses “no fundamental insurability challenges” for health insurers.

On the other hand, very nature of pandemics makes pandemic-related business interruption risks uninsurable by the property and casualty industry.

What has become clear as a result of the COVID-19 pandemic is that, in a number of markets or cases, there is some form of misunderstanding about insurance. Firstly, about the basic principles of how insurance works by spreading the losses of the few among the unaffected many and, secondly, about the cover provided by individual policies.

The insurers and reinsurers concerned are therefore reviewing their contracts to ensure absolute clarity over what is and is not covered under their policies, as the Report shows.

Moreover, understanding and acknowledging the insurability challenges must be the point of departure for any discussion of solutions for covering the risks of future pandemics. There is an emerging consensus around the fact that if insurers are to play a role, it will be one of collaboration with governments, with the latter assuming the majority of the losses.

At European level, Insurance Europe is involved in discussions on future pandemic risk solutions, notably by taking part in a workstream organised by the European Insurance and Occupational Pensions Authority to explore the options for and feasibility of shared resilience solutions. ■

XPRIMM - 3 June 2021

Jérôme Haegeli

• *Global macroeconomic resilience cut by 18% by COVID-19: Swiss Re*

COVID-19's emergence in 2020 caused macroeconomic resilience to fall by 18%, according to a Swiss Re Institute report.

While global economic growth is expected to recover strongly this year after the pandemic-induced recession in 2020, the resulting macroeconomic resilience will fall short of levels seen pre-COVID-19.

Meanwhile, the global insurance protection gap reached a new high of around $1.4 trillion in 2020, yet global insurance resilience is expected to grow in 2021 due to increased risk awareness.

"Our study clearly shows that economic resilience pays off. Advanced regions benefitted from both stronger levels of macroeconomic resilience and health insurance resilience than their emerging counterparts," Jérôme Haegeli, Swiss Re Group Chief Economist.

"However, to restore macroeconomic resilience and drive long-term growth, deep structural reforms are needed."

"The global pandemic has accentuated the gap between the rich and poor. It has laid bare the need for governments to focus on rebuilding and promoting social cohesion. Social equity – and at its heart, creating equal opportunities for all – will be a defining feature of a more resilient world.

"The global insurance protection gap reached a new high of USD 1.4 trillion. Closing this gap would both support long-term economic stability and increase society's capacity to absorb shocks.

"Making insurance more widely available and affordable will be essential. But re/insurers and leaders in business and government must make resilience a shared priority." ■

Reinsurance News (www.reinsurancene.ws) – 15 June 2021

• *COVID-19 loss reports and reserves reported by insurance or reinsurance companies*

The following table documents publicly reported COVID-19 pandemic-related losses, IBNR reserves and estimates from insurance and reinsurance companies.

The data was originally collected by Zurich-based financial services advisory PeriStrat LLC, operated by Hans-Joachim Guenther, and has now been augmented and updated where we can by Reinsurance News.

As insurance and reinsurance companies report new totals for their estimates of actual losses caused by the COVID-19 coronavirus pandemic, and their loss reserve setting, we will update this list and the running total

As of June 2021, the running total is: US $37.381 billion

Company	COVID-19 Loss & reserves estimate ($m)	Last updated DD/MM/YYYY
Lloyd's	4,955.5	31/03/2021
Swiss Re	4,493	30/04/2021
Munich Re	4,469	06/05/2021
AXA	1,830	04/05/2021
Hannover Re	1,631.3	05/05/2021
Allianz	1,576	12/05/2021
Berkshire Hathaway	1,401	01/05/2021
Chubb	1,378	27/04/2021
AIG	1,133	06/05/2021
Insurance Australia Group (IAG)	884	20/11/2020
SCOR	883.1	28/04/2021
Zurich (P&C only)	821	12/05/2021
QBE	785	05/05/2021
The Hartford	728	22/04/2021
Fairfax Financial Holdings	682.6	29/04/2021
Liberty Mutual	680	06/05/2021
MS&AD (incl. MS Amlin)	605.8	20/05/2021
Mobiliar	579.4	13/04/2021
Mapfre	575.7	29/04/2021
Everest Re	511	28/04/2021
Hiscox	475	05/05/2021
Alleghany (TransRe)	433	06/05/2021
Partner Re	409	11/05/2021
Markel	379	29/04/2021
RSA	360.4	07/05/2021
AXIS Capital	360	14/04/2021
RenaissanceRe	352	29/04/2021
Beazley	340	13/05/2021
Tokio Marine (domestic & int.)	331	20/05/2021
Legal & General	280	10/03/2021
Arch Capital Group	272.6	27/04/2021
Generali	256.7	18/05/2021
Travelers	250	20/04/2021
Talanx (excl. Hannover Re)	207.1	06/05/2021
CNA	195	03/05/2021
W. R. Berkley	192.7	20/04/2021
Sirius	192	10/05/2021
Aspen	181.2	31/03/2021
Suncorp	164.5	09/02/2021
QIC Group	141	16/02/2021
Aviva	138.4	04/03/2021
Helvetia	103.8	25/03/2021
American Financial Group	95	03/02/2021
Cincinnati Financial	84.4	28/04/2021
Enstar (StarStone & Atrium)	81.8	07/05/2021
Baloise	77.6	09/03/2021
ARGO Group	77.2	21/04/2021
CCR Re	59	14/04/2021
SiriusPoint (old Third Point Re)	49.5	10/05/2021
Fidelis	48	15/03/2021
Lancashire Holdings	42	29/04/2021
Sompo (domestic & int.)	36.8	20/05/2021
Selective Insurance Group	33.8	29/01/2021
Trygg	22.8	16/04/2021
RLI Corp.	22.3	21/04/2021
The Hanover	19	30/04/2021
ProAssurance	10	22/02/2021
Watford Re	5.2	09/02/2021
Total:	$37.381bn	

Notes:

1. Numbers might overlap as reported losses of insurers might partially be reflected as well in reinsurers' reported losses due to reinsurance arrangements.
2. Lloyd's published in May 2020 a range with a midpoint of USD3.65b; H1 2020 net numbers include a forward-looking statement about losses of UDS780m to come; overall 40% reinsurance recovery is assumed.
3. Some companies' reported losses might overlap with Lloyd's market number as these companies operate at Lloyd's as well, e.g., Hiscox, Beazley, ARGO etc.
4. Generali: net effect from loss provisions, net investment income drop but offset by lower general claims fq, excl. EUR 100m Extraordinary International Fund for the pandemic emergency.
5. Aviva: said that 63% of Covid-19 gross loss will be recovered from reinsurers. The loss estimate to the left considers the net loss only.
6. QBE: H1 2020 numbers include forward-looking statements about potential further Covid-19 losses of about USD 265m.
7. Talanx numbers are net of Hannover Re's published numbers to avoid double counting.
8. Munich Re, Swiss Re, Hannover Re, SCOR, Allianz and Berkshire numbers include L&H loss estimates.
9. Sompo, Tokio and MS & AD run their financial year from April 1st and number their quarters off-set by 1.

Reinsurance News
www.reinsurancene.ws

• *Insurance Europe calls for removal of trade and market access barriers*

A number of trade and market access barriers that European (re)insurers face in Argentina, Brazil, Canada, India and Indonesia should be removed, according to Insurance Europe. These barriers include restrictions on cross-border (re)insurance, (re) insurance retention limits, foreign exchange restrictions, rights of first refusal, and foreign ownership restrictions.

"Removing these barriers is vital to reduce protection gaps and to avoid dangerous concentrations of risk in these jurisdictions," said Insurance Europe. "Furthermore, to avoid a build-up of climate-related risks in any one jurisdiction and to facilitate the sharing of natural catastrophe risk across (re)insurance markets, it is more important than ever that discriminatory barriers to trade and market access are removed."

Brazil

Barriers in Brazil include restrictions on the reinsurance and retrocession limits applicable to cessions to occasional reinsurers, minimum insurance retentions by local cedants and their right to first refusal of business.

<u>Insurance Europe explained that positive measures were taken in 2019 legislation removing restrictions on the reinsurance and retrocession limits applicable to cessions to occasional reinsurers:</u>

- Local insurance companies can now cede in reinsurance to occasional reinsurers up to 95% of the premiums transferred to reinsurers, calculated based on all transactions carried out in a given calendar year (the previous limit was 10%)
- Local reinsurers can now cede in retrocession to occasional reinsurers up to 95% of the retroceded premium volume in relation to the risks they have underwritten, calculated based on all transactions carried out in a given calendar year (the previous limit was 50%).

One issue of concern for Insurance Europe is the right of first refusal. Cedants in Brazil are required to cede or offer preferentially at least 40% of their reinsurance cessions to local reinsurers. "The Brazilian government is reviewing the possibility of removing the existing preferential offer system to local reinsurers. It is understood that the requirement will be gradually reduced to zero over the next few years. This development is positive," said Insurance Europe.

India

While recent changes in Indian (re)insurance regulations have introduced some positive developments towards the further opening of the (re) insurance sector, European (re)insurers remain concerned about several discriminatory measures concerning foreign investments and the situation of foreign branch offices, said

Insurance Europe. It said any form of order of preference and foreign direct investment cap should be abolished, and concerning developments in relation to the situation of foreign branches should be addressed to create a level playing field between national and foreign reinsurers

Insurance Europe noted that earlier this year the Indian government proposed an increase in foreign investment limits for Indian insurance companies from 49% to 74%. But this was followed by draft rules that intensify restrictions on foreign investments in Indian insurance companies (e.g. requirements for there to be resident Indian citizens in the corporate governance structure of foreign-controlled insurers).

"Insurance Europe is therefore supportive of the increase in the equity cap. However, it is concerned about other types of requirements being introduced for foreign (re)insurers, which in fact diminish the potential outcomes of the intended market opening," it said.

Indonesia

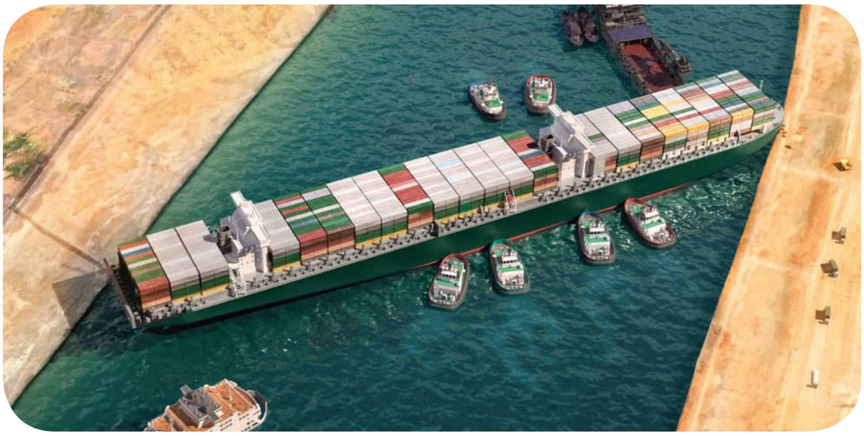
Indonesia is moving gradually towards the liberalisation of market access for foreign (re)insurers. However, new market access rules could create an uneven playing field between foreign reinsurers, while the recent interpretation of a finance regulation denies the tax deduction of paid claims for all life insurers.

In particular, said Insurance Europe, the new regulation removing retention limits should be applied to all foreign (re)insurers to allow domestic insurers to choose from a diverse range of competitive, globally diversified reinsurers for risk mitigation, and the tax deduction of paid claims for all life insurers should be authorised again. ■

Commercial Risk Online – 22 June 2021

• *Marine insurance cost set to rise*

By Stuart Collins



Shipping companies are likely to face higher insurance costs from increased reinsurance pricing and growing exposures, according to a leading broker.

World trade is reliant on shipping, with 90% transported by sea. Consequently, shipping companies are dependent on insurance and reinsurance, in particular liability and pollution cover provided by mutual insurers known as protection and indemnity (P&I) clubs. These clubs are underpinned by a more than 120-year-old pooling agreement overseen by the International Group of P&I clubs, which in turn is supported by one of the world's largest reinsurance contracts.

The 13 P&I clubs that form the International Group provide essential liability insurance for 90% of the world's ocean-going tonnage, compensating for accidents and pollution incidents. Under the International Group structure, each club is liable for the first $10m of claims, while the pooling agreement sees clubs share claims between $10m and $100m. Excess of $30m, each club's participation in the pool is reinsured by the group's Bermuda-based captive reinsurance vehicle, Hydra Insurance Company.

Sitting above the $100m of pool coverage, the International Group purchases an annual group general excess-of-loss reinsurance programme that provides up to $2bn of reinsurance cover in a three-layer structure. A further $1bn of 'overspill' reinsurance cover is purchased by the group, taking the total available cover per single loss to $3.1bn. Some 80 global reinsurers participate in the annual International Group reinsurance contract, which protects some 80,000 to 90,000 vessels. These reinsurers spread the risk further through the treaty, retro and capital markets.

But according to Marsh and sister company Guy Carpenter, the reinsurance environment is very challenging and the upcoming renewal will not be easy.

"This is probably one of the most challenging reinsurance markets that any of us on this call have seen for a number of years," Demian Smith, head of mutual, agency and captive reinsurance solutions at Guy Carpenter, told a Marsh webinar update on the International Group reinsurance contract renewal. "This is a significantly

Demian Smith

hard market. The market goes in cycles and ultimately we all need to react to what is happening," he said.

According to Mr Smith, current reinsurance market conditions are "pretty dreadful". The P&I sector has experienced increased frequency and severity of claims, while the wider reinsurance market is reacting to changes in risk that have eroded profitability, he explained.

The cost of reinsurance is determined by a number of factors, including loss records, marine underwriters' expectations of future profitability, and the reinsurance industry's loss record and capacity levels, explained Mr Smith.

P&I clubs and their reinsurers face "potentially significant losses" from a number of marine accidents in recent years. These include the capsized car carrier Golden Ray, the grounding and sinking of the iron-ore transporter Wakashio, and the arrest of the containership MSC Gayane following a seizure of drugs worth $1.3bn by US authorities in 2019. The reinsurance market also anticipates losses from recent incidents, including the blocking of the Suez Canal by the containership Ever Given and the fire and sinking of the containership X-Press Pearl.

"There has been an unusually high number of reported losses within the [International Group] pool recently," said Mr Smith. "There has also been a surprising number of large [non-pool] losses associated with P&I in the past 12 months and reinsurers will ask if this is a trend or an aberration. If it is an aberration, it will take time to demonstrate, and reinsurers would treat it in a very different vein to a trend of ever-increasing liability exposures, frequency and severity of loss," he said.

In addition to marine losses, reinsurers are also being affected by increasing exposures, in particular those related to climate change and systemic losses like cyber or the pandemic.

"The [reinsurance] industry has lost money and return on equity is lower than any reasonable investor would expect, so we see the withdrawal of capacity in certain areas and everyone faces the same challenges of climate change, environmental considerations and systemic risks like cyber and pandemic. As a consequence, the cost of reinsurance globally is going up," Mr Smith said.

Reinsurance rates have increased by double digits for loss-free business in 2021, while price increases have been "significantly larger" for loss-affected contracts, said Mr Smith. "I am afraid everyone is in this together," he said.

Changing social attitudes to the environment are already impacting the cost of marine claims, including higher costs of wreck removal. Extreme weather might also be contributing to marine claims, such as the rise in container losses. According to the World Shipping Council, between more than 2,675 containers were lost in five incidents during December and January. This is double the annual average in just a two-month period.

"World trade is reliant on shipping. It doesn't happen without shipping. And shipping is entirely reliant on P&I to trade globally," said Mr Smith. "P&I clubs are reliant on reinsurance to spread the risk beyond shipowners. This renewal is likely to be challenging for both reinsurers and the International Group as they negotiate," he said.

It is in the best interests of world trade for P&I clubs and reinsurers to work together and find solutions to changes in the risk landscape, according to Mr Smith.

"This has to be a long-term relationship. The International Group contract is more than just another reinsurance contract transaction. For world trade to continue and for large limits to be provided to shipowners, and for shipowners to service us all as individuals and businesses, reinsurers and P&I clubs need to work together in partnership and find solutions to make sure that – on the most cost-effective basis – reinsurance can continue to be provided to shipowners," said Mr Smith.

"However, price will have to respond to changing risk factors. Ultimately, any increases in cost will need to come back to all of us as beneficiaries of world trade, which subsequently affects the shipping market, which may then affect the cost of goods. But if that is what we have to pay in terms of increased liability requirement, and an increased focus on responding to changes in the environment and sustainability, then it is what we have to do," he said. ■

Commercial Risk Online – 10 June 2021

• Energy Transition for Power Sector Creating New Risks Says Willis Towers Watson Review

Power companies are facing key challenges arising from the energy transition and the move to cleaner fossil fuels, according to Willis Towers Watson's 2021 Power Market Review. These include how power companies need to substantially reduce their greenhouse gas (GHG), emissions (referred to as climate change mitigation) as well as ensuring the resilience of their assets and operations to the impacts of climate change (referred to as climate change adaptation).

The review highlights how the industry is embracing the need to meet climate change requirements but also looks at how climate change is presenting unique risks to the sector that must be managed effectively to maintain reliable supply. The review also explores how geopolitical power from energy transition will derive from:

- control of the "green earth" materials needed in the energy transition;
- availability of renewable sources for power production;
- ability to produce and export both power and new low carbon industrial fuels such as hydrogen;
- innovation of new technology, business models and industries and flexibility to the pace of transformation; the flexibility to the pace of transformation as this is likely to be non-linear in form

Other key highlights of the review from an insurance market perspective include:

- Capacity: In 2021, WTW estimates that the global theoretical total has now reduced still further to approximately US$3.25 billion, with the realistic level in the region of US$1.4 billion.
- Losses: Losses for 2020 are more extensive than 2019 with two major Power losses in 2021, totaling US$450 million between them. However, this is not as disastrous as during the period 2015-18.
- Rating levels: Rating increases are now averaging between 15-20% for Property programmes, depending on a variety of factors, including risk profile, premium income volume, spread of risk, loss record and, increasingly, ESG criteria. This represents a slight easing of the hard market but is still far removed from any actual turnaround in rating levels.

Graham Knight

Graham Knight, Head of Global Natural Resources, Willis Towers Watson, said: “In these uncertain times, adapting to the new realities of the energy transition and the move to cleaner fossil fuels is critical for a sustainable future for the power sector. However, it is not a simple matter of an immediate and irreversible switch to renewable energy. It is essential that there remains room for the power sector to adapt and absorb new technologies such as hydrogen and biofuels, rather than face a wholesale abandonment by stakeholders for renewable sources of power such as Wind and Solar.”

He added: “Recent initiatives such as the Climate Transition Pathway accreditation process and the movement from coal to hydrogen are all helping the power sector and its insurance partners adjust to a move to cleaner and more sustainable environment. But it is imperative that buyers and their brokers deliver clarity, transparency, and a renewed engagement with their leading insurers. Only then will they minimise the impact of this challenging market.” . ■

Market News Publishing - June 30, 2021

• *Underinsured drought risk expected to rise with climate change*
By Stuart Collins

The risk of drought is increasing in Europe and across the world, disrupting supply chains and causing losses for agricultural companies and insurers. However, the costs of droughts are often underestimated and largely go uninsured, but growing parametric solutions offer new protection for insureds.

Recent years have seen a number of severe droughts in Europe, the US and other parts of the word, resulting in shortages of some foods, disruption to transport and an increase in wildfires. Such events are expected to become more frequent and severe with climate change, according to a recent report from the UN Office for Disaster Risk Reduction (UNDRR).

“Drought is on the verge of becoming the next pandemic and there is no vaccine to cure it,” said Mami Mizutori, the UN secretary-general’s special representative for disaster risk reduction.

“Drought has directly affected 1.5 billion people so far this century and this number will grow dramatically unless the world gets better at managing this risk and understanding its root causes and taking action to stop them,” he said at the launch of the UNDRD’s global assessment report on drought.

According to the assessment, the cost of drought is seriously underestimated. Economic damage from drought was $124bn globally between 1998 to 2017, while annual losses in the EU and US were €9bn and $6.4bn respectively. The Millennium Drought in Australia cut total agricultural productivity by 18% between 2002 and 2010.

Climate change will increase the frequency and impact of droughts in many parts of the world, including Europe, according to the UNDRD. “There is some confidence that climate change has already led to more-intense and longer meteorological droughts in some regions of the world, notably southern Europe and west Africa. Projections indicate droughts that are more frequent and more severe over wide parts of the world, in particular most of Africa, Central and South America, central Asia, southern Australia, southern Europe, Mexico and the US,” its report states.

While drought has obvious implications for agriculture, it also has indirect economic, political and health effects. For example, drought impacts urban areas and the availability of drinking water. According to UNDRD, 79 megacities have suffered from drought. Large urban centres – including Brisbane, Cape Town and São Paulo – have come close to running out of drinking water.

Water is also essential for power generation, transport and manufacturing. A drought in Taiwan contributed to a global shortage of microchips, while low water levels on the Rhine disrupted supply chains and production in Germany’s industrial heartland.

Droughts are now occurring in regions that are not traditionally associated with shortages of water, such as the UK, Poland and Balkan states, according to Marcel Andriesse, agriculture senior underwriter at Swiss Re. In the last five years, farmers in Europe have repeatedly struggled with low crop yields due to dry springs and summers. The US, north Africa, India, Brazil and Australia have also experienced prolonged drought in recent years, he said.

Crop losses from heatwaves

UNDRR
UN Office for Disaster Risk Reduction

Mami Mizutori

Swiss Re

Marcel Andriesse

and droughts in Europe have tripled in the past 50 years, according to a study by the Nova School of Science and Technology in Lisbon. The report cites the 2018 drought in Europe, which caused grain production to decrease by 8% compared to the five-year average.

The run of droughts in recent years can also be seen in insurance claims. The agricultural insurance sector has been loss-making for the past three years, in large part due to a combination of frosts in spring and drought conditions in the summer, explained Mr Andriesse.

An increase in droughts will not only hurt farmers. It would have implications for food supply chains and potentially cause volatility in commodity prices, he added.

Researchers at Vrije University in the Netherlands recently warned that coffee and chocolate supplies in Europe could be disrupted by droughts affecting producer countries. European imports of palm oil and soybeans were also found to be highly vulnerable to climate change-induced drought.

In many parts of the world, the financial cost of drought is typically born by farmers. State-subsidised crop insurance programmes are available in many countries but often insurers are reluctant to include drought, as the loss adjustment process is challenging and the risks are high, explained Mr Andriesse. Only about a fifth to a quarter of global food production is insured, he said.

However, parametric solutions linked to technology might help fill the protection gap for drought-related exposures. Swiss Re has partnered with global satellite data provider VanderSat to develop a parametric drought insurance product based on a soil moisture deficit index.

Unlike traditional crop insurance, the index-based solution does not require loss adjustment in the field. Swiss Re's index insurance pays out – potentially within days – when the soil moisture deficit reaches a pre-defined level, which is closely linked to the drop in yield that occurs due to drought, explained Mr Andriesse. The product is already available in more than ten countries in Europe and is being extended to Latin America, Africa and Asia. ■

Source: Commercial Risk Online - 28 June 2021

• Can agricultural insurance help guarantee post-pandemic food security?

- **Pandemic-related disruptions and natural disasters resulted in significant crop losses in 2020**
- **Agricultural insurance is seen as a tool to provide growers and governments with more stability**
- **Successful models in India and Kenya provided a blueprint for state and private collaboration**
- **Increased protection seen as key to boosting food security as the effects of climate change grow**

In a world in which radical climatic events are increasingly affecting farm production, agricultural insurance is coming to be seen as a key solution for producers to bolster economic and food security.

The global agriculture industry suffered significantly as a result of Covid-19. Lockdown measures implemented to stop the spread of the virus led to severe labour shortages, with crops often left to rot in fields, while disruptions to local and international supply chains meant that many goods simply never made it to market.

While these factors placed a significant strain on global food supplies, a series of natural disasters compounded the issue.

For example, parts of Africa, the Middle East and Asia experienced the worst locust infestation in decades, decimating yields and resulting in $8.5bn in crop and livestock losses in East Africa alone. This subsequently placed pressure not only on small-scale farming businesses but also local food supplies.
The origins of the infestation dated back to mid-2018, when Cyclone Mekunu passed over vast desert areas on the southern end of the Gulf peninsula and parts of East Africa.

Coming off the back of a severe drought – which itself devastated agricultural production in a number of African countries – the heavy rains associated with the cyclone created the perfect breeding ground for locusts to grow and spread, further highlighting the secondary effects of extreme weather events.

Implementing agriculture insurance

Given that extreme weather patterns are set to grow in regularity, agricultural insurance is increasingly seen as an effective tool to protect farmers from crop-related financial losses, offset agriculture-linked budget volatility and stimulate growth in the sector – particularly in emerging markets where agriculture makes up a significant proportion of GDP.

For example, in sub-Saharan Africa agriculture accounts for 14% of GDP and export crops are an important source of foreign exchange, while the sector is the largest employer across the continent as a whole, meaning that any serious disruption to crops could have detrimental impacts across large sections of society.

Despite its importance, the considerable risk associated with catastrophic agricultural losses has meant that many insurers have hesitated to offer agricultural insurance products in emerging markets.

In light of this, in some cases state authorities have stepped in to help implement broad-based insurance schemes.
For example, a public-private scheme launched in the state of Gujarat in India saw the government subsidise agricultural insurance among small and medium-sized farms. The increased security as a result of the arrangement helped to boost credit flows to farmers, both in terms of coverage and size, from 19% to 27% of the credit portfolio.

Meanwhile, in 2018 the Kenyan government implemented the National Disaster Risk Financing Strategy, which included an initiative that saw agricultural insurance placed together with high-quality inputs and sold to farmers as a package.

Farmers receive insurance payments via mobile money, not only increasing the speed of support but also helping to facilitate financial inclusion for those without bank accounts. It is estimated that more than half a million farmers now partake in the scheme.

Given the huge amount of fiscal support offered to governments, businesses and citizens alike over the course of the pandemic, proponents argue that assistance in establishing or expanding agriculture insurance could provide a stable platform for post-pandemic economic growth in many emerging markets.

Bolstering food security

Many believe that increased insurance coverage could also play a key role in shoring up food security following Covid-19.

At the end of last year, the UN's World Food Programme estimated that the number of people facing acute food insecurity had risen by 82% over the course of 2020, to 270m.

The most dramatic effects have been felt in emerging markets, with the UN highlighting South Sudan, Yemen and northern Nigeria as areas most at risk of dangerously high food insecurity.

The challenges have triggered a series of inter-governmental responses to address the issue, however, with regional solutions developed to ease the flow of critical supplies.

For example, in April last year the GCC implemented an integrated food security network, developed a strategic food reserve and made significant investments in local agriculture.

Elsewhere, the pandemic has sped up the adoption of various measures associated with the African Continental Free Trade Area, among them moves to establish more efficient and agile regional supply chains, while in Latin America a declaration was signed by 26 countries expressing their commitment to safeguarding the agriculture sector in the region. ■

Source: Oxford Business Group (OBG) - 9 June 2021

• AXA to consolidate its Asian and African operations

As part of its "Driving Progress 2023" strategic plan, AXA is bringing together its Asian and African operations. Named AXA Asia & Africa, the new entity is managed by Gordon Watson, current CEO of AXA Asia.

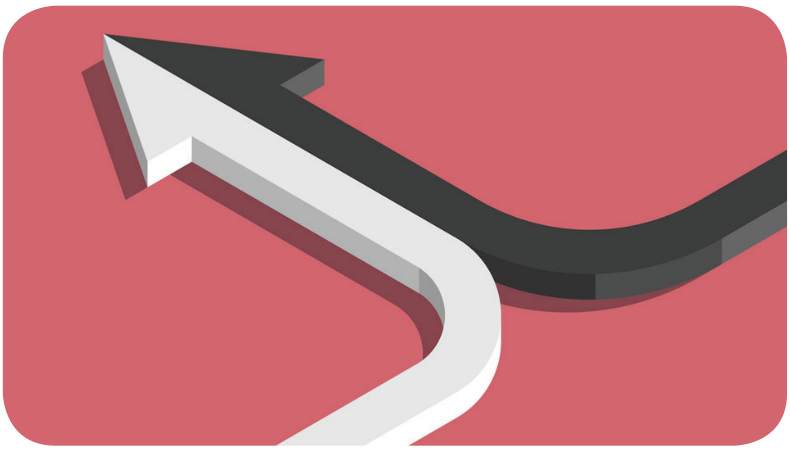
AXA's operations in Asia include Hong Kong, Mainland China, Japan, South Korea, Indonesia, the Philippines and Thailand.

These activities are now linked to those in Africa, the Middle East and other Asian markets: Algeria, Cameroon, Egypt, Gabon, Côte d'Ivoire, Lebanon, Morocco, Nigeria, Senegal, India, Malaysia, Singapore and Vietnam.

AXA Asia and Africa also includes AXA Emerging Customers, a unit focused on closing the protection gap in low-income mass market segments.■

Gordon Watson

Source: Atlas Magazine – 5 July 2021



BOTSWANA

• Botswana Insurance Market: Key View

From 2021 onwards, Botswana's insurance industry is expected to gradually recover from the negative impact of the Covid-19 crisis.

Overall, the industry is set to see higher levels of insurance density and penetration, resulting in stronger premiums growth.

Premiums growth in both the life and non- life markets will be supported by increasing disposable household incomes, improved affordability and relatively low levels of inflation. Nonetheless, economic growth in Botswana is set to be lower than expected due to a decline in global diamond demand, which is likely to put a lid on demand growth for insurance products over the coming years.

Headline Insurance Forecasts (Botswana 2018-2025)

Indicator	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
Gross life premiums written, BWPbn	4.08	3.86	3.96	4.19	4.38	4.60	4.89	5.23
Gross life premiums written, BWP, % y-o-y	9.5	-5.6	2.6	6.0	4.3	5.2	6.2	6.8
Gross life premiums written, USDmn	400.3	358.5	345.3	358.6	348.6	363.7	380.6	411.2
Gross life premiums written, USD, % y-o-y	11.1	-10.4	-3.7	3.9	-2.8	4.3	4.6	8.0
Gross non-life premiums written, BWPbn	1.37	1.50	1.55	1.69	1.82	1.97	2.13	2.31
Gross non-life premiums written, BWP, % y-o-y	8.3	10.0	3.4	8.5	8.0	8.5	8.1	8.2
Gross non-life premiums written, USDmn	133.9	139.7	135.6	144.1	145.0	156.0	166.1	181.7
Gross non-life premiums written, USD, % y-o-y	9.8	4.3	-2.9	6.3	0.6	7.6	6.4	9.4

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

Key Updates and Developments

Life insurance constitutes the largest insurance segment in Botswana, with a stable market share of 69-71% between 2021 and 2025. Premiums growth in the life segment will average 5.7% per annum between 2021 and 2025, which will largely be driven by the growing levels of disposable household incomes. This increases the affordability of and demand for life insurance cover for an increasing share of Botswana's population. In 2025 the life segment should amount to BWP5.2bn (USD411.1mn).

The non-life insurance segment in Botswana is considerably smaller than its life counterpart, accounting for a mere 28.7% of total written insurance premiums in 2021 and 30.7% in 2025. This trend will be driven by the short-term economic impact of the Covid-19 crisis, combined with falling policy prices in the motor vehicle segment and low single-digit growth in the property segment, which are the largest non-life sub-segments.

Together they will account for roughly 50% of total non-life premiums in 2025. Over the long term it is likely that upcoming sub-segments, such as transport, general liability and personal accident insurance, will outpace the motor vehicle and property insurance sub-segments and take up a larger share of the non-life market, supported by households' growing disposable incomes in combination with a growing number of microinsurance offerings.

Botswana: Insurance SWOT Analysis

Strengths	Botswana has one of the most developed life sectors in Sub-Saharan Africa, with per capita premiums estimated at USD149.6 in 2021. Innovation, especially in the life segment, is improving accessibility. There is general discipline in underwriting, supported by a sound regulatory environment.
Weaknesses	The Botswana market suffers a lack of scale, which is somewhat mitigated by the fact that many insurers see their businesses in the country as being part of a larger regional operation. There is a comparative lack of insurable corporate/institutional risks. Widespread poverty will continue to limit demand for a range of life and non-life products.
Opportunities	Innovative distribution strategies, particularly in the life segment, are an ongoing opportunity. The continued education of non-users of insurance and growth in financial inclusion could lead to new business sales. The microinsurance segment could be further developed.
Threats	Profitability is mixed, especially in the non-life segment, amid heavy competition. Botswana has a lack of size and liquidity in domestic financial markets. As a very small and open country that depends heavily on volatile export segments, Botswana's economic sectors are extremely vulnerable to swings in global economic growth and commodity prices.

Business Monitor International – 26 April 2021 ■

ETHIOPEA

• Ethiopia Insurance Competitive Landscape

As with banking, foreign investors are barred from Ethiopia's insurance market, meaning the competitive landscape comprises domestic providers only, in contrast to many other regional markets. As of February 2021, there are 17 private insurance providers listed with the National Bank of Ethiopia (NBE). These mostly provide non-life products, particularly third-party motor vehicle cover.

Latest Developments:

According to the NBE's latest annual report (2019/20), the number of insurance companies increased over the year by one. In consequence, the network of branches increased by 37 to 605 over the same time period.

The sector is largely private-owned, with the share of public-owned entities standing at 29.3% of total capital, a reduction from the previous year's 31.7% (latest available data). The largest single company by far is the state-owned Ethiopian Insurance Corporation (EIC). As of 2020, 54.4% of insurance branches are based in Addis Ababa and 85.1% of branches are private.

Insurance penetration, estimated at 0.4% in 2017 by PWC (the last available data), and awareness levels remain low.

A World Bank working paper, entitled 'What people want: investigating inclusive insurance demand in Ethiopia', published in 2018 highlighted that the main concerns for Ethiopian households were loss of crops or livestock, expensive medical care for major illness and the loss of the main household breadwinner.

There was a general acknowledgement in the focus groups held in Ethiopia to gather data that insurance product prototypes to provide cash for hospital admission as well as life insurance product prototypes would be very worthwhile to pay premiums for.

While the results of this study showed that educational awareness levels of insurance products were very low in the country, so were the levels of negative bias towards such (with high levels of bias being a problem in many low income countries). Participants in the focus groups expressed that if they were to invest in insurance products, they would be more willing to do so from formal financial services providers.

Ethiopia Insurance Companies by Size

Insurance Company	Branches	Capital, ETBmn
Ethiopian Insurance Corporation	88	2,596.00
Awash Insurance Company	47	1,161.00
Nyala Insurance Company	31	801
United Insurance Company	38	601
Nile Insurance Company	41	490
Nib Insurance Company	41	468
Oromia Insurance Company	40	363
Africa Insurance Company	28	294
Abay Insurance	26	266
Lion Insurance Company	34	170
Global Insurance Company	19	165
National Insurance Company of Ethiopia	39	157
Tsehay Insurance	23	154
Ethio-Life Insurance	21	144
Bunna Insurance	20	140
Lucy	16	133
Berhan Insurance	15	130

Note: Data accurate as of June 30 2019 (latest available). Source: NBE

The EIC was established in 1976 and enjoyed a market monopoly on all forms of insurance until 1994, when the market was opened up to private investors. As of the end of June 2019, NBE data show that EIC had 88 branches across the country and total capital stood at ETB2,596mn - almost double the size of the second largest insurer **Awash Insurance Company** (ETB1,161mn). EIC offers a wide range of products in both the life and non-life segments, and continues to grow strongly, benefiting from its scale and dominant position.

Life Insurance

While there are no restrictions on composite insurers (ie, one firm can provide both life and non-life insurance), many firms have not yet expanded into life insurance in light of the small volume of premiums written and limited market demand. Private firms that now provide life insurance products include **Ethio Life and General Insurance, Awash Insurance, Nyala Insurance, Nile Insurance, United Insurance, National Insurance of Ethiopia, Oromia Insurance and Nib Insurance**.

Awash Insurance is the largest private insurance provider in the market, although, in terms of capital, it is half the size of EIC.While relatively underdeveloped, Ethiopia's life insurance market has significant growth potential. The country is home to a large population of approximately 114.9mn in 2020, up from an estimated 112mn in 2019. By 2029, we expect the country's population to reach just below 142mn.

The life sector's small current penetration (premiums against GDP) and density (premiums per capita) suggest that the overwhelming majority of the population lacks any form of life coverage. As Ethiopia's economy expands and diversifies, formal employment opportunities will grow and a larger middle class will emerge, which we expect will boost demand for life insurance. However, there are currently fewer than 10 life insurance providers in the country, and the prohibition on foreign participation in financial services will likely weigh on the sector's ability to expand over the coming years

Non-Life Insurance

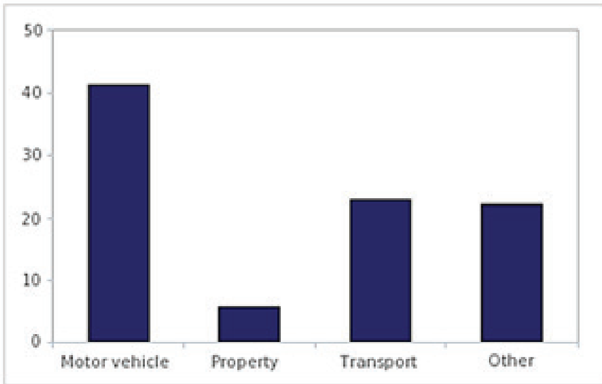
The non-life segment is more developed, but still small by regional standards. Similar to most emerging markets, basic lines dominate the non-life sector in Ethiopia and will continue to do so for the foreseeable future. Coverage levels are low and there is scope for rapid growth as the market develops and matures.

Takaful insurance (Islamic insurance) is a potential growth area. In recent years there has also been an emergence of more niche and innovative products, such as in the agricultural sector to protect farmers from drought and other natural disasters. Ethiopia - Non-Life Premiums Written
by Sub-Sector, USDmn (2021f)

Moving forward, the barriers to foreign entry mean that we do not expect to see any significant new entrants to the Ethiopian life or non-life insurance markets, although there is potential for small domestic firms to begin operations, leading to increased fragmentation in the competitive landscape. Should Ethiopia remove restrictions to foreign entry, we expect to see significant interest from both regional providers and global firms that have already established a strong presence in African markets (such as **Old Mutual** and **Sanlam**).

Ethiopia, with a large and young population, offers significant growth potential and there is scope for the life market to show robust growth over the longer term.

Ethiopia - Non-Life Premiums Written by Sub-Sector, USDmn (2021f)



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

Ethiopia: Insurance SWOT Analysis

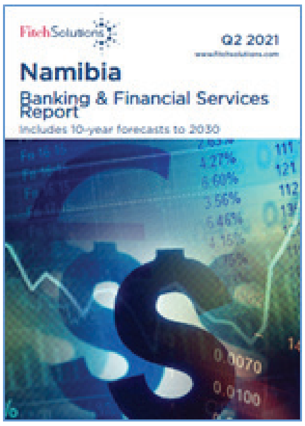
Strengths	Ethiopia is one of the larger economies in Africa, by overall GDP. Its economy is relatively diversified and continues to grow robustly. Several domestic insurers have a solid presence in the market, particularly for basic motor insurance lines. The infrastructure pipeline is robust and slated for healthy growth.
Weaknesses	The market remains closed to international providers, with few options for overseas investors. Uptake of formal banking services is limited, hindering demand for various non-life and life products. Home and vehicle ownership are low, even by Sub-Saharan Africa standards, limiting the use of household insurance products. The market is dominated by small domestic firms with limited capital. Ethnic and sectarian violence remains potent in the country.
Opportunities	There is potential for microinsurance products to gain prominence in a low-income market. Takaful insurance could also prove a growth area. There is growth in the use of mobile banking technology, which is being used by insurers. The opening up of the market to overseas firms, though unlikely, would be a potential game changer. A robust infrastructure pipeline will support overall growth and underpin premium expansion.
Threats	State control of the banking sector is extensive and barriers to foreign investment remain. Ethiopia's dependence on Chinese foreign investment exposes the country to risks generated by China's economic slowdown. Rising political risk. Ethiopia's security forces violently suppressed dissent in late 2020, and further discontent could well transpire in the future. Currency volatility will remain a constant challenge to the economic environment.

Business Monitor Online - 23 Nov 2020 & 10 March 2021 ■

NAMIBIA

• *Namibia Insurance Competitive Landscape*

By Fitch Solutions

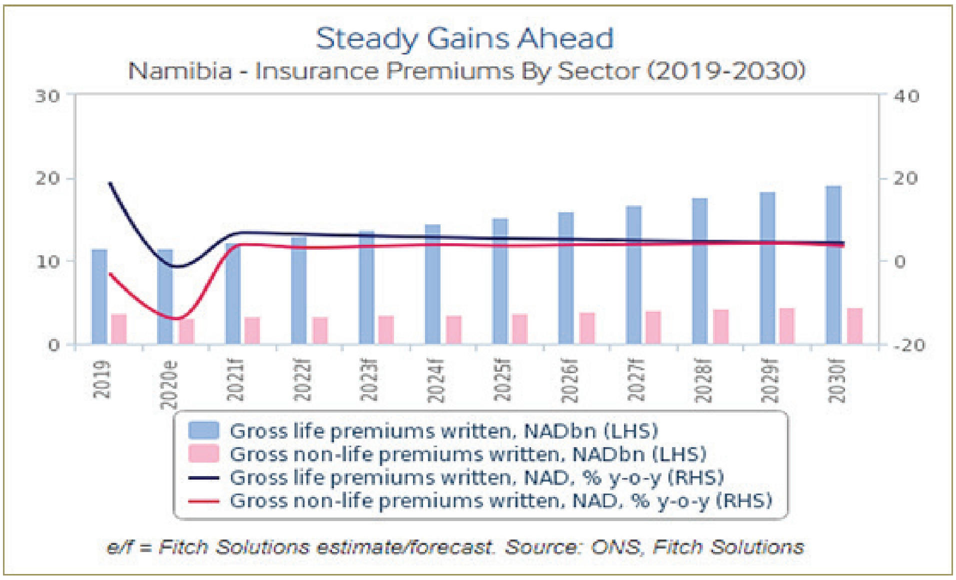


Fitch Key View:

Namibia's insurance market will continue to be a tough market for local business to enter as the small market remains dominated by South African companies. However, an expected uplift in economic output will support premium growth in both life and non-life products although the main downside risk comes from the chance of an extended period of the 2020 economic downturn into 2021.While Namibia's insurance market is well-established, it is highly concentrated. According to the Namibia Financial Institutions Supervisory Authority (NAMFISA), the long-term life insurance industry comprised 16 insurers and one reinsurer as of April 2021.

The outlook for Namibia's insurance sector from 2021 onwards has brightened in line with our expectations for economic growth, greater foreign investment and improved commercial sector activity, all of which will combine to support positive premium growth. Meanwhile, we continue to expect life insurance growth will outpace non-life premiums' increase over the medium term through to 2025.

NAMFISA
NAMIBIA FINANCIAL INSTITUTIONS SUPERVISORY AUTHORITY



Latest Trends and Developments

- Fitch forecasts growth in insurance premiums from 2021, with life insurance expanding by 6.7% in 2021 and non-life insurance growing by 3.9%, unchanged from our previous forecast and supported by a positive economic trend and as the major headline economic shocks that plagued the country over the last four years subside. Downside risks to our outlook stem from the possibility that the 2020 recessionary environment extends into 2021.
- In April 2021, NAMFISA's chief executive officer Kenneth Matamola said there is a growing requirement for agricultural insurance in Namibia, to mitigate against the risk of climate change, particularly for communal farmers. NAMFISA is working towards the introduction of an agriculture index-based insurance.
- According to the Q320 NAMFISA quarterly report, the funeral and credit life class of insurance contributed significantly to the new policies underwritten during the period while the overall year-on-year gross premiums decline recorded by NAMFISA during that same period was largely due to a significant reduction in new business during the period under review.
- At present, we see little scope for foreign investors into Namibia's insurance industry due to the strength of the South African majors and the limited size of the market. However, it is possible there may be some room for market consolidation as evidenced by Momentum Metropolitan Holdings Limited's acquisitions of Quanta Insurance and Alexander Forbes Namibia.
- In the non-life segment, we continue to expect that personal accident insurance, property cover and automotive insurance will be driven by strong commercial and business demand as enterprise activity heats up amid an improving operating climate.

Kenneth Matamola

Gross Insurance Premiums Written (Namibia 2019-2024)

Indicator	2019	2020e	2021f	2022f	2023f	2024f
Total gross premiums written, NADbn	15.31	14.62	15.51	16.38	17.26	18.17
Total gross premiums written, NAD, % y-o-y	12.8	-4.5	6.1	5.6	5.4	5.2
Gross life premiums written, NADbn	11.64	11.46	12.23	12.99	13.76	14.53
Gross life premiums written, NAD, % y-o-y	18.9	-1.5	6.7	6.3	5.9	5.6
Gross non-life premiums written, NADbn	3.67	3.16	3.28	3.38	3.50	3.63
Gross non-life premiums written, NAD, % y-o-y	-3.0	-14.0	3.9	3.1	3.5	3.8

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

Gross Insurance Premiums Written (Namibia 2025-2030)

Indicator	2025f	2026f	2027f	2028f	2029f	2030f
Total gross premiums written, NADbn	19.07	19.99	20.92	21.87	22.83	23.77
Total gross premiums written, NAD, % y-o-y	5.0	4.8	4.7	4.5	4.4	4.1
Gross life premiums written, NADbn	15.31	16.08	16.86	17.64	18.42	19.21
Gross life premiums written, NAD, % y-o-y	5.3	5.1	4.8	4.6	4.4	4.3
Gross non-life premiums written, NADbn	3.77	3.91	4.06	4.23	4.41	4.56
Gross non-life premiums written, NAD, % y-o-y	3.6	3.8	3.9	4.1	4.2	3.5

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

Life insurance

Namibia's insurance market is already relatively well established. At an estimated 8.2% of GDP and USD347 per capita in 2020, life penetration and density in Namibia are high by Sub-Saharan Africa standards. The top five long-term insurance companies represent nearly 90% of total life premiums written. Given the concentrated nature of the sector, it is not surprising that there is little or no competition for market share, with companies preferring to adopt a more conservative strategy and few firms aggressively competing on price.The market is dominated by South African companies such as **Sanlam, Old Mutual** and **Liberty**.

We note that most of the South African life insurance companies that have a footprint across the whole of Sub-Saharan Africa consider Namibia as a country in which they can, and should, have a presence.

Namibia's economy is driven by similar factors to South Africa's, namely commodity price trends. The country's fairly volatile economic environment, combined with elevated unemployment and slow growth in household incomes, has meant that the ability of clients to put aside money for organised savings has been constrained. Furthermore, the provision of long-term savings is complicated by the prevalence of HIV/AIDS, although a number of companies have developed products and business strategies to compensate.Between early 2017 and early 2018, several of the South African majors made changes involving scaling back operations outside the home market. **Old Mutual** reduced holdings in India and Italy in 2017, while **MMIHoldings** also reduced its operations outside its home market (ie, in the rest of Africa and the UK). However, with **Namibia** viewed by many as a satellite of the South African market, given the strong links between the two economies, the overall impact of these strategic shifts should not be too dramatic. MMI recently expanded its business portfolio with the acquisition of a 70% stake in non-life local company Quanta Insurance and subsequently rebranded to launch **Momentum Short-Term Insurance** in April 2018. Meanwhile, in June 2018 Old Mutual listed on the South Africa, **Namibia**, Malawi and Zimbabwe stock exchanges, as part of a restructuring that enabled it to focus on growth as a pan-African company. Furthermore, in April 2019, **Liberty Life Namibia** acquired boutique retirement fund **Specialist Administration Services**, seeking to extend its presence in the country beyond **insurance**.

Namibia's domestic player, Trustco, employs a strategy that is the opposite of its South African-backed rivals. Trustco already reaches over 50% of the working population with its microinsurance, microfinance and educational offerings. It has been making arrangements to provide microinsurance products to South Africa, having exited the claims-processing business in that country. However, other companies are adapting: in April 2019, Sanlam launched a new flexible life insurance plan offering cover up to NAD-5mn, free cover after the age of 65 and a guaranteed 20% cashback payment on premiums paid after five years.

Currently, we do not foresee many future developments from the current state of the competitive landscape of Namibia's life market. The local subsidiaries of South Africa's world class life insurance majors have been operating effectively in Namibia for so long that there are very few households in middle- and upper-income groups who are not, in one way or another, already clients. In addition, widespread poverty in rural areas also means that there is little scope for significant expansion, at least over the short-to-medium term.

Non-Life Insurance

According to NAMFISA, by the end of Q320, there were 16 registered insurance companies in the short-term non-life **insurance** industry. Total assets reached NAD6.4bn as at the end of Q320, a 0.2% decline from Q220 and a larger, 8.7% drop compared with Q319.In terms of medical aid funds, NAMFISA data show 10 were registered as of April 2021. Total assets for medical aid funds increased by 2.8% to NAD2.2bn in Q320 compared with Q120 and were 14.1% higher than Q319.Similar to the life insurance segment, Namibia's non-life market is characterised by the dominant presence of South African local subsidiaries.

Hollard, a prime example of this, offers a wide range of personal and business lines. **Metropolitan**, one of the main units of MMI, did offer non-life insurance solutions to the Namibian market for nearly 40 years, but a local subsidiary was formally established in late 1996. **Mutual & Federal** provides personal, business and agricultural non-life products in Namibia. **Old Mutual's** emerging markets business has a significant presence in Namibia, providing a variety of personal, business and asset management solutions.

OUTsurance Namibia is a local non-life group that is owned by the eponymous group in South Africa and **FNB Namibia**. It offers auto-related, domestic and business products. **Santam**, which has had a pres-

Namibian Competition Commission

ence in the Namibian market since 1956, offers a broad variety of long-term wealth management products, including personal portfolios, unit trusts and individual risk products with a market share of around 30%.Leading domestic player **Trustco** has pioneered the market niche for microinsurance (plus microfinance and educational services), **reporting** rapid growth in client numbers after the promotion of its mobile phone-based microinsurance product, in partnership with a major retailing group. However, the group has since suffered during the country's economic downturn.

In November 2017, **Trustco Group Holdings** announced that it would sell 20% of its wholly-owned subsidiary **Legal Shield** (which owns **Trustco Insurance** and **Trustco Life**) to **Riskowitz Value Fund**, a US-based fund manager, the deal went ahead and **TrustcoGroup Holdings** retained ownership of the remaining 80%.

More recently in March 2020, **Conduit Capital** became part of **Trustco Group Holdings**, after agreeing to issue shares to acquire that Trustco subsidiary, **Legal Shield**.In contrast with the life market, where a lack of price competition discouraged potential (foreign) investors to enter the market, non-life insurance is characterised by a more favourable competitive environment with low entry barriers, where new entrants will be able to compete effectively with the incumbents. The potential for mobile-based microinsurance products among the country's large low-income population could also draw in new players.

Their biggest competitive disadvantage, however, may be their comparatively limited knowledge of the local market, though this can be overcome through the use of strategic distribution agreements with local companies in, for example, the retail sector, which will enable newcomers to tap into established networks of customers.

The Namibian Competition Commission (NaCC) found evidence in August 2018 that insurance companies had engaged in a form of price fixing. A preliminary investigation alleged that collusion had taken place in the form of insurers setting maximum mark-up rates that car repair specialists can charge for panel beating, as well as for labour rates. Insurers identified as potential transgressors by the NaCC were **Sanlam Namibia, Alexander Forbes, Hollard, Old Mutual, Outsurance** and **Phoenix Insurance**, although the organisation emphasised that its findings were only preliminary. ■

Business Monitor Online - 5 Feb & 6 May 2021

NIGERIA

• 18m uninsured Nigerians want micro-insurance – EFInA

By Chiamaka Ajeamo

Results from the Enhancing Financial Innovation and Access (EFInA) 2020 survey on Access to Financial Services in Nigeria have revealed that only 2 per cent of adult Nigerians are insured and have any form of insurance, while 18 million are uninsured.

Interestingly, the report has it that the 18 million uninsured have shown interest in micro-insurance hence, this presents a door of opportunity for micro underwriters to expand their customer base and generally boost insurance penetration level in the country.

Highlighting reasons for the lack of insurance adoption by Nigerians, the report disclosed that some respondents blamed low disposable income, ignorance of the benefits of insurance, not considered as a priority and lack of target-oriented products and services to suit their specific needs.

"The truth is that most insurance products that we have currently do not address the needs that we have in Nigeria. As the country is evolving, there is a need for insurance companies to adjust products to meet demand," Ayokunle Olubunmi, Head, Financial Institutions, Agusto & Co., said.

Experts on several forums have affirmed that insurance serves as a critical tool for not only reducing poverty but also for assisting those who emerge from poverty to manage their risk to avoid sliding back into poverty.

This is important because of the financial uncertainties that provoke poverty are better managed with insurance. But despite the important role the industry plays, it is appalling to know that its uptake is extremely low in Nigeria; a country with a vibrant population.

Consequently, this has kept insurance penetration rate in the country at less than 1 per cent in the last decade.

According to EFInA's data that put Nigeria's adult population at 106 million (18 years and above), 103 million are outside the insurance adoption as only 2 per cent or 2 million adults were insured as of 2020. "Only 2 per cent of Nigerian adults are insured, but 18 million uninsured adults say they would be interested in microinsurance. Out of the 40 per cent insurance inclusion target set by the Central Bank of Nigeria (CBN) for 2020, only 2 per cent was achieved as the target fell short by 38 per cent," Ashley Immanuel, CEO of EFInA, said.

Only recently, Mr. Jim Ovia, Founder/Chairman of Zenith


Ayokunle Olubunmi


Ashley Immanuel


Jim Ovia

Bank Plc, in a statement explaining why majority of Nigerians do not see insurance policy as a priority, said that the principal issue, “we see in the Nigerian market is that per capita income of the people is very low and people tend not to take insurance as a priority against other things related to them”.
The above corroborates the fact the 18 million uninsured adult Nigerians told EFInA of their interest in microinsurance products and services.

Meanwhile, the high cost of living in Nigeria which is not matched by the country’s per capita income due to the fragile economic growth has remained lower than the population growth rate since 2015, meaning that more Nigerians are becoming poorer, the report stated.
“With the unemployment rate at a record high of 33.3 per cent in the fourth quarter of 2020, and a population growth rate at an average of 3 per cent per annum, Nigeria’s 2021 first-quarter Gross Domestic Product (GDP) growth of a paltry 0.51 per cent is anything but undesirable.

“Inflation rate which measures the rate at which the prices of goods and service increase in Nigeria eased to18.12 per cent in April down slightly from a four year high of 18.17 per cent in March.

Before Covid-19, about 80 million of Nigeria’s 200 million people lived on less than the equivalent of $1.90 a day. The pandemic and population growth could see that figure rise to almost 100 million by 2023, says the World Bank.

“While the impact of COVID-19 is easily attributed to the recent economic woes in Nigeria, an evaluation of the country’s macro-economic indicators before the pandemic shows Nigeria was grappling with low growth before the pandemic triggered a recession and created large financing gaps, including dollar shortages and inflation.
“Economic growth in Africa’s most populous nation averaged 1.2 per cent between 2015 and 2020. The problem with that is the population grew two times faster at an average of 2.6 per cent per year.

Notwithstanding the low opportunity for many Nigerians to boost their income level, analysts advise that insurance; a vital financial service should be seen by Nigerians as a priority because it assists to mitigate risks, enhance financial stability, improve trade and commerce activities that can result in sustainable economic growth and development.

The report further disclosed that, access to basic financial services like a savings account, credit and insurance means that a country is financially included adding that; Nigeria recorded a 64.1 per cent financial inclusion rate in 2020, representing a 35.9 per cent or 38.1 million adults, an increase from the 36.6 million in 2018 that were excluded.

"A higher exclusion rate in Nigeria could lead to a poorer population as lack of access to credit and insurance puts them at an economic disadvantage."

Analysts who have understudied the insurance market have stressed that microinsurance can be explored to further boost its penetration due to its suitability to educating and building trust among Nigerians.

According to the Head, Coronation Research, Guy Czartoryski, "For the insurance sector to experience radical growth, the lessons learnt from India and Ghana where insurance was rolled out to tens of millions of people on micro basis must be domesticated in Nigeria".

Czartoryski, while noting that microinsurance serves as a crucial tool for increased insurance penetration, recalled that India's 3.69 per cent penetration and Ghana's Compound Annual Growth Rate (CAGR) of 6.9 per cent between 2013 to 2017, were achieved out of robust micro-insurance policies adopted by both countries.

He added that the roll-out of micro-insurance with the aim of developing financial inclusion was crucial to familiarising and educating the Nigerian market about insurance products, stressing that this would be critical to the sector's growth and contribution to GDP.

Already, the National Insurance Commission (NAICOM), Nigeria's insurance regulatory body, in its revised micro-insurance guidelines which took effect from January 2018, defined micro-insurance as a form of insurance developed for low-income populations, with low valued policies provided by licensed institutions, run in accordance with generally accepted insurance principles and funded by premiums.

"Microinsurance products are insurance products that are designed to be appropriate for the low-income market, low valued policies, micro and small-scale enterprises in relation to cost, terms, coverage, and delivery mechanism," the Commission stated. Basically, micro-insurance can cover any insurable risk, including illness, accident, death, property damage, unemployment and others at a fair price for low-income earners.

The guideline further stated that "for a national microinsurer, the minimum capital base is N600 million, while the general business will be N400 million, with life practitioners requiring N200 million.

For a state microinsurer, the minimum capital base is N100 million, with general business operating with N60 million, and the life arm having N40 million.

A unit microinsurer, on the other hand, must have a minimum capital base of N40 million; with the general arm functioning with N25 million, and the life arm operating with N15 million".

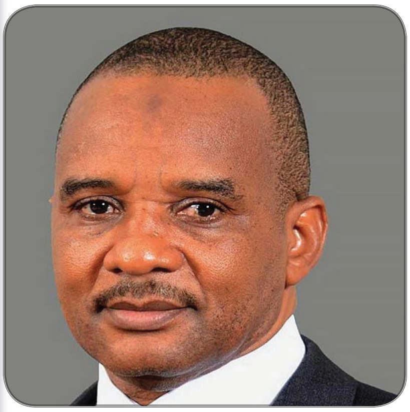
Guy Czartoryski

For insurance experts, the opportunities arising from micro-insurance is not limited to increased insurance penetration, but also include the provision of social benefits, reduction of poverty and ease of securing small business loans.

The post 18m uninsured Nigerians want micro-insurance –EFInA appeared first on The Sun Nigeria. ■

The Sun (Nigeria) – 24 June 2021

• *Nigeria wants removal of War Risk Insurance for Gulf of Guinea*



Bashir Jamoh

Nigerian authorities are lobbying for the removal of the war risk insurance required for cargo vessels that call at the country's ports, a surplus demanded because of the enormous growth in recent years of kidnapping incidents on vessels transiting the Gulf of Guinea.

The Nigerian Maritime Administration and Safety Agency (Nimasa) Director General Bashir Jamoh called on the international shipping community to remove the premiums. He said that the country had demonstrated enough commitment towards tackling maritime insecurity in its territorial waters and the wider Gulf of Guinea. "We therefore invite the international shipping community to rethink the issue of war risk insurance on cargo bound for our ports," he said.
Nigeria has heavily publicized its intentions to reduce the degree of piracy, with kidnappers throughout the Gulf tending to use parts of Nigeria upriver to hold on to kidnapped seafarers. The country recently formally launched the Integrated National Security and Waterways Protection Infrastructure, also known as the Deep Blue Project. Jamoh said that this was a clear commitment that Nigeria was tackling the piracy menace along its coasts.

Nigeria said that it had invested $195m to acquire military and law enforcement infrastructure to secure its maritime domain along the Gulf of Guinea. "Since the deployment of the deep blue project assets in February, there has been a steady decline in piracy attacks in the Nigerian waters on a monthly basis," Jamoh said.
Marine insurers were claimed to be continuing to insist on very high premiums for ships conveying cargo to Nigeria.

Oceans Beyond Piracy's 2020 report indicated that the total cost of additional war risk area premiums incurred by Nigeria-bound ships transiting the Gulf of Guinea was $55m in 2020, while the 35% of ships transiting the area also carried additional kidnap and ransom insurance totalling $100m.

However, from January to March this year the Gulf of Guinea accounted for 43% of global piracy incidents. The pleas from the Nigerian authorities looked likely to obtain a "wait and see" response from insurers, who are unlikely to drastically drop rates based on a three-month decline. ■

Source: Marine News – 30 June 2021

MOROCCO

• Ranking of Moroccan insurers according to 2020 turnover

Figures in thousands

Rank	Companies	Turnover 2020		Turnover 2019		2019-2020 evolution*	2020 market shares
		MAD	USD	MAD	USD		
1	Wafa Assurance	8374200	929704	8853000	912390	-5.41%	18.49%
2	RMA	6876000	763374	6816000	702457	0.88%	15.18%
3	Mutuelle Taamine Chaabi	5787300	642506	5123200	527997	12.96%	12.78%
4	Saham Assurance	5126000	569089	5422400	558833	-5.47%	11.32%
5	AtlantaSanad**	4937600	548172	4840700	498883	2.00%	10.90%
6	Axa Assurance Maroc	4871700	540856	4645200	478734	4.88%	10.76%
7	Marocaine Vie	2158200	239603	2267600	233699	-4.82%	4.76%
8	MCMA	1798000	199614	1541200	158836	16.66%	3.97%
9	Allianz Assurance Maroc	1572300	174557	1479900	152518	6.24%	3.47%
10	MAMDA	1092500	121289	1034600	106626	5.60%	2.41%
11	CAT	694100	77059	693000	71421	0.16%	1.53%
12	Maroc Assistance Internationale	561500	62338	568100	58548	-1.16%	1.24%
13	MATU	462300	51325	416600	42935	10.97%	1.02%
14	Saham Assistance	325800	36170	471700	48613	-30.93%	0.72%
15	Wafa Ima Assistance	258300	28676	281400	29001	-8.21%	0.57%
16	Euler Hermes ACMAR	136300	15132	144900	14933	-5.94%	0.30%
17	RMA Assistance	109200	12123	113100	11656	-3.45%	0.24%
18	Coface Maroc	81100	9004	62700	6462	29.35%	0.18%
19	Axa Assistance Maroc	47000	5218	86900	8956	-45.91%	0.10%
20	Smaex	27500	3053	39800	4102	-30.90%	0.06%
Total		45296900	5028862	44902000	4627600	0.88%	100%

* Growth rate in local currency
** Entity born from the merger between Atlanta and Sanad
Exchange rate as at 12/31/2019: 1 MAD = 0.10306 USD
Exchange rate as at 12/31/2020: 1 MAD = 0.11102 USD

Atlas Magazine – 6 July 2021 ■

SOUTH AFRICA

• Rail system operator gets over $20 million in BI payout

South African engineering and mining contractor Murray and Roberts Holdings Ltd. has received 285 million South African rand ($20.14 million) in business disruption insurance payout for low ridership on its Gautrain rail system and resulting losses due to the COVID-19 induced lockdowns, MoneyWeb reported.

M&R has used the proceeds from the payout to repay some of the high-interest debt in the Bombela Concession Co.

Pty Ltd. which is partially owned by M&R, and is responsible for operating and maintaining the Gautrain. ■

Business Insurance - 30 June 2021

• SCR opens a representative office in Johannesburg

As part of its international development strategy, Société Centrale de Réassurance (SCR) has opened a representative office in Johannesburg, South Africa.

This new office, to be headed by Stephan Lewin, allows SCR to strengthen its position in Southern Africa. SCR already operates in Rwanda, Côte d'Ivoire and Egypt. ■

Atlas Magazine – 7 July 2021

SUDAN

• *A closer look at the Investment Act of 2021*

Mahmoud Bassiouny, Yassir Ali, Nadia Abdallah and Amgad Nagy of Matouk Bassiouny consider how Sudan's new investment law is set up to help facilitate greater investment from domestic and international sources.

Matouk Bassiouny
matoukbassiouny.com

The Republic of Sudan is moving forward to attract the attention of national and foreign investors. On December 14 2020, Sudan was officially removed from the US's 'State Sponsors of Terrorism' list. This was further followed by an announcement from the President of France, Emanuel Macron, of the cancellation of $5 billion from Sudan's debt on May 17 2021.

In light of the improvement of the Sudanese national economy, Sudan has published several new legislations to set out a more flexible and effective legal framework. This includes, among others, the new Investment Encouragement Act, 2021 issued on April 11 2021 (the New Investment Act) cancelling the previous Investment Act, 2013 (the Old Investment Act), the Public Private Partnership Act, 2021, and the new Banking Act, 2021.

The New Investment Act introduces new provisions, establishes additional investment authorities, and adopts advanced concepts as explained below. The New Investment Act maintains the following types of projects, which were regulated under the Old Investment Act, while providing further clarification in relation to the definition of each of them:

- **State project**: any investment project established in Sudan in accordance with the requirements set forth by the newly established Investment and Private Sector Development Authority (Authority) in which the conditions of the national project do not apply;
- **Investment project**: any economic activity licensed by virtue of the New Investment Act;
- **National project**: any cross-border investment project between different Sudanese states which is based on the investment, exploitation of the natural resources, or underground national resources, or participated in by the state, which affects the domestic communities, or controls strategic products and services of the state including, foreign investment; and
- **Strategic project**: a project established by virtue of an agreement with the government of Sudan.

The New Investment Act aims to prepare the investment environment to attract investments in line with the targets and priorities of Sudan, as well as increasing the economic growth rate, creating job opportunities, and exploiting natural and human resources. In light of these purposes, investments projects shall follow the general principles provided under Article 5 of the New Investment Act. Among others, this includes meeting the needs of the local and regional market, supporting and developing entrepreneurship, creativity, as well as emerging, small, and medium companies, in addition to protecting the environment and public health, and encouraging scientific research and using modern technology in different production sectors.

New investment authorities

The Authority

The New Investment Act establishes the Authority for Investment, Development of Private Sector and Units subject to the Supervision thereof (the Authority) which enjoys most of the competences previously vested in the High Authority established under the Old Investment Act. The Authority shall be constituted by virtue of a Prime Minister decree and headed by the Minster of Investment, and shall supervise the following units:

- The investment encouragement and progressing investor services unit;
- The public and private sectors partnership unit:
- The market and free zones unit: and
- The leading small and medium companies (Article 6).

The Authority is the supreme authority in charge of investments-related matters. Its powers, which are listed under the New Investment Act, include, without limitation:

- Approving the general policies, strategies, plans, and programs required to achieve investment purposes and following up on the execution thereof;
- Revising laws related to investment; and
- Cooperating with the investment-related authorities (Article 7).

The Operation Rooms

The New Investment Act provides that the Minister of Investment shall establish:

- The ‘Investment Lands Operation Room’ for the purposes of cooperating with the relevant Sudanese state to determine the lands designated for investment; and
- The ‘State Investments Operation Room’ to cooperate between the Ministry of Investment and foreign cooperation (Ministry of Investment) and the Sudanese states to achieve the purpose of national investment (Articles 13 and 14).

The Insurance Guarantee Company

The New Investment Act provides for the incorporation of a company to guarantee insurance of national and foreign investment (the Insurance Guarantee Company) in accordance with the Companies Act of 2015. The purpose of the Insurance Guarantee Company shall include insurance against:

- The risk of currency conversion;
- The risk of confiscation and nationalisation:
- The risk of war, social dispute, and civil rebellion;
- The risk of terminating a contract in violation of the law; and
- Non-commercial risks pursuant to the relevant international conventions (Article 27.1).

The insurance of a project may be undertaken by the investor in consideration for annual instalments fixed under the company's articles of association. The Ministry of Investment may participate in the insurance through instalments fixed pursuant to its discretionary power, such participation is made by the means of a set-off through deduction from the obligations of the project toward the state of Sudan (Article 27).

The Insurance Guarantee Company has the right to proceed with reinsurance activities with international Arabic institutions, in which Sudan is a party (Article 27.3).

Investment incentives and social liability

Investment incentives and privileges

All investments in Sudan enjoy fair and equitable treatment. Investment projects that ascertain economic interests benefit from, among others, the following privileges.

Privileges

Foreign investors enjoy accommodation in Sudan for the duration of the project. Further, no fees shall apply on projects except by virtue of an approval of the Ministry of Investment. Accordingly, the Ministry of Investment shall fix the fees thus promoting competition between investments in Sudan.

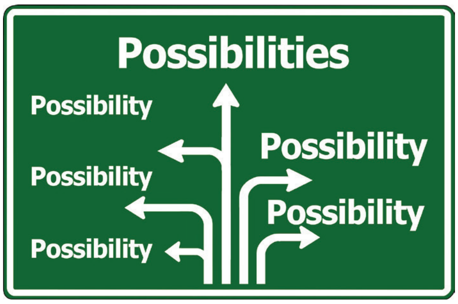
Customs and taxes exemptions

The New Investment Act provides for an exemption from the following customs duties: (i) the fee applicable to the capital required for the setup and preparations of a project; and (ii) on specific transportation as determined by the regulations.

Furthermore, an investment project is exempt from business profit tax for a period not exceeding five years from the commercial production date in accordance with the regulations. It is expected that the exemption period will be fixed on a case-by-case basis within the limit of five years from the commercial production date. The investment project is also exempt from value added tax (VAT) in accordance with the list approved by the Ministry of Investment.

Allocating the land

The Investment Lands Operation Room shall prepare the project land in cooperation with the Sudanese states, and fix the general and specific requirements of each project with regard to allocating the project land. The duration of contracts over investment lands is three years subject to renewal with the license as determined by the regulations.



Preferential incentives

The Authority may grant additional privileges for projects in accordance with the regulations. Such privileges are subject to the fulfilment of the determined timeline for project execution.

Social liability

The New Investment Act innovates the concept of social liability. An investor may allocate a percentage of the annual dividends of a project to participate in social development, which amounts will be deducted from the investor's tax base. The type and scale of social liability is determined upon the issuance of the license (Article 28).

Given the voluntary language of the New Investment Act regarding the allocation of a percentage of the annual dividends to participate in the social liability, it is presumed that the determination of the social liability type and scale under the license will occur following the approval of the investor to participate thereto.

The New Investment Act lists the domains in which an investor may participate including:

- Protection of the environment;
- Healthcare, social, cultural, or any other development services
- Training and scientific research; and
- Any other field as agreed with the competent authorities.

The Minister of Investment may, in cooperation with the relevant ministries, issue a list of the best projects which undertake social development activities.

Licensing regime

Granting the license

The New Investment Act allows any person to undertake an investment project upon obtaining the required licenses. In the case of national projects, negotiations shall be held with the relevant state. The license duration is three years subject to renewal following the fulfilment of the required information in accordance with the regulations relating to the New Investment Act, noting that such regulations have not yet been issued. Failure to execute the investment project within the duration of the license would result in cancellation of the license (Article 23).

Investment-related ministries and regions (the competent bodies) have the right to issue a preliminary approval in respect of the establishment of a project on the basis of a technical, economic, and social feasibility study, as well as following up on the execution of the project and reporting periodically to the to the Ministry of Investment (Article 10).

The one-window system

The one-window system, which was created by the Old Investment Act in order to facilitate the services provided is maintained under the New Investment Act. The one window system covers all Sudanese states, in addition to including coordinators from the competent ministries and governmental units related to investment (the investment coordinators) (Article 9). The investment coordinators shall have the same powers of the entities they represent, and shall be competent to undertake a technical review of the licenses requests (Article 11.3).

Investment limitations

General limitations

The investor may not, except upon the approval of the Minister of Investment, undertake any of the following (Article 24):

- To amend the project size, the purpose for which the license was granted, or changing the site of the project specified in the license as approved by the competent bodies;
- To use or sell the equipment, machinery, material, or transportation means which enjoyed privileges for any a purpose other than that specified in the license;
- To create a pledge over the project, equipment, machinery, or transportation means in order to acquire financing for the project;
- To dissolve the partnership or transfer the ownership of the company;
- To dispose of the land granted for the investment project whether by sale or pledge except after it is fully invested in accordance with the regulations. It is expected that the regulations to determine the criteria of 'full invested' project will be confirmed, as it is not specified under the New Investment Act (e.g. full construction of the project is completed, or the elapse of the license duration etc.); and
- To divide an investment project by any means.

Limitations on foreign investments

The New Investment Act provides that the Authority shall, on the basis of the recommendation of the Minister of Investment, issue a list including certain sectors and economic activities which are not subject to foreign investment. Given the novelty of the New Investment Act, such a list has not yet been issued.

It is worth noting that the New Investment Act refers to the unissued regulations with regard to fixing minimum capital requirements for foreign investors (Article 22.1). The Authority is competent to issue regulations required to enforce the provisions of the New Investment Act, which regulations have not yet been issued (Article 39.1).

Prior to obtaining the license, a foreign investor must pay an amount not less than $250,000 or its equivalent of the foreign currencies admissible by the Central Bank of Sudan as evidence of commitment in accordance with the regulations. It is expected that the regulations will specify the relevant authority to which the investor is entitled to pay such amount, given that it is not determined under the New Investment Act. Such an amount will be used to finance the relevant project after obtaining the license (Article 22.2).

Dispute resolution

Dispute resolution mechanism

The New Investment Act maintains:

- The dispute resolution mechanism provided under the Old Investment Act, whereby any dispute in relation to an investment shall be settled by the competent court unless the
- parties agree to arbitration or conciliation, to the extent the dispute does not fall under the umbrella of the conventions stated under Article 34.2 of the New Investment Act (e.g. the Investment Disputes Settlements Raised Between the Arab States Convention of 1974); and

The principle for the establishment of competent courts by the head of the judiciary, and competent public prosecutions by the public prosecutor for the violations in relation to investments, as already provided under the Old Investment Act (Article 33 and 34).

The New Investment Act creates a plaint mechanism which was not tackled under the Old Investment Act. A 'plaint committee' shall be established by the Authority to examine the complaints regarding the decisions issued by virtue of the New Investment Act. The plaint committee shall issue its decision in relation to the complaint within a period not exceeding three weeks from the date of receiving the complaint (Article 38).

Violations and penalties

The Minister of Investment has the right to impose the following penalties (to be registered under the 'investment register' of the investment project) in case of violation of the provisions of Article 23 or 24 of the New Investment Act in relation to granting licenses and the general limitations on investment elaborated above (Article 37):

- Serving written notice requesting the cure of the violation within the period specified in the notice;
- Total or partial deprivation of the privileges and exemptions granted to the violator in accordance with the regulations;
- Suspension of works until the violation is cured;
- Cancellation of the license in case of violation of the provisions of the New Investment Act, the regulations issued pursuant thereto, or the licensing conditions; and the
- Cancellation of the license in case of suspension of the activities or business performance of the investment project for a period exceeding one year without notifying the Authority, or delay for a period exceeding one year from the date of the operation under the timeline submitted by the investor when requesting the license without an acceptable excuse. ■

Source: IFLR (part of Euromoney Institutional Investor PLC Group) – 24 June 2021

• *Currency devaluation expected to hit insurance sector*

The Sudanese insurance sector will be affected by the government's decision to abolish the customs exchange rate used to calculate import duties, says the general manager of Al-Baraka Insurance Company, Mr Adam Ahmed Hassan.

The move by the government is the final step in the devaluation of the local currency, reported Reuters quoting the Sudanese Finance Ministry which made the statement on 22 June. It also represents the final major step in an accelerated IMF-monitored reform programme the country is pursuing in order to receive debt relief and attract new financing

According to the Egyptian newspaper Al Nilin, Mr Ahmed Hassan explains that one consequence is that prices, in general, will rise, especially those of motor vehicles. Prices of imported cars increased in recent days in anticipation of the decision to abolish the customs exchange rate.

He expects insurance premiums to surge by no less than 50% if customers responded to these changes by increasing their insured amounts. Motor premiums constitute about 50% of the premiums in the Sudanese insurance market.

According to the Sudan News Agency, all insurance companies should inform their customers of the need to increase insured amounts in line with the hike in prices so that they will continue to have full coverage.

On 21 February 2021, the Central Bank of Sudan devalued the official exchange rate of the Sudanese pound (SDG) against the US dollar from SDG55 to an indicative rate of SDG375 and began flexible management of the currency by establishing an indicative rate on a daily basis. The customs exchange rate had been set at SDG20 to the dollar. ■

Source: Middle East Insurance Review - 28 June 2021

Adam Ahmed Hassan

UGANDA

• Fitch Solutions: Uganda Insurance Key View

Highlight:
Although Uganda's insurance sector is small and underdeveloped, premiums are growing rapidly from a low base. The non- life segment will continue to dominate the overall sector in terms of premiums written, although the life sector will experience faster growth in premiums over the medium term. Covid-19 has, however, hit the industry hard, although premiums are expected to bounce back as the economy begins to recover.

Headline Insurance Forecasts (Uganda 2018-2025)

Indicator	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
Gross life premiums written, UGXbn	220.61	276.30	268.19	319.96	392.31	476.20	585.05	694.02
Gross life premiums written, UGX, % y-o-y	29.7	25.2	-2.9	19.3	22.6	21.4	22.9	18.6
Gross life premiums written, USDmn	59.2	74.6	72.1	86.5	103.2	122.6	151.6	179.6
Gross life premiums written, USD, % y-o-y	25.7	26.0	-3.3	19.9	19.4	18.7	23.7	18.5
Gross non-life premiums written, UGXbn	507.25	621.69	611.14	655.69	705.08	758.62	819.03	881.87
Gross non-life premiums written, UGX, % y-o-y	7.6	22.6	-1.7	7.3	7.5	7.6	8.0	7.7
Gross non-life premiums written, USDmn	136.1	167.8	164.4	177.2	185.5	195.3	212.2	228.2
Gross non-life premiums written, USD, % y-o-y	4.2	23.3	-2.1	7.8	4.7	5.2	8.7	7.5

Key Updates and Forecasts
Accounting for just under a third of total written premiums, life insurance constitutes the smaller segment of Uganda's insurance market. However, average annual growth in life premiums over the medium term will come in at 21.4%, outstripping growth of non-life premiums.

We forecast life premiums to rise by 19.3% in local currency terms in 2021 to UGX320.0bn and ultimately to UGX694.0bn in 2025.

Uganda's non-life premiums are expected to rise by an average of 7.7% a year in local currency terms over our medium-term forecast period. Non-life premiums should grow from UGX655.7bn in 2021 to UGX881.9n in 2025. This is despite a 1.7% contraction in premiums in 2020, in light of Covid-19-related headwinds.

The Insurance Regulatory Authority of Uganda (IRA)'s focus for the coming years is the digitisation of the insurance industry. The IRA has challenged insurance players to embrace technology as a way of addressing the slow uptake of insurance in the country, highlighting the potential of insurtechs in deepening and widening the insurance sector in Uganda.

The IRA, in collaboration with the Uganda Revenue Authority, Ministry of Works and Transport and the Uganda Insurers Association, has developed a mobile payment platform to streamline motor third-party insurance, setting the pace for insurance companies to invest in offering products digitally. The platform, which makes it easier for vehicle and motorcycle owners to purchase compulsory motor third-party vehicle insurance using their mobile phones, came into operation on July 1 2020. This will improve access to insurance and the claims process, reduce fraud and enable the tracing of payments. The system will calculate premiums due based on data from the car registration agency, preventing consumers from being overcharged. Once the premium is paid for using mobile money, a statement is generated indicating payment of insurance for a particular car, which can then be presented to the consumer's insurer of choice.

As of June 2020, it is compulsory for all marine cargo importers to buy their insurance from a Ugandan insurance company. The IRA aims to recapture insurance business being lost to origin countries, in a move that has become a regional trend. This improves the prospects for the transport insurance segment in the years to come.

In April 2020, the IRA announced that health insurance policies would provide cover for Covid-19, including testing, treatment and care at government-designated facilities, and in May released industry guidelines on the conduct of business during the pandemic, including prohibiting licensed insurance companies from terminating insurance contracts due to non-payment of premiums during the pandemic. Policyholders were also exempted from late payment penalties on overdue premium payments, the claim notification period was extended for a period of not less than 30 days and co-payments related to testing and treatment of Covid-19 cases were waived. ■

Business Monitor International – 14 May 2021

Asia News

AUSTRALIA

• *Insurance Council of Australia: New insurance Code - better protections & tough new sanctions*

In an industry first, the new Code of Practice governing the general insurance sector will provide sanctions of up to $100,000 for significant breaches of the Code.

Effective tomorrow, the updated Code includes strengthened customer protections in line with community expectations, and has been developed by insurers in consultation with a range of stakeholders including consumer groups.

Features of the new Code include:

- Sanctions for significant Code breaches of up to $100,000 in the form of Community Benefit Payments
- Independent enforcement through the Code Governance Committee (CGC)
- Cost comparisons between new and previous policies on renewal notices
- Responsibility for quality of repair work undertaken on behalf of insurers
- Streamlined complaints process
- Mandatory standards for claims investigators
- * Clear timeframes to respond to claims, complaints and information requests
- Cash settlements better explained

If an insurer is found to have significantly breached the Code one of the sanctions available to the CGC is to impose a penalty in the form of a Community Benefit Payment of up to $100,000.

The types of insurance covered under the Code include motor vehicle, home building, home contents, sickness and accident, travel insurance, personal and domestic property.

The Code includes provisions

Insurance Council of Australia


Andrew Hall

for customers experiencing vulnerability, financial hardship and family violence that were put into practice in 2020 and early 2021 as part of insurers' response to COVID-19.

The ICA will run an information campaign in coming months to raise awareness of the new code and intends to apply for ASIC approval of the Code once ASIC updates the appropriate Regulatory Guide.

Comment attributable to Andrew Hall, CEO Insurance Council of Australia:

Australian households rely on their insurer to help them get back on their feet after a crisis or unexpected event, and so it's essential there's trust between insurers and their customers.

The new Code of Practice for general insurance sets clear obligations for insurers with independent enforcement through the Code Governance Committee, who can impose tougher sanctions for breaches.

It underscores the industry's commitment to openness, fairness and honesty in all dealings with customers.

The new code includes a range of customer-centric provisions, including stronger protections for customers in areas such as cost transparency, support for those experiencing vulnerability and financial hardship and a streamlined complaints process. ■

Source: Insurance Council of Australia
(Contify Insurance News – 30 June 2021

GCC

• Captive allure grows in GCC as market hardens

Interest in captive insurance companies is growing in the Gulf Cooperation Council (GCC) region as international commercial insurance rates harden, according to AM Best. In a report released this week, Best says that rising open market prices have sparked interest beyond the traditional users of captives in the energy and heavy industry sectors, and state oil enterprises.

The introduction of captive-specific regulation and the availability of experienced third-party captive managers to oversee the operations, have made the process of establishing a new captive easier at the same time as hardening markets provide a strategic rationale for captive sponsors to retain more risk, Best says.

Existing GCC captive sponsors typically operate in sectors where the business model requires a large insurable fixed asset base. Property, engineering and energy risks tend to dominate captives' portfolios, with policies often including substantial business interruption limits. They also write liability covers, including D&O.

Historically, most captives in the region have acted as reinsurance captives, using a fronting commercial insurer to issue the insurance policy, and then retroceding most of the risk in the international reinsurance market.

Several GCC financial services regulatory authorities – including those in Abu Dhabi, Qatar and Bahrain –have introduced dedicated captive-specific legislation recognising the particular dynamic between a captive and its parent.

In general, captive-specific regulation in the region has been modelled on international best practice, with similar features to well-established captive domiciles such as Bermuda and Guernsey.

Captives with GCC Sponsor Companies

(Non-exhaustive listing as of May 18, 2021)

Captive Name	Jurisdiction	Captive Sponsor	Sector of Sponsor
ADNOC Reinsurance	ADGM, Abu Dhabi	Abu Dhabi National Oil Company	Energy
EGA Reinsurance	ADGM, Abu Dhabi	Emirates Global Aluminium	Aluminium production
Mubadala (Re)insurance	ADGM, Abu Dhabi	Mubadala Investment Company	Diversified holdings
Masheed Captive Insurance	Bahrain	Saudi Readymix Concrete Company	Concrete production
Tabreed Captive Insurance	Bahrain	Tabreed	Utilities
Emaar Reinsurance	DIFC, Dubai	Emaar Properties	Real estate development
Quayside Reinsurance Co.	DIFC, Dubai	DP World FZE	Port operations and services
ACWA Power Reinsurance Co.	DIFC, Dubai	International Company for Water and Power Projects	Desalination and power generation
Al Awael Captive Insurance Co.	QFC, Qatar	7 Brothers Holding Group	Diversified holdings
Stellar Insurance	Bermuda	Saudi ARAMCO	Energy
Sabic Captive Insurance Co.	Guernsey	SABIC	Petrochemicals
Woodstock Insurance Co.	Isle of Man	Kuwait Petroleum	Energy

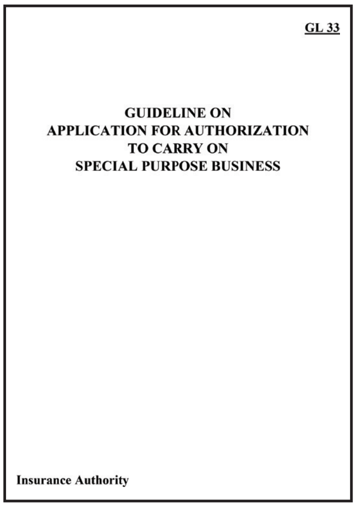
Sources: Public registers of DIFC, ADGM, QFC, CBB, BMA, GFSC, IMFSA, AM Best data and research

Commercial Risk Online & Best's Report – 14 June 2021 ■

HONG KONG

• Hong Kong publishes special purpose insurer (SPI) application guidelines

by STEVE EVANS



GL 33

GUIDELINE ON
APPLICATION FOR AUTHORIZATION
TO CARRY ON
SPECIAL PURPOSE BUSINESS

Insurance Authority

The Hong Kong Insurance Authority has today published guidelines related to its new insurance-linked securities (ILS) regulatory framework in the Government Gazette, with details on applications to establish special purpose insurers (SPI) in the domicile now finalised.

Hong Kong's "Guideline on Application for Authorization to Carry On Special Purpose Business (GL 33)" is a comprehensive document that takes the completed legislation and turns it into something more usable, by making it relevant to those looking to apply to establish ILS structures in the Special Administrative Region (SAR).

Hong Kong's readiness for ILS is now complete and with its pilot ILS grant scheme also available, alongside this guide for issuers and managers that helps in applying to operate ILS structures there, it may only be a matter of time until the first deal emerges.

Now Gazetted, which is the official Hong Kong Government publishing of legislative changes, rules and guidance, these guidelines for applying for authorisation of an SPI to undertake ILS business in the country will come into effect on June 30th 2021, we understand.

The legislation was actually finalised earlier this year, with the Insurance Ordinance (Amendment) 2020 having come into effect in March 2021, but the availability of the guide signals Hong Kong's ILS readiness to authorise applications and ILS issues.

The guideline document explains the requirements for getting an SPI authorised, as well as the fees payable, how SPI's can be re-used for multiple issues, how reinsurance and risk transfer contracts can be rolled forwards, the filing requirements an SPI owner will face, as well as restrictions around the sale of ILS to certain investors.

There is also a diagram of the authorisation process for an SPI, but does not detail an expected time-line, as this would be different in each case, depending on the complexity and readiness of an issue.

It's expected that authorisation speeds will be similarly as fast as other ILS domiciles in Hong Kong, as competitiveness often comes down to speed and ease of use, so this will be critical as an ILS market develops there. ■

Source: ARTEMIS - 25 June 2021

INDIA

• COVID insurance cover to over 41,000 advisers and their families

Indian insurer Tata AIA Life Insurance has extended its COVID Kavach insurance cover to over 41,000 advisers and their families.

The policy covers the advisers along with spouses and two children (up to 25 years) with a reimbursement benefit of INR25,000 ($336) in case of hospitalisation and INR10,000 ($135) home care package due to COVID-19.

The company has also provided them with telemedicine benefits and access to health articles, doctor consultation and 20% discount on medicine and diagnostic bookings, in a tie-up with Practo healthcare platform and it will also reimburse the cost of vaccination of all advisors older than 45 years.

The insurer has also undertaken a slew of measures for consumers to provide them with comprehensive guidance and awareness. These include digitally enabled consultations with health specialists, email and SMS campaigns and vaccination reminder activities.

Tata AIA Life Insurance chief distribution officer Venky Iyer said, "We are conscious of our responsibility to support our consumers, distribution partners and employees. It is our constant endeavour to support the emotional, physical and financial wellbeing of all our stakeholders."

The employees of Tata AIA Life Insurance have already been covered under Corona Kavach cover of INR200,000 ($2,700) for the employee and family, pre and post-COVID care services, emergency support including provision of oxygen concentrators, priority RT-PCR and other necessary medical investigation services.

Over 5,800 of the total of 8,384 employees at Tata AIA have been administered the first dose of the vaccine and all employees above 45 years of age have already been covered with one dose. ■

Source: Asia Insurance Review - 30 June 2021

TATA AIA LIFE INSURANCE

Venky Iyer

INDIA

• GIC Re turns around financial performance in FY2021

General Insurance Corporation of India (GIC Re) announced it posted a consolidated net profit of INR199.16bn ($268.25m) for the financial year ended 31 March 2021 (FY21).

The state-owned reinsurer had posted a loss of INR1.86bn in FY20.

Gross premium collected in FY21 fell by 7.1% to INR470.14bn in FY21 from INR510.30bn in the previous financial year, while the net premium also declined, reported Press Trust of India.

Incurred claims declined by 14.4% to INR368.53bn in FY21. The incurred claims ratio improved to 92.4% as of 31 March 2021 from 97.5% 12 months previously. The underwriting loss narrowed to INR54.88bn in FY21 from INR63.67bn in FY20.

Investment income jumped by 24% to INR88.2bn for FY21 as compared to the previous financial year's INR71.25bn.

The solvency ratio improved to 1.74 as of 31 March this year, from 1.53 as of 31 March 2020.

The general insurer has not recommended any dividend for FY21.

Outlook

Despite its sterling financial performance in FY21, GIC Re says that the COVID-19 pandemic has created "significant uncertainties" on the growth front. There are concerns over the pandemic's impact on business and economic growth and its resultant impact on premium volume, particularly from small and medium-sized companies.

GIC Re said, "There could be some shrinkage of purchase of insurance with the potential for a cascading effect on reinsurance.

"The specialty classes of business such as event cancellation, travel, credit, surety, mortgage, agriculture, directors and officers, and business interruption are expected to be adversely affected." said.

From an operational perspective, business could continue essentially through work from home across the globe by the insurers, intermediaries and reinsurers, the statement said.

Global economic growth is a key driver for insurance markets that feed into the reinsurance sector, it said.

From an Indian perspective, the reinsurer said that as the insurers get listed and the market consolidates against a backdrop of declining interest rates, pricing discipline in the market can be expected to strengthen in the medium to long term. ■

Source: Asia Insurance Review - 24 June 2021

KUWAIT

• Insurance regulator has a long "To Do" list

The insurance industry needs to address a number of issues, even after the Insurance Regulatory Unit (IRU) has introduced executive regulations effective since last March to implement the new insurance law (Law No 125 of 2019).

According to a report in Alanba, industry observers say that the following issues need to be resolved with or by the IRU which was established in 2020:

- The necessity of solving the problem of financial refunds between insurance companies, which is related entirely to motor insurance. There are suggestions that it is necessary to bar insurers that are not committed to settling the issue from accepting new business until this problem is resolved.
- Installing automatic links between the IRU, the General Traffic Department and insurance companies that are engaged in compulsory motor insurance business.
- Installing automatic links between the IRU and insurance companies to exchange data quickly and accurately.
- Paying attention to localisation and encouraging Kuwaitis to work in the insurance sector.
- Focusing on training programmes and specialised workshops.
- Establishing faculties in insurance science in public and private universities.
- Spreading insurance awareness with cooperation between the Kuwait Insurance Federation and the Insurance Regulatory Unit.
- Making decisions and implementing projects that will grow the insurance sector's contribution to GDP.
- Clarifying some aspects of the new insurance law and keeping pace with best practices.

وحـدة تنظـيم التأمـين
Insurance Regulatory Unit

The Kuwait Insurance Federation has sent a set of papers and its views on various topics to the IRU. It was the Federation that had sought for many years the establishment of the IRU in view of the urgent need for it to organise and develop the insurance sector.

Earlier this month, the IRU announced the launch of its IT system, IruSoft, which focuses on automating the exchange of information and on the application of RegTech as is related to management, control and supervision of the insurance sector. ■

Source: Middle East Insurance Review - 22 June 2021

LEBANON

• *Lebanon Insurance Competitive Landscape*

Lebanon's insurance market is relatively well developed, particularly the large non-life insurance segment. There are numerous domestic providers active in the market and a range of regional and some multinational insurers that bring greater depth and diversity to the competitive landscape as well as broaden product ranges and distribution channels. Room for consolidation remains, particularly among the smaller domestic insurance firms, although Lebanon may struggle to attract significant investment in light of structural market challenges.

Life Insurance

The life insurance market in Lebanon is considerably smaller than the non-life sector and is dominated by pure protection or protection and savings products, which account for nearly 80% of the in-force policies. Unit-linked or investment products are less popular, although this segment will grow as the market develops and matures.

This growth will be reliant on wider economic expansion as many households are currently priced out of the market due to low average income levels. This means that insurers can currently grow by capturing market share from other insurers or by selling a greater variety of products to existing clients. However, developing their businesses through the identification of new customers is extremely difficult. According to the Insurance Control Commission, there are 53 insurance providers registered to provide services in Lebanon. Most of the players in the life segment are composites, distributing through multiple channels; this includes several multinationals.

The life insurance market is led by Metlife ALICO, which has been present in Lebanon since 1953 and now offers a broad range of products in the market including life cover, retirement, savings and accident and health insurance. However, the company saw its position weaken in 2019 owing to increased competition from other companies. As a result the company claimed an overall market share of 17.9% in 2019, down from 18.8% in 2018. Written premiums also dropped to USD84.5mn, down from USD86.6mn in 2018.

Global insurance company Allianz also has a presence, although it has seen its share of the market decline over recent years, losing its second-place position to Bancassurance, which is owned by Banque Libano-Francaise, Fransabank and BLC.Three other domestic providers write significant volumes of premiums in the life sector, each of which is backed by one of the country's leading banks: Arope (backed by Blom Bank), Adonis (a subsidiary of Byblos Bank) and LIA (owned by shareholders including SAHAM Finances and Bank Audi). Along with MetLife and Bancassurance, these companies dominate the market. There is still plenty of competition and opportunities for growth among smaller players. There is also scope for new entrants, including new foreign providers, particularly via local mergers and acquisitions.

Top 10 Life Insurance Companies By Gross Premiums, USDmn

	2014	2015	2016	2017	2018	2019
ALICO	79.4	82.7	86.0	87.4	86.6	84.5
Bancassurance	60.6	60.4	64.8	68.9	72.5	73.5
SNA	58.1	48.4	49.4	51.2	55.1	71.2
ADIR	36.0	38.5	42.2	46.3	49.5	47.4
Arope	41.1	24.5	27.0	30.1	31.2	36.2
LIA	39.1	30.0	43.4	32.1	37.6	35.4
AXA	11.3	14.6	16.0	16.8	24.1	18.0
Sogecap	14.1	12.8	13.8	14.6	14.6	15.8
Beirut Life	8.4	7.8	10.1	8.7	14.5	15.5
Bankers	11.3	8.7	11.6	12.4	13.5	13.7

Source: Insurance Control Commission Lebanon, Fitch Solutions

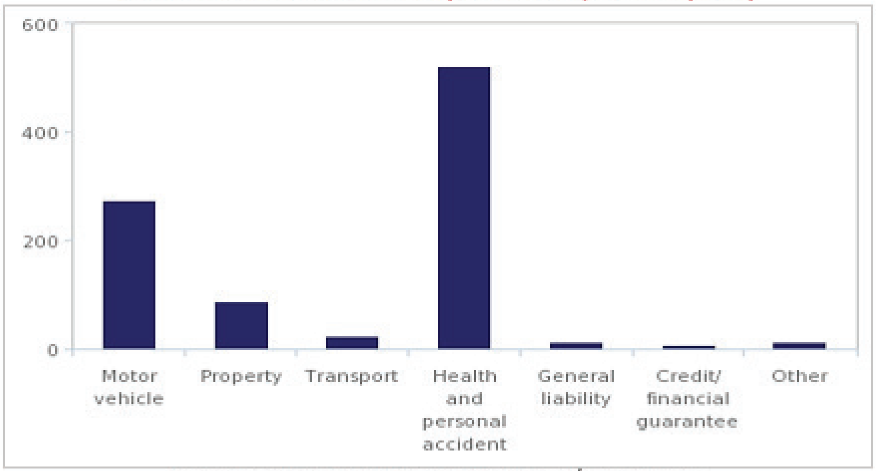
Non-Life Insurance

The non-life insurance market is more fragmented than the life sector, with more than 50 providers competing for a share of written premiums. Foreign groups are well represented. Zurich, which was acquired by Compagnie Libanaise d'Assurance at the end of 2010. Other foreign majors include Allianz, AXA, Best Re, AIG, Gen Re, MetLife and Sogecap.

There are also several Lebanese companies which have significant elements of their business in the Middle East and North Africa region outside the country. Arabia Insurance and MedGulf, for instance, have substantial affiliate operations in Saudi Arabia and elsewhere in the region. Libano-Suisse owns Amana Cooperative Insurance and operates in Kuwait and Qatar. It also has a shareholding in Jordan-based Delta Insurance, Murex Holding (which offers third-party healthcare administration solutions), TBF (an insurance broker in Lebanon) and PMC Re (a reinsurance brokerage active across the region). A member of the Pharaon Group, Libano-Suisse also collaborates with Delta Africa, an insurance holding company with subsidiaries in Cote d'Ivoire, Burkina Faso, Mali, Benin, Togo and Angola.

2021 Non-Life Premiums by Sub-Sector

Non-Life Premiums Written by Sub-Sector, USDmn (2021)



Source: Insurance Control Commission Lebanon/ Fitch Solutions

Arope is a part of Blom Bank. The large size of the health insurance sub-sector, which accounts for around 49% of premiums written in the non-life segment, makes this segment a key indicator of competition in the market.

A competitive edge in the health insurance segment requires skill in underwriting, relationships with hospitals and other providers in order to maintain some control of costs and the ability to develop and distribute group health products which are attractive to corporate clients in Lebanon.

MedGulf appears to be the leader in this respect, although AXA is making significant gains through its partnership with GlobeMed.

With such a fragmented market, consolidation is a distinct prospect, particularly among domestically-owned players that lack scale. The lack of profitability in the motor and property lines is also likely to bolster moves towards merger and acquisition activity.

In order to attract more investment to the insurance sector, Lebanon will need to address weak regulation and limited capital, which are factors contributing to the fragmentation of the competitive landscape. Improving regulation and capital requirements will also allow domestic insurers to expand.

Acquisitions are likely to target Lebanese insurers with a regional footprint and use these companies as a base for expansion for what will be, over the long term, an increasingly lucrative regional market.

Top 10 Non-Life Insurance Companies By Gross Premiums, USDmn

	2014	2015	2016	2017	2018	2019
Bankers	106.0	98.9	96.4	103.2	109.4	109.1
Fidelity	59.9	62.7	64.7	65.2	85.5	94.1
Medgulf	118.8	94.3	103.6	100.6	87.1	87.3
Allianz SNA	57.3	59.8	61.1	68.3	75.6	81.0
AXA ME	95.9	80.4	80.4	82.1	84.6	80.7
GMI	0.3	43.4	50.2	53.0	57.6	71.6
LIA	55.4	54.6	57.9	62.0	63.8	54.0
Libano-Suisse	62.7	63.8	65.1	62.5	62.5	52.6
Arope	53.9	58.7	64.7	66.5	65.1	51.0
Al-Mashrek	37.9	39.5	41.4	0.0	n.a.	40.9

Source: Insurance Control Commission Lebanon, Fitch Solutions

Business Monitor International - April 20, 2021 ■

LEBANON

• Lebanon's insurance companies struggle to survive in a volatile market

Lebanon's insurance companies may witness a 20 percent drop in insurance premiums and volume if these firms start charging their customers in fresh US dollars or according to black market rates, former president of the Insurance Association Elie Torbey said.

"Up till now, the insurance companies are accepting banker's checks from their clients but I don't think this trend will last too long if the economic recession and devaluation of the pound continues at this rate. If the GDP drops by 20 percent then it's natural that the insurance portfolio of all the insurance firms will fall by the same amount," Torbey told The Daily Star.

He warned that if hospitals and car mechanics insisted on charging in fresh dollars or at black market rates then the insurance companies will be obliged to do the same.

"If in the future the car insurance policy is $5,000 or more per year, many people will be forced to ditch these policies because they won't be able to afford them," Torbey explained.

To cope with these factors, most insurance firms have increased the value of the insured cars in a bid to increase the premiums and cut losses.

For example, if a car is valued at $10,000, the insurance will price it at $15,000 or even $20,000 and to charge the customer based on this valuation.

Torbey stressed that if the situation in Lebanon remained unchanged with no chance to form a Cabinet and implement reforms, then some insurance firms may consider merger and acquisition in the future.

"But you need real incentives from the state to proceed with the mergers between the insurance companies," he added.

On paper, however, the gross written premiums of 46 licensed insurance companies in Lebanon reached $486.1 million in the first quarter of 2021, constituting an increase of 13.7 percent from $427.6 million in the same quarter of 2020, according to the Insurance Control Commission.

Medical insurance premiums totaled $220.5 million in the first quarter of 2021 and accounted for 45.4 percent of the sector's aggregate premiums.

Life insurance premiums followed with $103.8 million (21.4 percent), then motor premiums with $93 million (19 percent), and property & casualty with $68.8 million (14 percent).

جمعية شركات الضمان في لبنان
Association des Compagnies d'Assurances au Liban
A C A L

Elie Torbey

Further, motor insurance premiums grew by 31.2 percent and medical insurance premiums rose by 25.2 percent annually in the first quarter of 2021, while life insurance premiums declined by 6.5 percent and property & casualty insurance premiums regressed by 1 percent in the covered quarter.

Gross claims settled by insurance companies stood at $248.1 million in the first quarter of 2021 and decreased by 4.3 percent from $259.2 million in the same quarter of 2020.

Gross claims paid for the medical segment amounted to $87.5 million and accounted for 35.3 percent of total claims settled by the insurance sector in the covered quarter.

Claims disbursed for the life insurance category followed at $76 million (30.6 percent), then the property & casualty segment at $48.5 million (19.6 percent), and the motor segment at $36.3 million (14.6 percent).

Also, property & casualty claims surged by 89.4 percent in the first quarter of 2021, while life insurance claims declined by 15.6 percent, medical claims decreased by 14.8 percent, and motor claims fell by 11.7 percent annually.

In parallel, the sector's acquisition expenses reached $72.1 million and administrative costs totaled $51.4 million in the first quarter of 2021.

Also, the insurance sector registered a net investment income of $22.3 million in the covered quarter, constituting a drop of 32 percent from $32.8 million in the first quarter of 2020.

In addition, the ratio of gross claims settled to gross written premiums stood at 51 percent in the covered quarter, down from 61 percent in the same quarter of 2020.

Further, the ratio of expenditures for acquisition and administration to gross written premiums reached 25 percent relative to 26 percent in the first quarter of 2020; and the ratio of net investment income to gross written premiums stood at 4 percent in the covered quarter compared to 8 percent in the same quarter of 2020.

Nassib Ghobril, chief economist at Byblos Bank Group, said "similar to most sectors in the Lebanese economy, the insurance sector faces multiple challenges.

First, it is operating with zero visibility, given the lack of any sense of urgency by political parties to address the multiple crises the country is facing, as reflected by the absence of a government for more than 10 months.

Second, the government's decision to default on its Eurobonds obligations in March 2020 and the lack of any follow-up with bondholders has affected insurers, given that many insurance companies hold Lebanese Eurobonds and the impact of the default on the risk appetite of global reinsurers for the Lebanese market.

Third, the sector is struggling with the decline in the purchasing power of citizens and its impact on their decision to renew their insurance policies.

Fourth, the sector is operating in a contracting economy for a third consecutive year, which has reduced drastically demand for insurance policies across categories.

Fifth, insurers are facing the challenge of pricing policies, given the multiple exchange rates in the country." ■

The Daily Star (Lebanon) – 22 June 2021

BYBLOS BANK

Nassib Ghobril

OMAN

• *Authorities establish health insurance as an independent class of business*

His Majesty
Sultan Haitham Bin Tariq

H.E Sheikh Abdullah Bin Salem Al Salmi

Royal decrees have been issued to amend the insurance law and the takaful law to separate health insurance as a line of business independent of other insurance activities, says the Capital Market Authority (CMA). Previously, health insurance fell under general insurance or general takaful activities.

Oman's ruler Sultan Haitham Bin Tarik issued two royal decrees, the first decree amending some provisions of the Insurance Companies Law, and the second decree amending some provisions of the Takaful Insurance Law.

Sheikh Abdullah Salim Al Salmi, executive president of the CMA, told Oman News Agency, "This represents a qualitative leap in the regulation of the Omani insurance market, as it moves the sector to a new stage of regulation and a higher level of quality of services."

The move would enhance regulatory readiness in health insurance in the Sultanate so as to:

- Respond to the increasing importance of the health insurance sector and the rapid growth of the health insurance market during the last period.
- Address increased demand for health insurance, as the average annual growth of this sector during the past eight years was 19%.
- Recognise that health insurance has become the biggest segment in the insurance market as this class of business accounted for 34% of the total gross insurance premiums for the year 2020.

Mr Al Salmi adds that the future importance of the sector and its distinctiveness from the other branches of insurance require increased efficiency from insurance companies and regulations to ensure their financial ability and human resources in covering healthcare financing for their customers. The amendments, introduced following consultations with stakeholders like government agencies and the insurance sector, recognise health insurance as a specialised field that calls for the provision of technical and legislative systems that are commensurate with such characteristics and at the same time keep pace with international developments and standards.

The changes are made alongside plans to introduce compulsory health insurance in the Sultanate. ■

Middle East Insurance Review - 20 June 2021

PHILIPPINES

• *Philippine insurers seek to boost coverage and revenue*

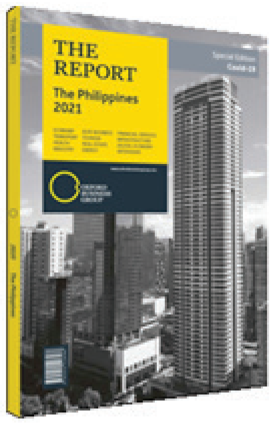
While the pandemic has placed extra strain on the Philippines' health care system, increased awareness of health risks could lead to a spike in private insurance coverage.

With around 415,000 recorded cases and 8000 virus-related deaths as of mid-November, 2020, the Philippines has been one of the hardest-hit countries in South-east Asia – despite the implementation of stringent lockdowns.

His Excellency
President Rodrigo Duterte

The spread of the virus has not only placed pressure on hospitals, clinics and staff within the national health care network, it has also hampered plans to expand health insurance coverage due to related economic challenges.

In 2019 President Rodrigo Duterte signed the Universal Health Care Bill into law, which automatically enrolled citizens in the National Health Insurance Programme. The law aims for the state-owned Philippine Health Insurance Corporation (PhilHealth) to cover at least 50% of all medical expenses by 2022, up from the current levels of 15-17%. However, amid a reallocation of health funding towards the Covid-19 response, allegations of mismanagement at PhilHealth, falling excises on alcohol and cigarettes – which are used to subsidise health care costs – and the current exemption of overseas Filipino workers from making health care contributions, there are concerns that PhilHealth could fall short of its targets. These concerns, along with the medical risks of the pandemic, have further highlighted the insurance gap in the Philippines, where penetration stands at around 1.69% of GDP.



Micro-Insurance

Given the difficulties associated with expanding public health coverage during the pandemic, there could be an opportunity for private players to fill the insurance gap, estimated by some industry figures to be worth $4.2bn.

By some measures, Covid-19 has created greater awareness of the benefits of insurance, which could shape future demand for coverage and products. According to a survey of 300 Filipino insurance customers in May 2020, carried out by insurance company Manulife, 77% of respondents said they intended to purchase additional insurance within the next 18 months – above the regional average of 62%.

In light of this demand, a number of private players have either entered the market or updated their existing offerings. In mid-August 2020 Singapore-based insurance provider Igloo partnered with

Union Bank of the Philippines and e-commerce firm Akalaku to offer a series of micro-insurance products.

The policies, which include those for households, have been specifically tailored to lower-income groups. To ensure flexibility and affordability, they come with three-, six- and 12-month payment plans. Similarly, insurer Singlife Philippines announced in early September 2020 that it had teamed up with mobile wallet GC ash to offer basic micro-insurance policies to people without bank accounts or access to other financial services.

The development of the micro-insurance segment could be key to the sector's overall growth. According to the Department of Finance, the number of people covered by micro-insurance increased from less than 3m in 2009 to 38.9m in 2018; by 2022 the micro-insurance penetration rate is projected to reach 48.7%, up from 25.4% in the third quarter of 2016.

Insurtech & Digitalisation

As in many other industries, insurers are looking to digitalisation to boost revenue during the pandemic. Insurance companies are increasingly building partnerships with e-commerce firms to generate online offerings – as exemplified by Igloo and Singlife – as well as modernising their digital platforms to facilitate access for customers. For example, in June 2020 Manila-based Insular Life announced that it would allocate P500m ($9.9m) to boost its digital capacity, while also looking to build relationships with financial technology firms to service its health care products.

Meanwhile, insurance technology (insurtech) company Kwik.insure plans to launch an online insurance marketplace by the end of 2020 that would allow customers to view and compare the products on offer from different companies. ■

Source: The Report: The Philippines 2021 – by Oxford Business Group (OBG)

SAUDI ARABIA

• IDI insurance premium rate to be 1.5%-2% of construction cost of building

Mandatory inherent defect insurance (IDI) for residential buildings of three floors or less will start to be implemented on 1 July, says the secretary-general of the National Committee for the Saudi Building Code, Mr Saad Al-Shuail.

The compulsory insurance requirement already applies to residential buildings of four floors and more.

Premium rate

The premium rate payable on mandatory for residential and commercial buildings will be 1.5% to 2% of the entire construction cost of the building, according to industry sources.

Dr Hassan bin Shawqi Al-Hazmi, General Supervisor of the Land Agency and the Technical Affairs Agency at the Ministry of Municipal and Rural Affairs and Housing, revealed that the cost of securing specific residential buildings will be 1.5% of the cost of constructing the building, stressing in this regard that there will be no room for manipulation, whether from the side of insurers, engineers, contractors and insurance brokerage firms.

The insurance value will be equivalent to the value of the construction of the building. The insurance policy can be assigned to third parties if the property is sold during the term of the insurance policy, that is 10 years, reported Okaz.

Dr Al-Hazmi explains that the biggest problem that homeowners face in residential buildings is that of load and cracks as contractors rush to complete construction quickly.

■

Middle East Insurance Review - 21 June 2021

وزارة الشؤون البلدية والقروية والإسكان
Ministry of Municipal Rural Affairs & Housing

كود البناء السعودي
Saudi Building Code

اللجنة الوطنية لكود البناء السعودي
Saudi Building Code National Committee

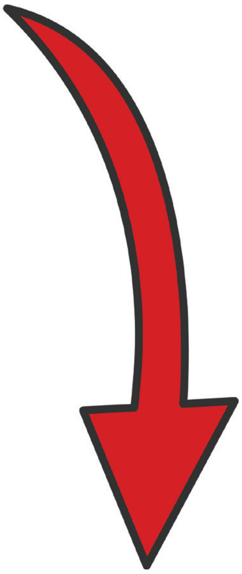
Saad Al-Shuail

Dr Hassan bin Shawqi Al-Hazmi

SOUTH KOREA

• RBC ratio falls in insurance sector for 2nd consecutive quarter

Insurers in South Korea saw their average risk-based capital ratio fall for the second straight quarter in 1Q2021 amid rising market interest rates, according to the data from the Financial Supervisory Service (FSS) data.



The risk-based capital (RBC) ratio of local insurance firms stood at 256% at end-March, down 19 percentage points from three months earlier, reported Yonhap News Agency.

The fall in the RBC ratio came as a hike in bond yields incurred valuation losses from their bond investments, according to the FSS.

Local insurers are required to maintain the ratio at 100% or above, but regulators advise them to have ratios of at least 150%.

Insurance firms in South Korea are required to gradually increase their capital reserves to better cope with new global accounting standards for insurers, set to go into effect in 2022. ■

Asia Insurance Review - 16 June 2021

• S. Korea's major insurers say will stop underwriting new coal power

South Korea's three major non-life insurers told Reuters on Tuesday they will no longer provide coverage for new coal power projects, including their construction and operation.

DB Insurance, Hyundai Marine & Fire Insurance and Hana Insurance, said they will stop underwriting coal power projects.

DB Insurance added it will gradually retract its existing insurance coverage to operating coal plants, while the other two said they will keep their existing insurance coverage.

The confirmation follows pressure from a network of civic groups named Korea Beyond Coal, which has advocated for a complete coal phase-out in Korea by 2030.

In a statement on Tuesday, the network said the three major insurers, together with Hanwha General Insurance, had said they would no longer insure the construction and operation of new coal power projects.

Hanwha General Insurance could not immediately be reached for confirmation.

National Assembly member Lee So-young's office said the total coal underwritings by major South Korean insurers were around 59.2 trillion won ($52.18 billion), with Samsung Fire & Marine, DB Insurance and Hyundai Marine & Fire being the three biggest coal insurers.

Late last year, insurance affiliates of South Korea's biggest conglomerate Samsung Group, including Samsung Fire & Marine Insurance, pledged to step up their coal-free policies by banning investments in the coal industry. ■

Global Reinsurance (GR) - 22 June 2021

THAILAND

• General insurance industry in Thailand to reach $10.6bn in 2025, forecasts GlobalData

The general insurance industry in Thailand, in terms of gross written premiums, is projected to grow from THB261.4bn (US$8.4bn) in 2020 to THB-318bn($10.6bn) in 2025, according to GlobalData.

GlobalData has revised Thailand's general insurance forecast in the aftermath of COVID-19 outbreak. As per the latest data, the general insurance industry's growth slowed to 3.3% in 2020 as compared to the 4.6% growth registered in 2019 due to the pandemic. Growth is expected to recover from 2022 onwards and witness upward trend, supported by the gradual economic recovery.

Pratyusha Mekala, Insurance Analyst at GlobalData, comments "Thailand economy continues to suffer from the repercussions of the COVID-19 pandemic, which delayed the recovery of tourism sector. In addition, weak domestic activity is expected to impact the general insurance premiums in 2021."

Motor insurance is the largest general insurance segment accounting for 56.3% of the general insurance GWP in 2020. Decline in automobile sales due to lockdown restrictions along with economic disruptions negatively impacted motor insurance growth, which declined from 5.6% in 2019 to 1.5% in 2020.

Motor insurance is witnessing signs of recovery due to gradual easing of lockdown restrictions, improved consumer demand and government stimulus measures. According to the Federation of Thai Industries, domestic car sales during January-April 2021 increased by 9.6% on year-on-year basis to reach 252,269 vehicles.

Personal accident and health insurance, which held 19.3% of general insurance premium in 2020, is expected to grow by 6.9% during 2020-2025. Health insurance, with 6.6% share in premiums, was the fastest growing segment registering 37.1% growth in 2020. Aging population, rising demand for COVID-19 health insurance policies, and increasing awareness supported health insurance growth.

Mekala concludes "The general insurance industry in the country is expected to face challenges in the short-term due to the resurgence of COVID-19 pandemic. Government's stimulus packages and momentum in vaccine rollout will support the recovery of the general insurance industry." ■

Only Strategic Insurance news link - 23 June 2021

TURKEY

• Insurance Market 2019: Statistical Key highlights

Market's main indicators-timeline

		2015	2016	2017	2018	2019
GDP, current prices	TRY billion [1]	2,338.65	2,608.53	3,110.65	3,724.39	4,272.53
	EUR billion [4]	733.21	701.86	687.63	615.30	640.17
GDP per capita, current prices	TRY [1]	29,701	32,682	38,493	45,417	51,462
	EUR [4]	9,312	8,794	8,509	7,503	7,711
Unemployment rate	% of total labor force [1]	10.28	10.91	10.90	10.96	13.83
Population	Millions [1]	78.74	79.82	80.81	82.00	83.02
TRY/EUR exchange rate	End of period [2]	3.19	3.72	4.52	6.05	6.67
Gross written premiums	TRY million [3]	31,025.90	40,486.80	46,554.69	54,656.03	69,241.59
	EUR million [4]	9,727.21	10,893.50	10,291.29	9,029.58	10,374.67
Paid claims	TRY million [3]	15,692.53	18,124.58	21,710.10	26,821.91	32,387.66
	EUR million [4]	4,919.91	4,876.66	4,799.19	4,431.18	4,852.74
Insurance penetration degree	% in GDP [4]	1.33%	1.55%	1.50%	1.47%	1.62%
Insurance density	EUR/capita [4]	123.53	136.48	127.35	110.11	124.96

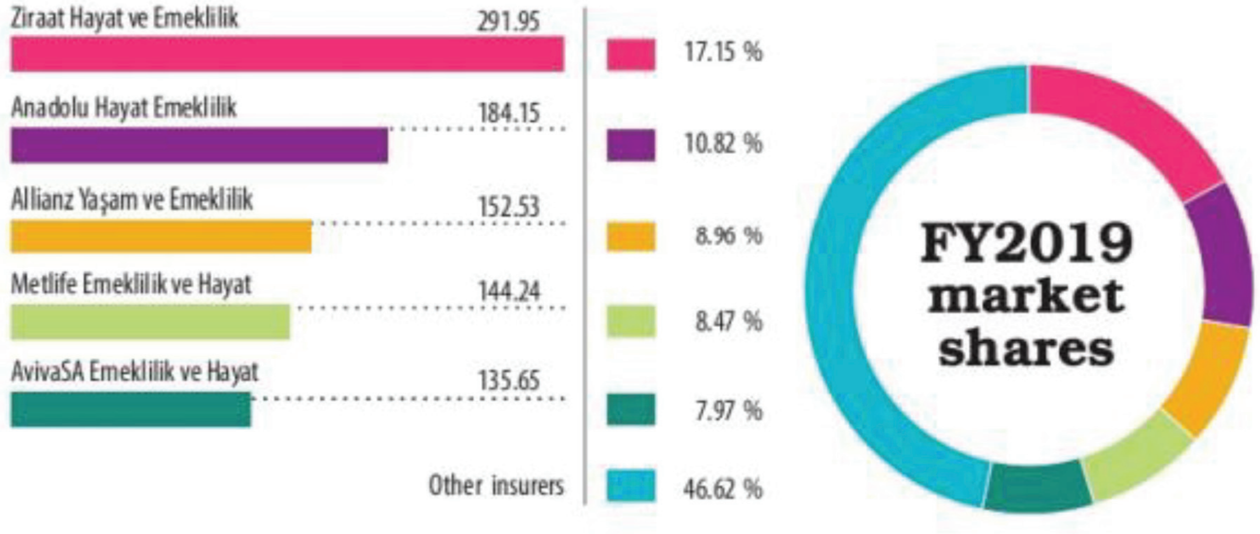
Market porfolio at December 31st, 2019

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	10,374.67	9,029.58	14.90	4,852.74	4,431.18	9.51	100.00	100.00
TOTAL LIFE	1,702.06	1,143.36	48.86	523.44	436.53	19.91	16.41	12.66
TOTAL NON-LIFE	8,672.61	7,886.21	9.97	4,329.30	3,994.64	8.38	83.59	87.34
Accident	355.51	299.41	18.74	34.52	39.67	-12.99	3.43	3.32
Health	1,252.33	1,031.60	21.40	807.42	686.33	17.64	12.07	11.42
Railway, aircraft and ships	95.50	79.32	20.40	112.80	63.03	78.98	0.92	0.88
Goods in transit	142.46	137.09	3.91	57.84	60.37	-4.19	1.37	1.52
Overall property insurance	2,146.18	2,018.77	6.31	782.61	594.99	31.53	20.69	22.36
Fire and allied perils	1,265.65	1,151.92	9.87	515.83	338.91	52.20	12.20	12.76
Damages to property	880.53	866.85	1.58	266.78	256.07	4.18	8.49	9.60
Overall motor insurance	4,212.99	3,914.99	7.61	2,384.24	2,413.66	-1.22	40.61	43.36
Motor Hull	1,409.37	1,295.71	8.77	850.37	990.81	-14.17	13.58	14.35
MTPL	2,803.62	2,619.29	7.04	1,533.87	1,422.85	7.80	27.02	29.01
Aviation & marine liability	46.23	37.29	23.98	8.39	12.68	-33.83	0.45	0.41
GTPL	256.54	229.95	11.56	72.43	83.69	-13.45	2.47	2.55
Other non-life insurance	164.87	137.78	19.66	69.05	40.24	71.61	1.59	1.53

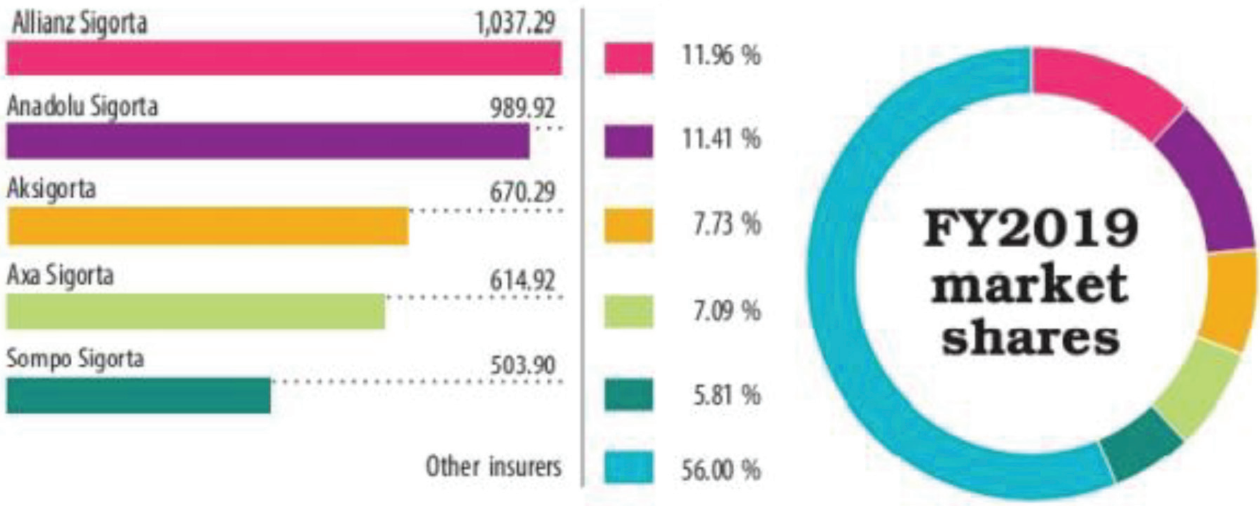
1 EUR = 6.6741 Turkish lira - TRY (December 31st, 2019)

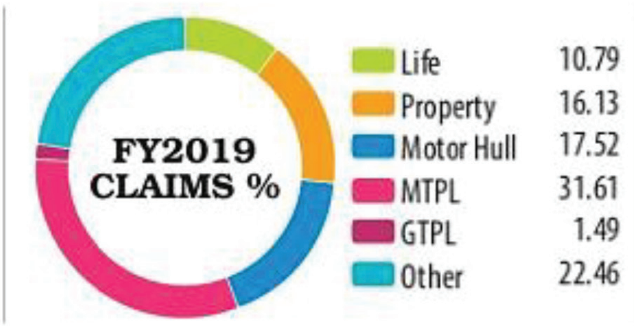
1 EUR = 6.0530 Turkish lira - TRY (December 31st. 2018)

TOP 5 Life insurance (GWP, EUR million)



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





Source: XPRIMM Insurance Report - CEE, SEE & CIS - Full Year 2019

• *Regulator facilitates access to insurance*

SEDDK

SİGORTACILIK VE ÖZEL EMEKLİLİK DÜZENLEME VE DENETLEME KURUMU

The Insurance and Private Pension Regulation and Supervision Agency (SEDDK) has published a new regulation in the Official Gazette on 16 June to increase insurance awareness among consumers, facilitate their access to insurance, and prevent unauthorised intermediation activities.

The SEDDK states that the Regulation sets out the procedures and principles regarding the insurance activities and the scope of insurance offered in connection with the sale of goods and services, according to local media reports.

For instance, it paves the way for companies providing passenger transportation services to offer travel insurance when they sell tickets on their own website. Also, insurance may be bought to cover the breakdown or theft of electronic devices or appliances under certain conditions, depending on the sale of devices such as computers, tablets, mobile phones, and white goods.

Complementary insurance

In order for these insurance plans to be offered, the insurance cover must be complementary to the goods or services sold and must be purchased

with the devices or in conjunction with the same device after the sale.

According to the regulation, insurance companies will not be able to deal with any business other than insurance transactions and businesses directly related to them.

The regulation bars non-technical personnel from concluding insurance contracts using remote communication tools in places other than authorised institutions. Penalties have been introduced for those who violate the regulation.

The SEDDK also states that with the regulation, the authorised institutions are obliged to take measures to secure payment systems.

The regulation was drafted after taking into the views of stakeholders, especially the Insurance Association of Turkey, the Union of Chambers and Commodity Exchanges of Turkey (TOBB), and the Insurance and Reinsurance Brokers Association. ■

Middle East Insurance Review - 21 June 2021

• *Mandatory cyber insurance for Turkish SMEs*

Local insurance company executives are calling on the government to set up a mandatory cyber risk insurance for SMEs (small and medium-sized enterprises).

Data from US cybersecurity firm WatchGuard, shows that the number of cyber attacks in Turkey jumped by 81% in 2020. Moreover, 75% of SMEs do not benefit from a cyber coverage.

Turkey holds more than 3 million SMEs, 43% of which are heavily affected by malware attacks. Experts in the industry say the level of cyber security awareness is very low. ■

Atlas Magazine - 12/04/2021

Our foundation
goes real deep.

GICRE/CAPL/06-16/IQ-001

Total Assets: US $ 12 billion

Net Worth: US $ 5.7 billion
(including US $ 3.5 billion on Fair Value Change Account)

Global Ranking (2015):
14th among Global Reinsurers (A M Best)
18th among Global Reinsurers (S & P)

Ratings:
Financial Strength: A- (Excellent) A M Best Company
Claims Paying Ability: "AAA(In)" by CARE

आपत्काले रक्षिष्यामि

GIC Re

General Insurance Corporation of India

Global Reinsurance Solutions

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

IRDAI Registration No.: 112

CIN No.: U67200MH1972GOI016133

THOMSON REUTERS® PRACTICAL LAW

Tax Treatment

For Insurers, Reinsurers,

and other persons or entities providing insurance and reinsurance-related services

Cambodia

by Jay Cohen, Nitikar Nith and Sochanmalisphoung Vannavuth, Tilleke & Gibbins - Law stated as at 01-Nov-2020

Generally, the tax on income (TOI) rate of legal entities is 20%. The income from life insurance and reinsurance activities is subject to a 20% TOI (Prakas 490 on Procedure of Payment of Tax on Income of the Insurance Enterprises).

Companies that are engaged in the general insurance, reinsurance and micro-insurance business are only subject to a 5% rate on gross premiums (Prakas 490 on Procedure of Payment of Tax on Income of the Insurance Enterprise).

Insurance enterprises must also withhold taxes and submit the returns by 20th of the following month (Articles 25 and 26 , Law on Taxation). General insurance, reinsurance, and micro-insurance companies are not required to withhold tax on the payment of net reinsured premiums to non-resident reinsurers. However, life insurance and reinsurance enterprises must withhold tax at a 14% rate on net life reinsurance premiums paid to non-resident reinsurers (Prakas 490 on Procedure of Payment of Tax on Income of the Insurance Enterprise).

China

by Zhan Hao, Wang Xuelei, Chen Jun, Yu Dan, Wan Jia and Zhou Yanghui, AnJie Law Firm - Law stated as at 01-Dec-2020

Income tax

The following are subject to enterprise income tax at the ordinary rates (25%):

- Insurance and reinsurance entities.
- Insurance intermediaries (including specialised insurance agencies and insurance brokerage).
- Loss adjustment entities that are limited liability companies or joint stock companies.

Loss adjustment entities that take the form of partnerships, individual insurance agents and insurance salespersons are subject to personal income tax. Income from business operations will be taxed at progressive rates ranging from 5% to 35%.

Value-added tax (VAT)

All of the above entities or individuals are subject to VAT (at 6%). However, reinsurance services provided by domestic insurance companies to overseas insurance companies for complete overseas consumption are exempt from VAT (Article 1, Notice on Further Clarifying Policies Concerning Reinsurance, Real Estate Leasing and Non-academic Education, etc. for the Comprehensive Launch of the Pilot Program of the VAT Reform).

Other taxes and surcharges

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

- VAT (currently 6%).

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

This is under the Announcement of the State Administration of Taxation on Promulgating the "Administrative Measures for Entrusted Tax Collection on Behalf of Tax Authorities" (Announcement 2013 No. 24 of the State Administration of Taxation & Taxation on Tax Collection and Administration Concerning Individual Insurance Agents).

Stamp duty

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

Hong Kong - PRC

by Richard Bates, Kennedys - Law stated as at 01-Apr-2021

Hong Kong operates a territorial system of taxation. Profits derived by an entity carrying on business in Hong Kong are generally subject to Hong Kong profits tax, currently at the prevailing rate of 16.5%, provided the profits are Hong Kong-sourced and not of a capital nature. However, certain categories of income are specifically exempt from Hong Kong profits tax, including:

- Dividend income from Hong Kong corporations.
- Bank interest.
- Capital gains.

Offshore-sourced profits such as dividends from foreign companies, or gains on sale of foreign assets are not taxable.

Ascertaining the source of profits is a question of fact determined principally by what the taxpayer has done to earn the profits in question and where they have done so. The test therefore requires all the factors in the relevant income to be considered and weighed up to decide where, in substance, the activities generated in this income were undertaken. If they were generated in Hong Kong, then the profits in question should be regarded Hong Kong-sourced.

Expenses are generally deductible in determining assessable profits to the extent the expenses are incurred in the earning of assessable profits and are not considered capital expenditure. Specific provisions in the Inland Revenue Ordinance (IRO) deem certain items of expenditure to be specifically deductible or non-deductible. However, there are also specific taxation provisions in the IRO to determine the assessable profits from life insurance and non-life insurance business.

On 15 July 2020, the Legislative Council passed the Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Bill 2019. This extends the tax incentives (the reduction in the profits tax rate by 50%, bringing this down to 8.25%) previously only available for captive insurance business and reinsurance business of professional reinsurers to:

- General reinsurance business of direct insurers.
- General insurance business of direct insurers (except for business covering health risk, mortgage guarantee risk, motor vehicle damage risk, employees' compensation liability or owners' corporation third party liability (excluded businesses)).

- Insurance brokerage business of placing general and long-term reinsurance contracts with professional reinsurers, general reinsurance contracts with direct insurers, and general insurance contracts with direct insurers (except for excluded businesses).

India

by Neeraj Tuli and Celia Jenkins, Tuli & Co - Law stated as at 01-Dec-2020

Life insurers are subject to special rules under the income tax legislation. Life insurers are taxed on the gross premium charged to the policyholder, and tax deductions are made in respect of amounts allocated for savings and investments of the policyholder.

Further, provision of insurance is considered a taxable service under Indian law in relation to goods and service tax (GST). Premiums received on account of insurance and reinsurance business attract GST (currently at 4.5% for traditional products, 18% for unit-linked products). Income tax laws provide deductions to the policyholder on premiums paid for life and health insurance policies.

Entities and individuals providing insurance or reinsurance related services are also liable to pay GST. In addition, insurers must pay GST levied on insurance agents for services rendered to them.

Indonesia

by Ira A Eddymurthy and Samuel Yefta Abednego, SSEK Legal Consultants - Law stated as at 01-Jan-2021

The tax treatment for insurers, reinsurers and other persons or entities providing insurance and reinsurance-related services is regulated in Law No. 36 of 2008 regarding the Fourth Amendment of Law No. 7 of 1983 regarding Income Tax (Income Tax Law). Insurance services are excluded from those services subject to value added tax.

The Income Tax Law distinguishes between the tax treatment of companies and of individuals:

- Insurance and reinsurance companies, insurance/reinsurance intermediary companies and companies involved in insurance-related activities are subject to corporate income tax (pajak penghasilan) (Pph)) at 25%.
- Individuals providing insurance and reinsurance-related services are subject to a progressive income tax rate ranging from 5% to 30% based on the individual's annual income.

However, this tax treatment has been temporarily relaxed by the government in response to the 2019 novel coronavirus disease (COVID-19) pandemic. The government has issued several regulations concerning the relaxation of tax, including:

- Government Regulation in Lieu of Law No. 1 of 2020 regarding State Financial Policy and Stability of Financial Systems for the Management of Corona Virus Disease 2019 (Covid-19) and/or to Counter Threats to the National Economy and/or the Stability of Financial Systems (Perpu 1/2020).
- Ministry of Finance (MOF) Reg. No. 86/PMK.03/2020 regarding Tax Incentive for Taxpayers Affected by the Corona Virus Disease 2019 dated 16 July 2020, as amended by MOF Reg. No. 110/PMK.03/2020 dated 14 August 2020 (MOF 86/2020, as amended (MOF 86/2020)).

Under Article 5 paragraph (1) of Perpu 1/2020, the corporate income tax rate for companies under the Income Tax Law is adjusted from the normal income tax rate of 25% to 22% for the fiscal years 2020 and 2021 and 20% (starting from fiscal year 2022.

In addition to the relaxation of the corporate income tax rate above, MOF 86/2020 relaxes income tax until December 2020, which may affect employees of insurance companies. The regulation stipulates that the tax on income received by employees meeting the criteria set out in the regulation shall be borne by the government. This means that employers must pay the full amount of qualified employees' monthly wages. To qualify, employees must:

- Receive or earn income from an employer:
  - whose Business Classification Code (Kode Klasifikasi Lapangan Usaha (KLU)) is listed in Attachment A to the regulation;
  - that is a KITE Company, that is, has obtained an Ease of Import for Export Purposes (Kemudahan Impor Tujuan Ekspor) facility from the Ministry of Finance; or
  - that has obtained a permit as a Bonded Zone Organizer (Penyelenggara Kawasan Berikat), Bonded Zone Entrepreneur (Pengusaha Kawasan Berikat), or Bonded Zone Entrepreneur concurrently as Bonded Zone Organizer (Pengusaha di Kawasan Berikat merangkap Penyelenggara di Kawasan Berikat).
- Have a Taxpayer Registration Number (NPWP).
- During the relevant tax period receive or earn permanent and regular gross income equivalent to no more than IDR200 million.

Conventional life insurance, shariah life insurance, conventional non-life insurance, shariah non-life insurance and insurance agent service businesses are all listed in Attachment A to the regulation. Therefore, employees of insurance companies in these types of business can receive the tax relaxation, provided the other criteria are fulfilled.

Japan

by Shinichi Takahashi, Masashi Ueda and Takumi Takagi, Nishimura and Asahi - Law stated as at 01-Nov-2020

Insurance/reinsurance companies

Under the Corporation Tax Act and any other related acts, Japanese companies are subject to around 30% corporate income tax (including corporate residence tax and corporate enterprise tax). This applies equally to Japanese insurance companies and reinsurance companies. However:

- In principle, the reserve for policy dividends, policy reserves (generally, except for risk reserves), and reserves for outstanding claims are treated as deductions for corporate income tax purposes, to the extent approved by the Japanese tax authority.
- In relation to corporate enterprise tax, a certain percentage of insurance premium revenue is the base of taxation.

No consumption or excise tax applies to insurance premiums in Japan.

Other persons or entities providing insurance/reinsurance-related services

Providers of insurance or reinsurance-related activities are subject to personal income tax or corporate income tax in the same way as other Japanese persons and companies.

Kenya

by Wangui Kaniaru, Kevin Mutulis and Rizichi Kashero, Anjarwalla & Khanna LLP - Law stated as at 01-Aug-2020

Corporate income tax

General insurance businesses are taxed at a corporate income tax rate of 25%. In addition to the ordinary deductible expenses under the Kenya Income Tax Act, the following expenses are also deductible for general insurance businesses:

- Reserves for unexpired risks, provided that the reserves are estimated on the basis of actuarial principles including discounting of ultimate costs.
- The amount of claims admitted in that year of income in connection with that business, provided that claims incurred and not paid or reported are estimated on the basis of actuarial principles including discounting of ultimate costs less any amount recovered under a reinsurance contract.
- Agency expenses incurred in that year of income in connection with that business.
- Other expenses allowable as a deduction for corporate tax purposes (expenses wholly and exclusively incurred in production of income such as staff expenses, advertising, office expenses, and other expenses of revenue nature).

Expenses attributable to earning exempt income (such as income on the disposal of investment shares trading on any securities exchange operating in Kenya) are not deductible for corporate tax purposes.
Life insurance businesses are taxed by subjecting the sum of the following items to corporate income tax at 25%:

- The amount of actuarial surplus, as determined under the Insurance Act and recommended by the actuary to be transferred from the life fund for the benefit of shareholders and policyholders.
- Any other amounts transferred from the life fund for the benefit of the shareholders.
- 30% of management expenses and commissions that are in excess of the maximum amounts allowed by the Insurance Act.

Withholding tax

Withholding tax is payable on:

- Any commissions or fees paid by insurance companies at the rate of 5% and 10% respectively.
- Insurance premiums (including reinsurance premiums) paid to non-resident persons at the rate of 5%.

KUWAIT

by Rula Dajani Abuljebain, Sam Wakerley and Luke Garrett, Holman Fenwick Willan Middle East LLP - Law stated as at 01-Oct-2020

Insurance premium/policy taxes

The applicable taxes (which are actually "fees", to be paid to the IRU under Articles 15 and 18 of the Insurance Law) will be set out in the forthcoming Implementing Regulations.

Corporation tax

Kuwaiti national companies are not in practice subject to corporation tax. This includes Kuwaiti-registered companies owned by Kuwaitis and companies incorporated in the Gulf Co-operation Council (GCC) countries that are wholly owned by Kuwaiti citizens. Any foreign shareholders in the above companies must pay corporation tax on their share proportion of profits (at a rate of 15%).

LAO PEOPLE'S DEMOCRATIC REPUBLIC

by Dino Santaniello, Sappaya Surakitjakorn and Saithong Rattana, Tilleke & Gibbins - Law stated as at 01-Dec-2020

There is no special tax treatment for insurance companies, or any legal entity or individual, which provides similar services. Therefore, insurance companies are subject to profit tax of up to 20%.

Mauritius

by Bhavna Ramsurun, Vipin Jeerakun, Lorna Senivassen and Manisha Meetarbhan, BLC Robert & Associates - Law stated as at 01-Dec-2020

Insurers, reinsurers and other persons or entities providing insurance and reinsurance-related services are subject to income tax at the rate of 15% on their chargeable income (net income).
However, 80% of the income derived by a company from reinsurance and reinsurance brokering activities is exempt from income tax provided that the company satisfies the following conditions relating to the substance of its activities:

- The company carries out its core income-generating activities in Mauritius.
- It employs, directly or indirectly, an adequate number of suitably qualified persons to conduct its core income-generating activities.
- It incurs a minimum expenditure proportionate to its level of activities.

The term "core income generating activities" for the purposes of a company engaged in reinsurance and reinsurance brokering activities, includes predicting and calculating risk, reinsuring against risks, administrating clients' cells, providing related services, preparing regulatory reports, and providing clients technical advice in respect of reinsurance of liabilities.
Ascertaining the net income of an insurance company for the purposes of income tax is done in a specific way.

In relation to value added tax, the arrangement, provision, or transfer of ownership, of any contract of insurance or reinsurance under the Insurance Act, including the management of insurance schemes, is exempt.

Myanmar

by Dr. Ross Taylor, Yuwadee Thean-ngarm and Nwe Oo, Tilleke & Gibbins - Law stated as at 01-Oct-2020

Insurers in Myanmar are subject to corporate income tax (CIT) and commercial tax (CT) at the following rates:

- 25% CIT on profits.
- Exemption of CT for life insurance businesses, and 5% CT for other insurance services.

Russian Federation

by Alexey Borodak, Norton Rose Fulbright - Law stated as at 01-May-2019

Insurance services providers are subject to the general rules of federal, regional and local taxation. Therefore, insurance companies must pay income tax, VAT, property tax, transport tax and land tax. Profit of a controlled foreign company is exempted from Russian taxation through the procedure and on terms set by the Tax Code, if the controlled foreign company is a bank or insurance company operating in accordance with the laws where it is incorporated under a licence or other special permit for banking or insurance activities.

Saudi Arabia

by John Barlow, Mohammed Abdulrahman Alkhliwi and Thomas Neighbour, Holman Fenwick Willan Middle East LLP - Law stated as at 01-Oct-2020

All insurance and reinsurance companies must submit a tax and zakat (zakat is a form of Islamic religious levy imposed on the wealth of Saudi Arabia nationals and Gulf Co-operation Council nationals operating in Saudi Arabia) declaration, audited financial statements and any other statements required to assess zakat and tax to the Saudi Arabia General Authority of Zakat and Tax (GAZT), in accordance with the Income Tax Law and its implementing regulations (published by the Saudi Arabia General Investment Authority (SAGIA)) (Article 13, Insurance Law).

Non-Saudi Arabia resident individuals and entities conducting business in Saudi Arabia under the Foreign Investment Act must declare annual dividends and pay 20% income tax on realised profits.
In the case of a mixed-ownership entity, 20% income tax must be paid on the foreign investor's share in the profits. The share owned by the Saudi Arabia investor will only be subject to 2.5% zakat.
There is a 5% withholding tax applicable on the repatriation of dividends by a foreign shareholder in a mixed foreign/Saudi Arabia entity.

There is also a withholding tax of 5% levied against any premium paid to non-Saudi Arabia based insurance and reinsurance companies or commission paid to non-Saudi Arabia based brokers.
In addition, Article 3 of the Regulation for Supervision and Inspection Costs (2009) requires payment of costs of inspection and supervision to SAMA as follows:

- Insurance and reinsurance companies: 0.5% of total underwritten premiums in a financial year, excluding local market share of the reinsurance business.
- Insurance and reinsurance brokers: 1% of total commissions and fees earned within an accounting year.

Saudi Arabia issued its National VAT Law with a Royal Decree No. M/113 dated on 2/11/1438 H (corresponding to 26/07/2017G) and published its Implementing Regulations issued by GAZT Board of Directors Resolution No.3839 dated on 14/12/1438 H (corresponding to 06/09/2017G).
The Implementing Regulations of Valued Added Tax (VAT) set out how the tax will be applied on the insurance sector:

- All insurance contracts and products in Saudi Arabia are subject to VAT at the standard rate of 5%, with the exception of life insurance contracts that have been exempted from VAT. The non-exempt activities include insurance contracts and products as general insurance or health insurance, as well as reinsurance products and contracts, insurance brokerage services or any other services related to the insurance sector.
- GAZT confirmed that all products classified by SAMA as life insurance will be exempted. Consumers and individuals will be required to pay VAT on any commission or additional fees due to the insurance brokers, regardless of whether the fees are for services related to health, public or life insurance. GAZT stated that payments made by insurance companies to insured people are not treated as an economic activity and therefore will not be subject to VAT.

Singapore

by R Govintharasah and Bharath Ratnam Ganesh, Gurbani & Co - Law stated as at 01-Apr-2021

Under the Income Tax Act (Cap 134), all companies are generally taxed at the rate of 17% on their chargeable income.
However, some insurers may be subject to different tax rates depending on the type of insurance business carried on.

Life insurance business
Insurers carrying on life insurance business are subject to a tax rate of 10% on life insurance surplus of any life insurance fund apportioned to policyholders for each year of assessment.

Marine hull and liability insurance/reinsurance business

Tax is payable at the rate of 5% on chargeable income derived by an approved marine hull and liability insurer for each year of assessment. Chargeable income of a marine hull and liability insurer is the income derived from the underwriting of marine hull and liability insurance. The precise amount of the chargeable income is calculated in accordance with the formula set out in the Income Tax (Concessionary Rate of Tax for Approved Offshore Composite Insurers) Regulations.

Offshore general insurance/reinsurance business
An approved insurer carrying on offshore life insurance business and insuring/reinsuring offshore risks will be taxed at the rate of 10% on chargeable income for each year of assessment. Chargeable income refers to any of the following:

- Income derived from insuring and reinsuring offshore risks.
- Income derived from insurance funds established and maintained for offshore life policies.
- Dividends and interest derived from outside Singapore, gains or profits realised from the sale of offshore investments, and interest from Asian Currency Unit (ACU) deposits derived from:
    - investments of an offshore insurance fund; and
    - investments of shareholders' funds to support the offshore insurance business.

Captive insurers
Captive insurers are exempt from tax on any underwriting income derived from insuring offshore risks.

South Africa

by Patrick Bracher, Norton Rose Fulbright South Africa Inc - Law stated as at 01-Oct-2020

Companies carrying on non-life insurance business in South African are subject to tax at the standard corporate tax rate which is currently 28%. Companies carrying on life insurance business are required to establish five separate funds, which are taxed at the following rates:

- Corporate fund, 28%.
- Individual policyholder fund, 30%.
- Company policyholder fund, 28%.
- Risk policy fund, 28%.
- Untaxed policyholder fund, 0%.

South Korea

by Jay Ahn, Hyun Wook Shin and Kevin L Todd, Kim & Chang - Law stated as at 01-Apr-2021

Insurance and reinsurance services are VAT-exempt. However, actuary services are no longer VAT-exempt from July 2015 under the amended Value Added Tax Act.

Insurers and reinsurers that are domestic corporations or have a permanent establishment in South Korea must pay corporate income tax and education tax on premiums:

- Net taxable income is subject to ordinary corporate income tax, which is levied at:
    - 11% (including surtax) for a tax base of up to KRW200 million;
    - 22% (including surtax) for a tax base from KRW200 million but less than KRW20 billion;
    - 24.2% (including surtax) for a tax base of more than KRW20 billion but less than KRW300 billion; and
    - 27.5% (including surtax) for a tax base of more than KRW300 billion.
- Education tax is an earmarked tax imposed to secure funds for education. Education tax is payable at the rate of 0.5% of total insurance business revenue (such as insurance premiums), after taking into

account certain deductions (such as an increase in amounts set aside for policy reserves) and certain exceptions (such as reinsurance premiums paid out).

Non-admitted foreign insurers and reinsurers are not generally subject to corporate income tax and education tax on premiums in South Korea, other than withholding tax on interest and dividends from a source in South Korea (unless they have a permanent establishment in South Korea).

Taiwan

by Daniel T.H. Tsai, Attorneys-at-Law - Law stated as at 01-Dec-2020

The business tax rates of insurance enterprises are as follows:

- For sales amounts not exclusively connected with the core business, the business tax rate is between 5% and 10%.
- For sales amounts connected with the core business, the business tax rate is 5%. However, property insurance enterprises may deduct the amount reserved for compensation for the calculation of the business tax payable.
- For sales connected with reinsurance premiums, the business tax rate is 1%.
- For sales amounts connected with business other than the above, the business rate is 2%.

(Article 11(1), Value-added and Non-value-added Business Tax Act.)

Thailand

by Athistha Chitranukroh, Sappaya Surakitjakorn and Thammapas Chanpanich, Tilleke & Gibbins - Law stated as at 01-Jan-2021

Under the Revenue Code, any insurance company is subject to corporate income tax (currently 20%) on its net profit. The life insurance business is subject to Special Business Tax (currently 2.75% on interest, service fees, and other fees), in contrast to non-life insurance business, which is subject to VAT (currently 7% on premium and stamp duty).

Both life insurance policies and non-life insurance policies are subject to stamp duty, the amount of which differs depending on the specifics of the insurance and the circumstances. Life insurance premiums are not subject to withholding tax, while non-life insurance premiums are subject to a 1% withholding tax.

Turkey

by Arpat Şenocak and Mehmet Kösoğlu, Özdirekcan Dündar Şenocak Attorney Partnership (in association with Gide Loyrette Nouel in Turkey) - Law stated as at 01-Jan-2021

Bank and insurance transactions tax

In principle, sums received by insurance companies as a result of insurance transactions are subject to the Bank and Insurance Transaction Tax (BITT), the rate of which is currently 5%. The payer of the BITT is the insurance company but in practice it is generally charged to policyholders.

The following insurance-related transactions are exempted from BITT:

- Premiums, commissions and other charges received due to reinsurance and retrocession transactions.
- Sums received due to agricultural insurances taken out for:
    - any agricultural product that has not been yet harvested or collected; and
    - agricultural animals.
- Sums received due to insurances taken out against nuclear risks.

- Sums received on contracts and policies for private pension contracts, life insurances (including life insurance contracts under which personal accident, disability due to disease and critical diseases coverage are provided as additional coverage), health insurances and freight insurances for exported goods.
- Premiums paid for the Mandatory Earthquake Insurance (these premiums are exempted from all taxes, duties and charges).

Value added tax
All transactions falling under the scope of the BITT are exempted from Value Added Tax (VAT) and, therefore, transactions of insurance companies are not subject to VAT.
Reinsurance transactions and transactions performed between insurance intermediaries (agents or brokers) and insurance companies are also exempt from VAT.

Corporate tax
As corporate taxpayers under Turkish law, the incomes of insurance companies, reinsurers or other entities providing insurance and reinsurance-related services are subject to corporate tax at the rate of 22% of their corporate incomes for the taxation periods of the years 2018, 2019 and 2020 (accounting periods beginning in the related year for institutions with a special accounting period). The President is entitled to reduce this 22% rate to 20% at its sole discretion.

Stamp tax
Insurance contracts, receipts of insurance fees, renewal of insurance contracts, and declarations and additional policies issued as the result of renewals, and all transactions of insurance and private pension companies, are exempted from Stamp Tax.

Fire insurance tax
Insurance companies are subject to payment of a Fire Insurance Tax amounting to 10% of the premiums collected for fire insurances concluded for movable and immovable properties within municipal boundaries and adjacent areas.

Other duties
Insurance companies are also liable for paying the following specific duties in relation to the premiums collected within a given year:

- 5% of the premiums collected from mandatory traffic (liability) insurance must be paid by insurance companies to the Traffic Services Improvement Fund.
- 1% of the total net premiums collected each year by insurance companies for mandatory insurance lines and 2% of the total net premiums paid by policyholders to the insurance companies for mandatory insurances lines (such as motor third party liability, earthquake and hazardous waste insurances) must be deposited to the Insurance Association as an annual contribution to the Assurance Account.

UAE

by Sam Wakerley and John Barlow, HFW - Law stated as at 01-Dec-2020

Certain insurance disputes must be referred to the onshore UAE Insurance Authority for resolution by an IDC (see Question 13, Policyholder recourse). This is mandatory before these specific claims can progress to the onshore UAE courts. The IDCs do not have jurisdiction to adjudicate certain types of claims (see Question 13, Policyholder recourse).

Broadly, the IDC procedure is as follows:

- When an insured party makes a claim under a policy, insurers must respond to the claim in accordance with the policy terms and applicable law. If a claim is fully or partially rejected, insurers must provide reasons for the rejection in writing.
- If the insured party believes the insurer is wrong in rejecting the claim, they can file a complaint with the Insurance Authority, who requests the insurer to provide an explanation for their decision within five working days.
- If the claimant objects to the insurers' explanation, they can ask the Insurance Authority to refer the dispute to an IDC (Decision No. 33 of 2019 Concerning the Regulation of the Committees for the Settlement and Resolution of Insurance Disputes, amended by Board of Directors' Resolution No. 9 of 2020). An IDC is to be assigned to the dispute within three working days and firstly attempts to settle the dispute amicably. The IDC must settle the dispute within 15 working days from the date of submission of an application or complaint. If the dispute is not settled by conciliation, the IDC begins the dispute resolution procedures. The IDC has 20 working days to issue their decision.
- The parties can challenge the IDC's decisions before the relevant onshore Court of First Instance, within 30 days from the day after the notification of the decision (Article 16, Decision No. 33 of 2019). If the decision is not challenged, it is considered final and enforceable.

Vietnam

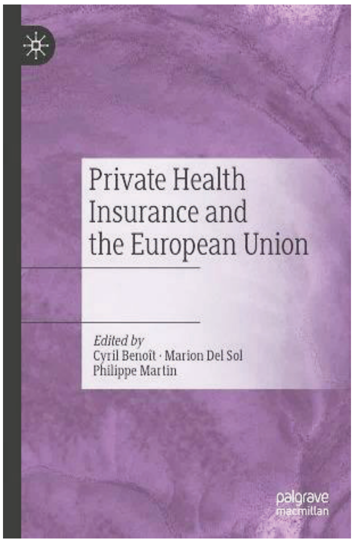
by Vinh Quoc Nguyen and Vy Thao Tran Do, Tilleke & Gibbins - Law stated as at 01-Jan-2021

Insurers and reinsurers located in Vietnam are subject to corporate income tax (CIT) and value added tax (VAT) at the following rates:

- CIT, generally at a rate of 20%.
- VAT, as follows:
  - certain insurance services, for example, life and health insurance, reinsurance, among others, are allowed VAT exemptions;
  - insurance companies can enjoy a VAT rate of 0% for insurance services provided to companies located in non-tariff zones or overseas organisations and individuals;
  - overseas organisations without permanent establishments in Vietnam do not pay VAT in Vietnam; and
  - a VAT rate of 10% applies to the remaining services.

Offshore insurers are subject to foreign contractor's tax in Vietnam, which is composed of CIT and VAT. The tax calculation for offshore insurers is more complicated. Depending on the circumstances, for example, whether a potential tax payer has a permanent establishment in Vietnam, the law provides different ways for calculating taxes.

Book Review



Private Health Insurance and the European Union

Edited by: Cyril Benoît, Marion Del Sol & Philippe Martin
Publisher: Palgrave Macmillan
Date: 2021

Research has paid little attention to date on how the European Union (EU) affects private (usually voluntary) health insurance at domestic level and more broadly, the political economy of the public-private mix in healthcare. Our argument in this Introduction is that EU law and regulation is, essentially, likely to do so through the provisions applicable to the insurance sector as a whole. We then explain why it could potentially be a vehicle for transformative changes of private health insurers, and why, by extension, it could interact with the prior effects of domestic policy choices in healthcare. Ultimately, such interactions could also help change the nature and scope of health coverage. On the basis of these statements, we develop an analytical approach to elucidate, characterize and prove this influence. We then outline the research design and case selection processes and discuss the various methods applied in the nine contributions to this book. After a short summary of their respective findings, we reflect in a concluding section on how they echo wider debates in the literature on the role of private actors in contemporary Welfare States and on EU influence in healthcare.

Section (1) : The Political Roots of EU Insurance Legislation

Insurance Directives and the Single Market: Towards a Trivialisation of Private Health Insurance?

This chapter retraces the complex adoption of the three generations of insurance directives between 1973 and 1992, which aimed to build a European market in this industry. After the relative success of the first generation directives, the Commission Directorate-General in charge of the dossier managed to produce more efficient texts by using the connection with the overall single market project and the case law of the European Court of Justice (ECJ). This historical process explains why insurance has been treated with the same pattern as other financial services. It also explains why the characteristics of health insurance have only been incorporated at the margin and through resistance or initiatives from two countries with significant political weight: France and Germany. Finally, the texts have made an important contribution to bringing private health insurance players in line with market standards, mainly where they were furthest away from them.

Solvency II, the European Government of Insurance Industry and Private Health Insurance

This chapter considers the political battles that led to the far-reaching reform of solvency rules governing insurance activities in the EU, between 1994 and 2016. Then we review their main implications for a particular segment of this industry, namely private health insurance. Focusing on the prudential regime laid down in EU law and regulation, we show that the adoption of Solvency II is likely to be a critical shift for the sector. Indeed, and while previous directives were essentially preoccupied with finding common rules to organize competition within the Single Market, Solvency II developed as a more conceptual architecture, with rules, requirements and standards intended to become ingrained in insurers' daily activities. This shift was essentially legitimized as providing greater transparency and safety to financial investors and policyholders. Yet, we argue from the vantage point of private health insurance that this statement is open to doubt, and that greater financialization of entire segments of the industry could happen instead as a result of the implementation of Solvency II.

Section (2) : The Impact of the European Union Private Health Insurance

The Uncertain and Differentiated Impact of EU Law on National (Private) Health Insurance Regulations

This chapter seeks to analyse the impact of EU law on private health insurance (PHI) at national level. Does EU law have a vertical impact leading to a rather standardized situation or can we observe a more contrasted landscape? The chapter proposes a two-sided approach: on the one hand, a study of EU internal market law that frames and aims to regulate the health insurance market; on the other hand, a comparative overview of various national arrangements as far as health insurance marketization is concerned. Two main results are brought out. First, though EU law appears to be a "matrix" for private health insurance activity, it is actually rather flexible so that there is latitude for national regulation of the PHI market. This generates some uncertainty. Second, there are various forms of arrangements at national level relating to health coverage, and this is why the impact of EU law is differentiated.

An Increasing Homogenisation of Private Health Insurers Under Solvency II?

This chapter takes a European perspective to explores the main consequences of EU legislation on the strategic behaviour of private health insurers. Using quantitative data, it shows how changes led by the EU legislation in the insurers' environment, in particular the public disengagement from health coverage, are creating a favourable environment for the emergence or development of more or less profitable national markets for private health insurance. Thus, the analysis of mergers and acquisitions (M&A) carried out in the private health insurance sector during the 2000s and 2010s and of their determinants shows how non-profit entities dominating the field in several EU countries tend to mimic for-profit insurers in terms of strategies and behaviours—with potential consequences for the provision of health benefits.

Section (3) : Shifting the Public-Private Mix in Healthcare? Multifaceted Paths Towards Europeanization

Private Health Insurance in Belgium: Marketization Crowded Out?

In Belgium, the "public" side of health coverage is delegated and organized around non-profit private health insurers, namely mutual benefit societies, and as such, it is excluded from the perimeter of EU insurance law and regulation. Over the last two decades, and as a result of various governmental attempts to reduce health expenditure, mutual benefit societies nevertheless developed and managed on their own a variety of complementary coverage. This situation was challenged during the 2000s by for-profit insurance companies seeking to penetrate the market. In this context, they used both Insurance and Solvency II directives in their search for supranational support to challenge the position of mutual benefit societies. In turn, the latter responded by working politically to secure their position at the domestic level. As a result of these political struggles, a reform adopted in 2010 reinforced several features of the Belgian public-private mix by safeguarding the position of mutual benefit societies for complementary coverage. But this same reform also opened the supplementary side of health coverage to competition and aligned it with EU provisions, thus marketizing a share of the public-private mix in Belgium—with recent figures suggesting that this new pillar is now expanding.

Europeanized, Marketized but Still Governed by the State? Private Health Insurance in France

Historically, private health insurance (PHI) in France (which covers the complementary share of health expenditures) has been dominated by non-profit entities, namely mutual benefit societies. The sector has experienced a manifold marketization process over the recent years, partly due to the application of EU law and regulation. Yet this chapter argues that it has been decisively reinforced and sometimes shaped by a series of policies adopted at the national level. Indeed, over the last 20 years, successive French governments have tried to increase health coverage without increasing the share already covered by the public purse. This strategy ostensibly involved private health insurers in achieving several governmental objectives, yet the prior effects of Europeanization on these entities were poorly acknowledged by policymakers. As such, the many consequences associated with the rise of a "European-driven" market now increasingly conflict with a "State-driven" market. This, in turn, has strong implications for the scope and the nature of health coverage.

Ireland: The Ambiguous Role of the Health Insurance Market

This chapter addresses the very peculiar role of the private health insurance (PHI) market in Ireland. Because the public statutory system is not actually universal, the legislation has strongly regulated the PHI market to make it play a general interest role in healthcare coverage. This was achieved through an original transposition of the 1992 Insurance directive, in which Irish legislation combined market rules and the interests of the common good. Nevertheless, it involved serious legal issues that led to EU law and national public policy being accommodated. In addition, the economic and financial crisis seriously challenged the two-tier Irish Healthcare system, as the proportion of people faced with unaffordable private health expenditure significantly increased. The chapter finally explores the recent Irish reform plan that reconsiders the question of universal coverage. This might lead to a fundamental transformation of the role of PHI.

The Dutch Way: Experimenting with Competition in the Healthcare System

This chapter addresses the role of private insurance in the Dutch healthcare system wherein public and private funds were put into competition in 2006. This system has always been characterized by both public and private interactions, and its recent marketization has not terminated the state regulation. Its functioning also demonstrates an innovative way of governing and regulating competition in the healthcare and health insurance markets, combining EU law and national legislation. However, it can be debated whether EU competition law is adequate in regulating such a system based on managed competition. As the improvement of these competitive conditions is unlikely to eliminate market failures, the state has even increased its role in monitoring, controlling and, when necessary, intervening on these markets.

In Between the Market and Public Health Insurance: A Place for Occupational Welfare in Europe?

There is a growing body of studies emphasising the multi-pillar reconfiguration of protection against social risk in Europe, particularly in pension reform. In this chapter, we try to expand on this literature to find applicability beyond the sole case of pensions by looking at occupational health insurance in France. To that end, we present a restatement of the pillar/provision perspective in order to apply it to a broader range of cases. We argue that it constitutes a powerful analytical tool when complemented with a (non-exhaustive) list of perspectives widely used in studies on social policy and does not blunder into the pitfall of functionalism. This chapter focuses on crossing the pillar perspective with a finance and a regime perspective. Following the seminal intuition of R. Titmuss, an important result yielded is that the overall structure of resources distribution of the whole welfare system can become highly anti-redistributive once occupational schemes and fiscal incentives are included in the analysis.

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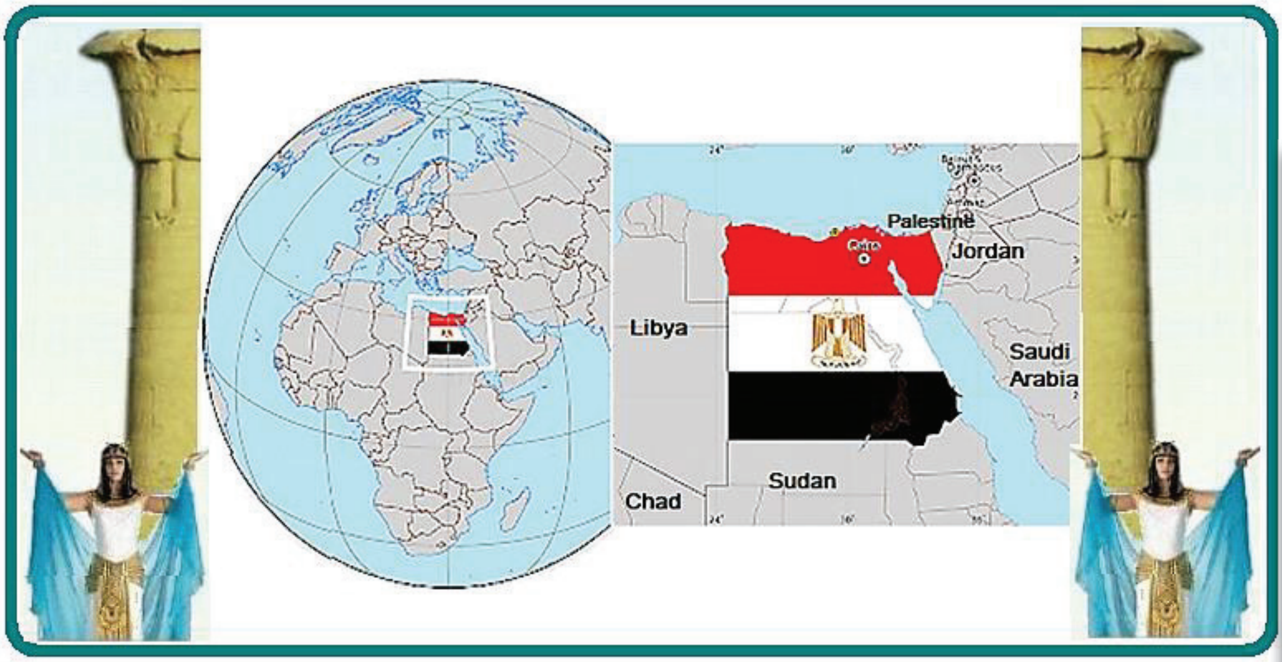
EGYPT

Insurance Market Overview

By Hussein Elsayed



With 2.4 billion USD of premiums in 2020, the Egyptian insurance market ranks third in Africa. The first and second positions are held respectively by South Africa and Morocco.

At the level of MENA, the Egyptian insurance market ranks Fourth in MENA and comes behind UAE, KSA and Morocco.

The market includes 40 operators among which 25 non-life insurance companies and 15 life companies. It also involves large regional and global groups namely Misr Insurance, Metlife, Allianz, Axa, GIG, QNB, Canal Suez, Bupa and Delta.

According to Fitch Report published in March 2021 "Egypt Banking & Financial Services"; Egypt's non-life sector is the larger of the two insurance segments, accounting for 64% of the total gross premiums written in 2020 and representing almost 0.4% of nominal GDP. Growth potential in this sector has greatly increased with the recent adoption of universal national health insurance and the likelihood that there will be more compulsory lines of insurance in future. The life insurance sector in Egypt is rather small, accounting for 0.2% of nominal GDP in 2020 and 36% of total premiums written.

As regards to Insurance brokers in Egypt; Insurance brokers contribute 50% of the total premium income of the insurance sector.

According to Vice Chairman of the Financial Regulatory Authority (FRA), the Egyptian insurance market is expected to grow by 16% in 2021, at the same rate as in 2020. Growth in travel insurance premiums, insurers' adoption of digital means and the distribution of microinsurance products are among the factors contributing to the sector's growth.

(I) Socio-Economic Information

Official Name: Arab Republic of Egypt **Capital:** Cairo

Location: Egypt is located in the north-eastern corner of Africa. It is bounded on the north by the Mediterranean Sea, on the east by Palestine and Israel, on the south by Sudan, and on the west by Libya.
Surface Area: The total area is 1,009,450 sq. km (including 6,000 sq. km of inland water), but the cultivated and settled area, that is the Nile Valley, Delta and oases, covers only 35,000 sq. km.
Climate: The climate is mainly dry, but there are winter rains along the Mediterranean coast. Elsewhere, rainfall is very low and erratic in its distribution. Winter temperatures are comfortable everywhere, but summer temperatures are very high, especially in the south.

Population: 102 mn (2020) ; 43% of the population were urban.
Languages: The official language is Arabic, although French and English are widely spoken.
Religion: Muslims (94·9% of the population) and Christians (4%).
The vast majority of Muslims are Sunnis. Most Christians belong to the Coptic Orthodox Church.
Labour: The labour force in 2020 was 31,441,059. In the same year, 49·6% of the population aged 15–64 was economically active and 10·1% of the population was unemployed.

Currency: The monetary unit is the *Egyptian Pound (EGP)* of 100 piastres.
Exchange Rate EGP/USD: as at 31/12/2018 = 0.0558 | as at 31/12/2019 = 0.0598 | as at 31/12/2020 = 0.06369

GDP in USD bn: **303** (2019) | **362** (2020) Country Groupings: Middle income
Real GDP Growth: **5.6%** (2019) | **3.6%** (2020) Real GDP per capita (USD): **3012** (2019) | **3536** (2020)
GDP by Sector (2019): Agriculture (11.05%) | Industry (35.62%) | Services (50.47%) | Other (2.86%)

Sovereign Credit Ratings

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

Rating Agency	Rating	Outlook	Rating Date
Fitch	B+	Stable	3/2021
Standard & Poor's	B	Stable	5/2020
Moody's	B2	Stable	7/2020

Competitiveness and Efficiency Indicators

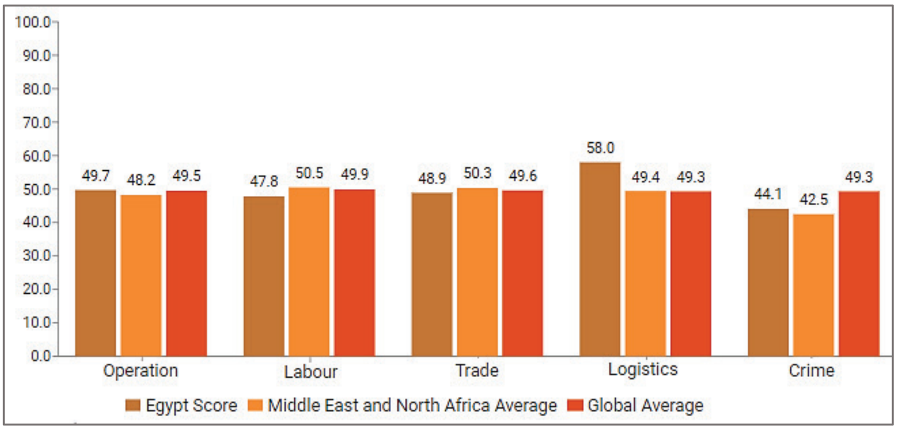
Sources:
World Bank, IMD, Transparency International

	World Ranking 2018	2019	2020
Ease of Doing Business Index	128/190	120/190	114/190
Ease of Paying Taxes Index	167/190	159/190	156/190
Logistics Performance Index	67/160	N/A	N/A
Corruption Perception Index	105/180	106/180	117/180

Egypt Vs Global and Regional Operational Risk Averages

Note: 100 = Lowest Risk,
0 = Highest Risk

Source: Fitch Solutions Operational Risk Index
Date last reviewed: February 16, 2021



Country	Operational Risk Index	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk Index	Crime and Security Risk Index
UAE	72.5	67.4	78.7	69.9	74.1
Bahrain	68.3	63.0	76.0	72.8	61.5
Saudi Arabia	64.8	66.1	65.9	66.5	60.6
Qatar	64.7	63.3	62.8	73.4	59.3
Oman	64.5	58.2	64.3	66.5	68.8
Jordan	56.9	56.6	63.3	56.4	51.2
Morocco	55.1	42.5	66.2	54.4	57.4
Kuwait	54.9	55.7	57.4	48.9	57.5
Egypt	**49.7**	**47.8**	**48.9**	**58.0**	**44.1**
Tunisia	47.7	40.1	57.7	47.8	45.0
Lebanon	44.1	51.8	50.2	42.9	31.5
Iran	42.4	48.3	36.6	51.4	33.4
Algeria	39.6	47.0	31.9	43.4	35.9
West Bank and Gaza	31.4	46.0	38.3	23.8	17.7
Iraq	30.7	39.4	33.9	39.3	10.2
Libya	29.0	42.6	27.3	29.2	17.0
Syria	28.0	39.0	25.3	24.3	23.3
Yemen	22.6	34.3	19.8	20.2	16.1
Regional Averages	48.2	50.5	50.3	49.4	42.5
Emerging Markets Averages	46.8	48.3	47.1	45.8	46.1
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

Natural Hazards Exposure

EARTHQUAKE: Egypt is a country of low to moderate seismic hazard. Situated along the north-eastern edge of the African plate, it is exposed to earthquakes along the major tectonic structures as well as those originating within the country.

There are five areas of particular earthquake hazard in Egypt:

- the delta region and fringe of the Mediterranean
- areas surrounding the Red Sea, Gulf of Suez and Gulf of Aqaba Junction
- the Gulf of Aqaba Dead Sea Rift
- south-west Cairo
- Lake Nasser.

WINDSTORM: Serious windstorms are not common, with winds rarely exceeding 40 knots. The only exposure is in remote areas along the north coast and, to a lesser extent, in Alexandria and Sinai. Sandstorms can cause minor damage to buildings but the risk is not great.

FLOOD: In Egypt rain normally occurs between November and May and is usually light. Heavy storms occasionally cause flash flooding, though this has historically resulted in few insurance claims.
The November 1994 floods occurred in the province of Asyut, some 200 miles (320 km) south of Cairo.
The Sinai is prone to flash flooding after heavy rainfall, as is the Red Sea area in general.
Egypt has only minimal exposure to flooding from the sea and the Aswan high dam protects against flooding from the Nile. This is expected to change in the long term, however, as rising sea levels and coastal erosion increase the risk of coastal flooding, and winter storms and surges are likely to leave an area of 2,700 square miles (7,000 square kilometers) at the Nile delta more prone to flooding.

BUSHFIRE: There is little exposure to bushfire in Egypt.

HAIL: There is little exposure to hail in Egypt but freak events can occur.

(II) INSURANCE MARKET

Egyptian Insurance Market: History and Development

The insurance industry started in the second half of the 19th Century through acting as agents for British and French companies ; In 1900, the National Insurance Company (Al-Ahlia) was established as the first Egyptian company ; in 1933, "Al-Sharq Company" was formed; and in 1934, "Misr Insurance" and in 1957, The “Egyptian Reinsurance Company (Egypt Re) ” for reinsurance business. During this period; foreign insurance companies and their branches in the market reached to more than 130.

In the wake of the nationalization movement under Law No. 23 of 1957, insurance companies working in Egypt were nationalized. From that time until 1961, there were 14 Egyptian companies for insurance and re-insurance. Based on insurance decrees of the year 1961 and merger decrees of the year 1964, the number of insurance companies in Egypt became 4 companies fully owned by the State: three companies for direct insurance and one for re-insurance.

As a result of the change in the Egyptian economic policy after the 1973 war, Law No. 43 of 1975 was issued. It caused a huge shift in the insurance industry in Egypt by allowing inflow of foreign capital to establish insurance companies in the free zones. By the end of the Seventies of the Twentieth Century, private sector participation began in the insurance market. The Suez Canal Company for Insurance was established in 1979, AlMohandes, 1980, and Delta for Insurance, 1981. With the continuation of the economic development process, private insurance companies working in the market in the Nineties were 9: 4 of them were public sector, 3 private sector, and 2 in the free zones. Also; the Law of Insurance Supervision and Control Law No. 10 of 1981, which underpins the sector was issued.

In the mid of the Nineties, and in accordance with requirements of economic reform policies and market liberalization, Law No. 10 of 1981 was amended to allow 49% of foreign participation, which increased the number of insurance companies to twelve: 4 public sector, 6 private and two free zone. Then, it was amended per Law No. 156 of 1998 to allow 100% foreign participation. The number of companies working in Egypt became seventeen: 4 public sector companies and 13 foreign capital companies.

In the course of following – up and creating added values to the State - owned insurance companies; Misr Insurance Holding Company was incorporated under the Presidential Decree NO: 246 for the year 2006. Since then, Misr Insurance Holding Company became the new owner of the State - owned insurance companies and has borne the responsibility for structuring and repairing its 4 subsidiaries "Al-Ahlia", "Misr Insurance", "Al-Sharq" and "Egypt Re". By the end of 2007; "Egypt Re" and "Al-Sharq" were merged into "Misr Insurance Company", "Egypt Re" continues only as a reinsurance department within the non-life subsidiary company “Misr Insurance” which is the largest reinsurance underwriter in the market.

In 2008, Law No.118 enforced Insurance Companies that merge between both insurance activities, life and non-life insurance; to detach them within 2 years from the date of issuing the law.

In 2009; Law No 10 of 2009 established the Egyptian Financial Supervisory Authority (EFSA) as the supervisory authority for all non-banking operations. EFSA is replace the Egyptian Insurance Supervisory Authority, the Capital Market Authority, and the Mortgage Finance Authority in application of the provisions of the supervision and regulation of Insurance law no. 10 of 1981, the Capital Market law no. 95 of 1992, the Depository and Central registry law no. 93 of 2000, the Mortgage Finance law no. 148 of 2001, as well as other related laws and decrees that are part of the mandates of the above authorities.

Now, the Egyptian insurance market consists of 2 Public Enterprise Companies; Misr Life for life insurance and Misr Insurance for non- life insurance, while the no. of the other insurance companies registered in the EFSA are 38, so that the total no of companies is to be 40 companies ; some are with Egyptian capital, some are with foreign and some with common capital.

Egyptian Insurance Market: Regulatory Environment and Market Structure

○ INSURANCE SUPERVISION:

The Egyptian insurance industry is regulated **by Financial Regulatory Authority (FRA)** https://fra.gov.eg/
Since 2009, the Egyptian insurance sector has been regulated by the Egyptian Financial Supervisory Authority (EFSA), also known in English as the Financial Regulatory Authority. EFSA replaced the Egyptian Insurance Supervisory Authority which, in 1976, replaced the Egyptian General Insurance Institution.

The sector governed by **the Law on Insurance Supervision and Control No.10/1981** and its amendments.
A new Unified Insurance Law was adopted by the Cabinet in November 2020, but has yet to be passed by the legislature. The law provides the FRA with oversight of the entire insurance sector. Drafts of the bill indicate that it will include microfinance, private insurance funds (pensions) and possibly medical insurers. It will also make insurance compulsory for SMEs and a wider range of other situations, such as student health coverage.

○ CAPITAL REQUIREMENTS:

Insurers are required to have EGP60mn of capital, half of which must be paid upfront, while intermediaries (including agents and brokers) must have EGP2mn of capital. Brokers need to renew their licences every three years as well as submitting annual reports to the EFSA.
In June 2019 FRA has finalized a draft of the proposed new Insurance Law which will, inter alia, increase minimum capital requirements for all non-life and life insurance companies from EGP 60mn to EGP 150mn.

○ COMPOSITE INSURANCE:

Composite insurance is not permitted in Egypt. Composite insurers were required by law to separate their life and non-life businesses by 2012.

○ FOREIGN OWNERSHIP:

100% FDI is permitted in the Egyptian insurance industry.
Full foreign ownership is permitted under Law No.156 of 1998, although non-Egyptians are still not allowed to own a cooperative or mutual insurance company.

○ COMPULSORY INSURANCE:

- Motor third party liability for bodily injury.
- Personal accident in respect of railway and metro passengers.
- Aviation third party liabilities.

THE INSURANCE MARKET STRUCTURE

<u>There are 41 players in Egypt comprising:</u>

- Two state-owned companies (Misr Insurance Co. and Misr Life Insurance Co.)
- 38 Private insurance companies;
- 1 reinsurance company- African Reinsurance Corporation including its takaful subsidiary (Africa Re Retakaful Company).
- 24 companies (including Export Credit Guarantee Company and Egyptian Society for Cooperative Insurance) transact general/non-life business while fifteen (15) write life and related personal lines.
- 10 takaful companies in Egypt: 4 family takaful companies; 6 non-family takaful companies

POOLS

<u>There are 5 insurance pools in the market:</u>

- Personal Accident Pool for metro/railway and high road passengers.
- Decennial Risks Pool.
- Nuclear Risks Pool.
- Compulsory Motor Insurance Pool.
- Travel Insurance Pool.

AUXILIARY ORGANIZATIONS

- Insurance Federation of Egypt
- Insurance Institute of Egypt
- Financial Services Institute
- Cargo Supervision & Surveying Office of Egypt

- Decennial liability for architects and contractors.
- Third party liability for operating lifts.
- Professional indemnity for insurance and reinsurance intermediaries.

- **INVESTMENTS:**
  Decree 245 of 2008 dictates the limits placed on how insurance company invest their assets. A total of 15% can be in bonds (5% in any one security), 25% in shares (5% in any single security), 30% in real estate (10% in any single investment), and 50% in cash or equivalents. Since April 2014, insurance companies have been permitted to outsource management to fund managers.

- **RESERVES:**
  Beginning in January 2021, the FRA requires insurance companies to hold reserves amounting to 1% of their assets and net profit reported for the 2019-2020 fiscal year.

- **REINSURANCE:**
  - There is no state reinsurance company. Egypt Re, Egypt's specialist state-owned reinsurer established in 1957, was merged into Misr Insurance Holding Company in 2007 and continues only as a reinsurance department within the non-life subsidiary company Misr Insurance which is the largest reinsurance underwriter in the market.

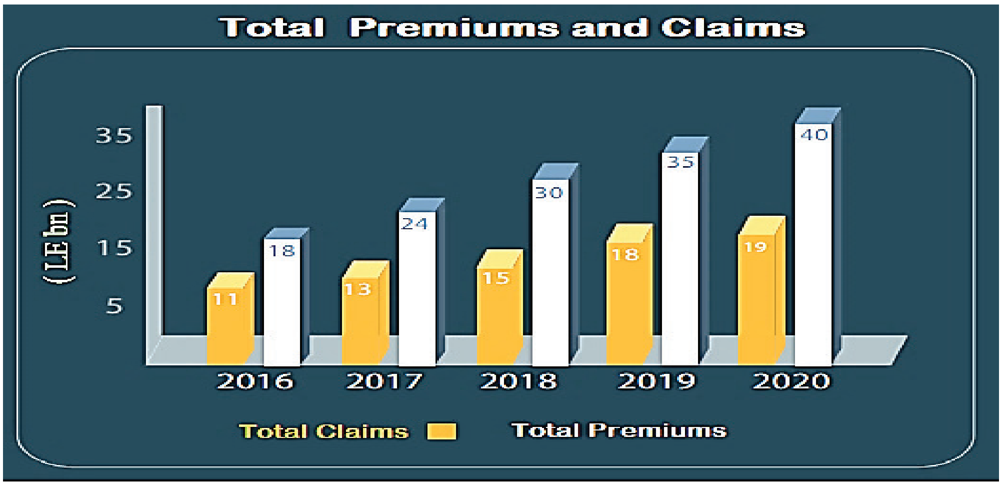
  - The African Reinsurance Corporation (Africa Re) is the single locally authorised professional reinsurance company in Egypt. A pan African reinsurer established in 1976 and domiciled in Nigeria, its regional office for north-east Africa and the Middle East is in New Cairo. Egyptian insurers must offer a minimum of 5% of their treaty programmes to Africa Re, though the reinsurer is not obliged to accept them and does not do so in all cases.
    In addition to Africa Re, there are a wide range of reinsurers active in the market. Such as Hannover Re, SCOR, Generali, GIC, Lloyd's, Partner Re and Tokio Marine. Regional reinsurers such as Arab Re, Oman Re and Saudi Re.

  - Reinsurance regulations for Egyptian insurers are contained in Law No 10 of 1981 on Insurance Supervision and Control in Egypt, the Executive Regulations of the Law Concerning Insurance Supervision and Control in Egypt and the regulator's guidelines on the reinsurance of Egyptian companies (Decision No 122 of 2014) which took effect on 1 January 2016.
    - *These limit insurers to cessions with reinsurers on the regulator's approved list of reinsurers. Approved reinsurers must have been awarded a minimum credit rating from one of the leading credit rating agencies, as followed: A M Best (B+), Standard & Poor's (BBB), Fitch (BBB) and Moody's (Baa).*
    - *The regulator may permit an insurer access to a reinsurer not on its list subject to the reinsurer meeting certain criteria. These include: paid-up capital / net shareholders' equity of at least USD 60mn (or equivalent); a positive solvency ratio and technical reserves; at least regulatory equivalent standards to the regulator's in the reinsurer's domicile; and not having behaved in a prejudicial manner in the Egyptian insurance market in the past three years.*
    - *In addition, cession limits are imposed and there is a ceiling on business ceded to any one reinsurer and to reinsurers from any one country. For non-life insurance, a maximum of 25% of total reinsurance premium may be placed with one reinsurer and 30% with one legal group. If the insurance company is more than 50% owned, directly or indirectly, by the reinsurer, the maximum reinsurance placement with the reinsurer may not exceed 65% of the total reinsurance portfolio, 75% with one legal group.*
    - *With regards to country concentration, placement up to 40% of the total reinsurance portfolio can be placed in one country. Where an insurer is more than 50% owned, directly or indirectly, by the reinsurer, this increases to 75% of the total reinsurance portfolio.*
    - *The law requires insurers and reinsurers to establish gross unearned premium reserves equal to a minimum of 47% for compulsory motor, 25% for marine and aviation and 40% for all other classes.*

  - Alternative risk transfer does not appear to play a part in local reinsurance arrangements.


EGYPTIAN
INSURANCE
MARKET
STATISTICS


Government
Insurance Funds
6 Insurance Fund
25 Million Members
Private
Insurance Funds
759 Insurance Fund
688 Active Funds
5.6 Million Members
INSURANCE
40 Insurance Companies
92 Brokerage Companies
896 Local Branches
2836 Sales Windows


Total Premiums and Claims
(LE bn)
35
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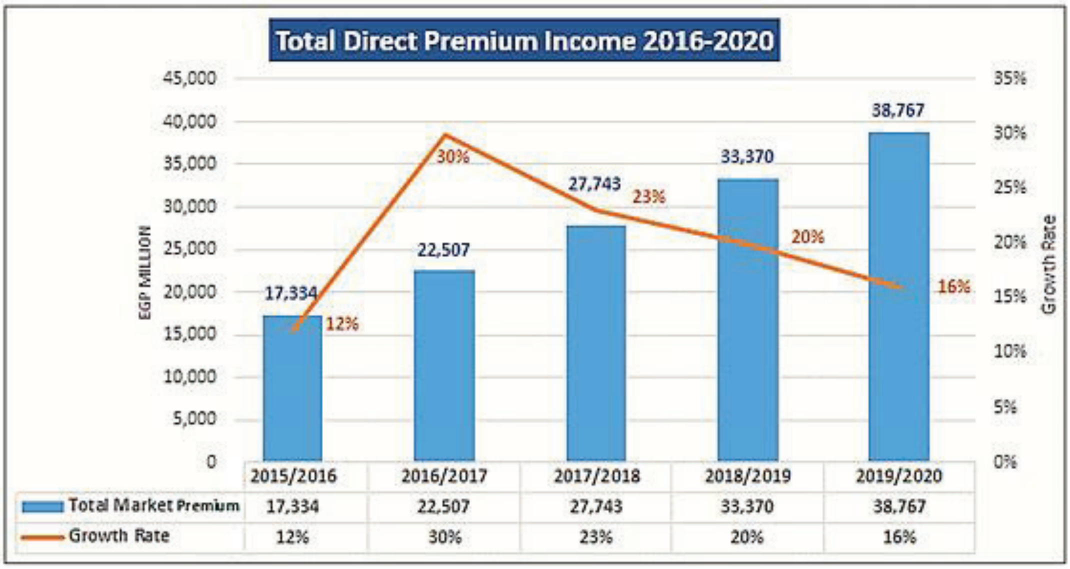
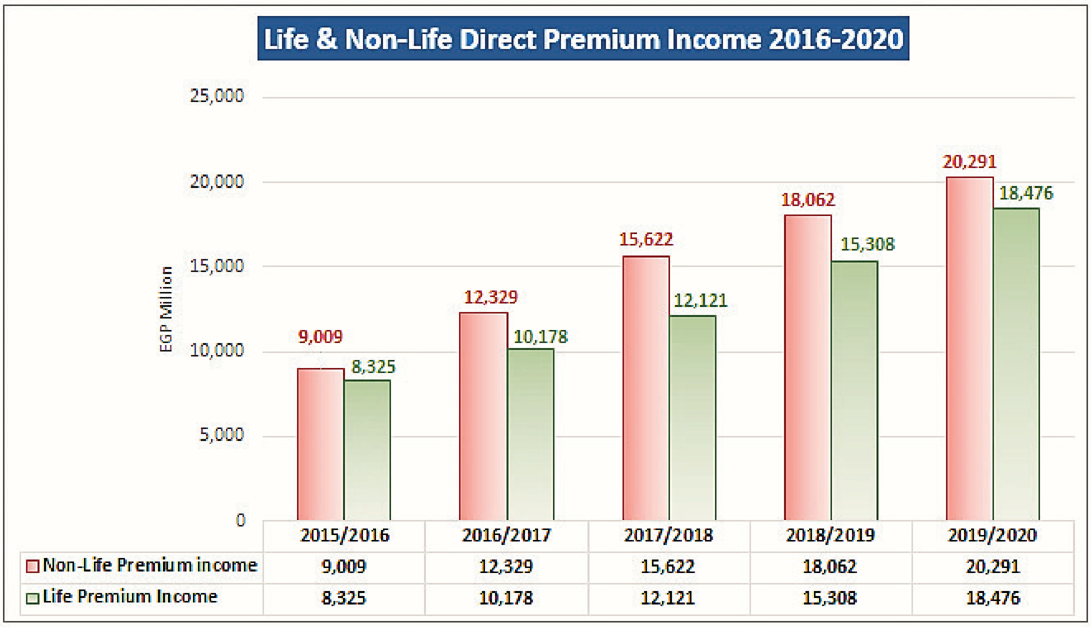
19
40
2016
2017
2018
2019
2020
Total Claims
Total Premiums

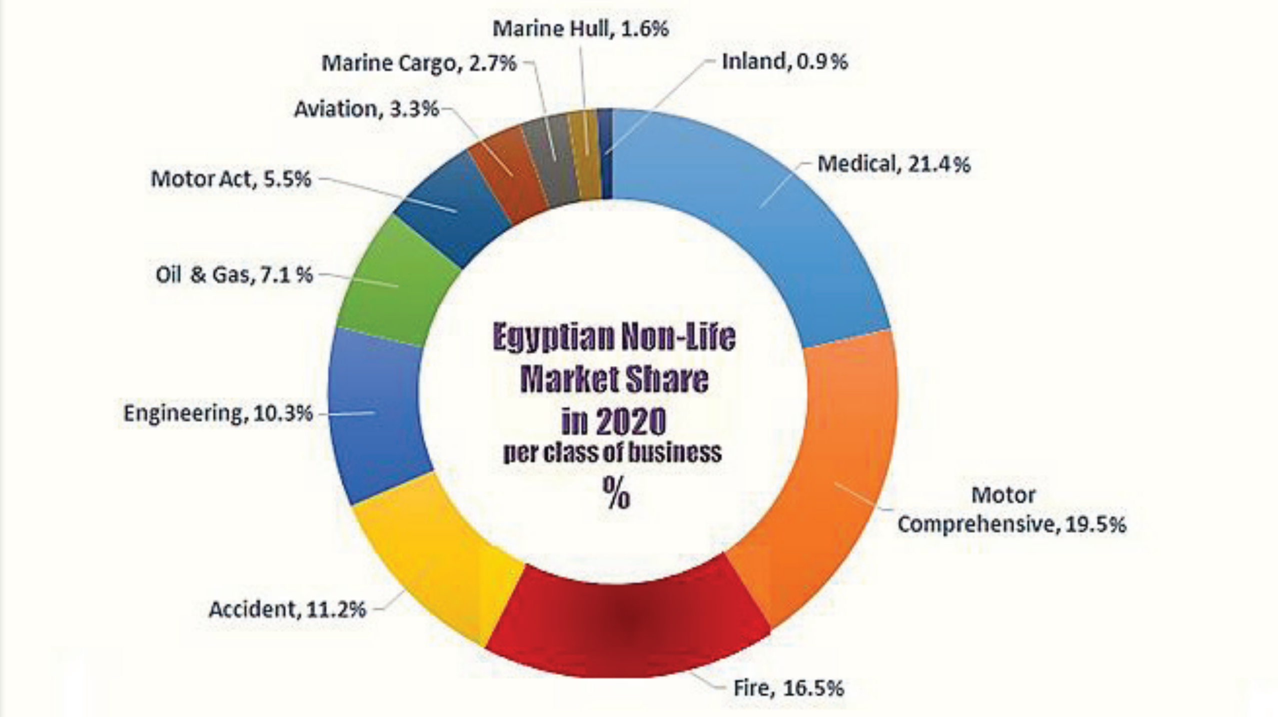

Total Investments and Shareholders' equity
(LE bn)
120
100
80
60
40
20
15
60
31
86
38
99
35
102
33
108
2016
2017
2018
2019
2020
Total Shareholders' equity
Total Investments

DIRECT PREMIUM INCOME *(In EGP)*				
Financial Year	Non-Life Premium Income	Life Premium Income	Total Premiums Income	Growth Rate
2015/2016	9,009,391,000	8,324,850,000	17,334,241,000	12%
2016/2017	12,328,622,000	10,178,063,000	22,506,685,000	30%
2017/2018	15,621,435,000	12,121,200,000	27,742,635,000	23%
2018/2019	18,061,952,000	15,307,834,000	33,369,786,000	20%
2019/2020	20,290,409,000	18,476,067,000	38,766,476,000	16%



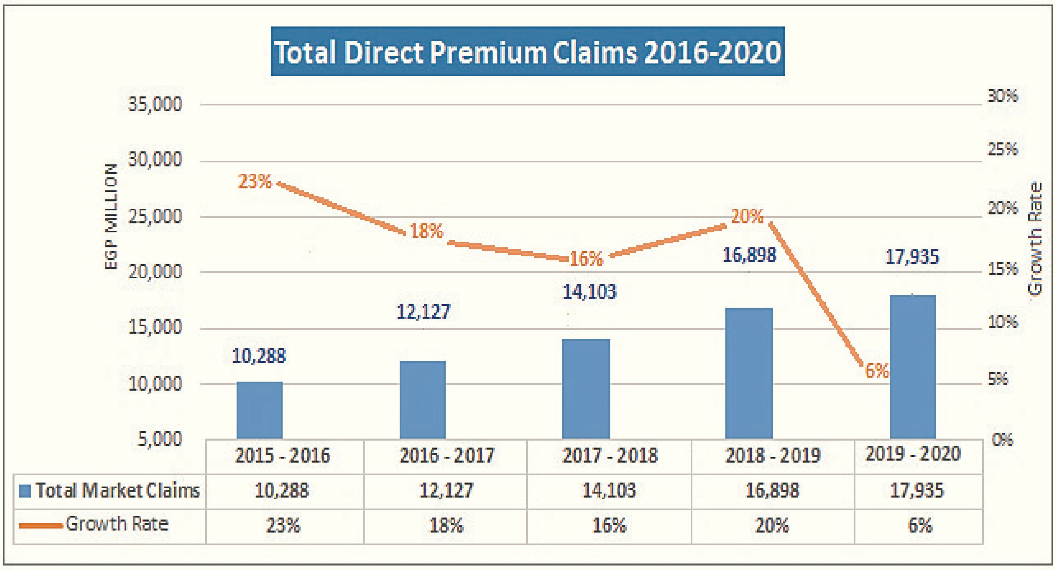


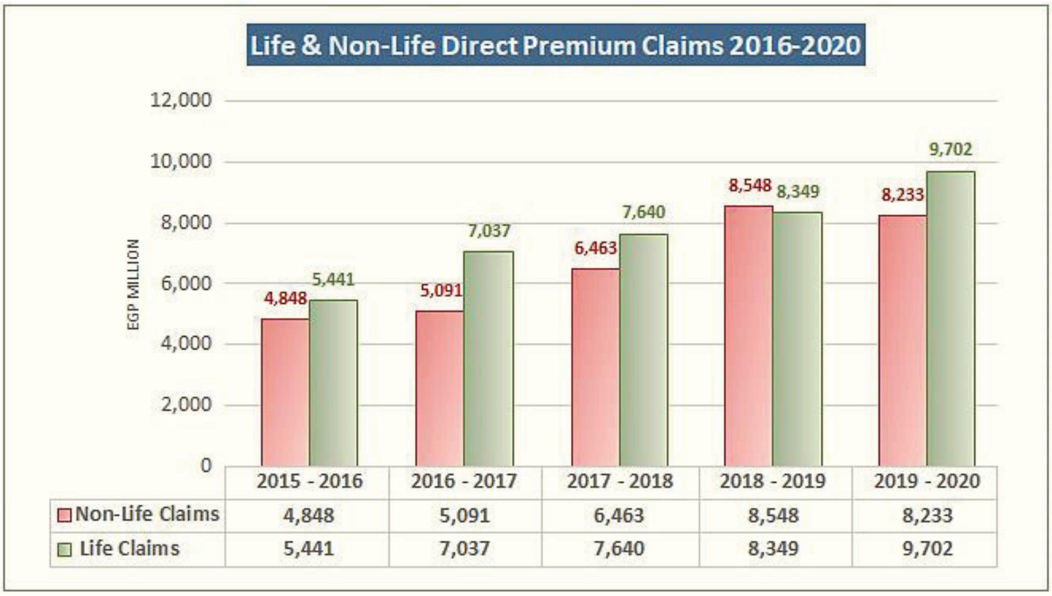
Non-Life Direct Premium Income Per Class of Business (In EGP)		
Class of Business	2018/2019	2019/2020
Fire	2,819,675,000	3,339,841,000
Cargo	612,606,000	554,496,000
Inland	204,784,000	188,188,000
Hull	328,496,000	332,554,000
Aviation	564,205,000	665,956,000
Motor comp	3,771,499,000	3,964,182,000
Motor Act	1,055,932,000	1,115,393,000
Engineering	1,480,007,000	2,078,950,000
Oil	1,500,731,000	1,449,465,000
Accident	2,118,983,000	2,269,461,000
Medical	3,655,663,000	4,331,923,000
Total	18,112,581,000	20,290,409,000



Inward reinsurance premium income 2016-2020 In EGP				
Financial Year	Non-Life Premium Income	Life Premium Income	Total Inward Premiums Income	Growth Rate
2015/2016	882,661,000	1,353,000	884,014,000	17%
2016/2017	1,457,166,000	21,140,000	1,478,306,000	67%
2017/2018	1,742,148,000	38,262,000	1,780,410,000	21%
2018/2019	1,677,690,000	52,252,000	1,729,942,000	-3%
2019/2020	1,292,109,000	64,402,000	1,356,511,000	-22%

Direct premium Claims *(In EGP)*				
Financial Year	**Non-Life Claims**	**Life Claims**	**Total Market Claims**	**Growth Rate %**
2015/2016	4,847,504,000	5,440,616,000	10,288,120,000	23%
2016/2017	5,090,447,000	7,036,763,000	12,127,210,000	18%
2017/2018	6,462,832,000	7,640,387,000	14,103,219,000	16%
2018/2019	8,548,442,000	8,349,095,000	16,897,537,000	20%
2019/2020	8,233,155,000	9,701,730,000	17,934,885,000	6%





Egyptian Insurance Companies Results in 2020: Ranking per WP

Figures In EGP thousands

R	Company		WP 2020	WP 2019	Assets 2020	Assets 2019	SHE 2020	SHE 2019	Net Profit 2020	Net Profit 2019	ROE 2020 (%)
1	Misr Insurance Co.	NL	**8,126,842**	7,370,728	**32,840,766**	33,530,578	**14,387,159**	16,285,227	**2,234,626**	2,212,971	16%
2	Misr Life Insurance Co.	L	**4,961,503**	4,403,427	**31,935,593**	31,483,869	**6,506,712**	8,243,218	**1,559,463**	1,310,861	24%
3	Allianz Life Egypt	L	**4,216,677**	3,120,291	**12,930,210**	10,737,690	**1,404,514**	1,049,601	**510,502**	344,213	36%
4	MetLife Egypt	L	**3,685,876**	2,854,613	**8,215,740**	6,605,985	**1,005,454**	751,129	**650,109**	461,640	65%
5	AXA Life Egypt (ex CIL)	L	**2,529,557**	2,000,233	**8,636,736**	7,054,200	**746,062**	679,725	**373,262**	280,560	50%
6	AXA Egypt	NL	**1,567,214**	1,046,573	**1,974,895**	1,185,474	**301,473**	229,820	**80,611**	4,006	27%
7	GIG Egypt	NL	**1,311,406**	1,108,091	**1,824,086**	1,606,896	**671,669**	603,068	**164,450**	181,652	24%
8	Allianz Egypt	NL	**1,137,158**	880,536	**1,803,478**	1,466,365	**488,267**	381,312	**138,895**	91,643	28%
9	Bupa Egypt	NL	**1,100,640**	1,085,563	**2,203,483**	1,925,192	**635,339**	629,777	**34,293**	24,669	5%
10	Suez Canal Ins.	NL	**993,730**	998,200	**1,737,458**	1,629,727	**276,037**	269,658	**45,441**	59,633	16%
11	Orient Takaful Ins. Co.	NL	**969,701**	835,061	**1,756,109**	1,573,087	**563,915**	439,850	**135,176**	99,903	24%
12	Egyptian Takaful Ins. Co.	NL	**944,387**	808,394	**2,405,603**	1,612,903	**502,488**	399,293	**i46,668**	144,005	29%
13	QNB ALAHLY	L	**735,854**	671,582	**3,775,123**	3,114,934	**728,531**	642,126	**232,668**	198,079	32%
14	Egyptian Family Takaful Co.	L	**632,883**	657,969	**957,985**	803,146	**248,270**	219,334	**25,401**	8,725	10%
15	Royal Ins. Co.	NL	**602,036**	544,612	**1,217,123**	1,091,264	**264,314**	246,753	**89,245**	77,425	34%
16	Delta Ins.	NL	**597,190**	434,185	**1,035,682**	805,241	**469,878**	376,182	**109,418**	88,233	23%
17	Suez Canal Life Co.	L	**560,355**	603,920	**1,564,663**	1,464,922	**160,646**	130,603	**57,829**	49,246	36%
18	Wethaq Takaful Ins. Co.	NL	**516,442**	401,154	**989,912**	836,031	**272,887**	215,624	**65,874**	52,059	24%
19	Mohandes Ins.	NL	**499,448**	500,017	**1,053,732**	997,828	**353,548**	319,790	**112,287**	92,218	32%
20	Egyptian Saudi Ins. House	NL	**438,498**	376,866	**987,696**	860,368	**280,986**	276,330	**32,768**	(17,084)	12%
21	Lebano Swiss Family Takaful Co.	L	**255,706**	206,898	**219,103**	158,907	**63,078**	43,083	**1,385**	(6,840)	2%
22	CHUBB Life Egypt	L	**242,958**	252,453	**743,551**	622,732	**183,196**	148,345	**51,641**	46,556	28%
23	Delta Life Co.	L	**241,067**	216,429	**1,441,736**	1,230,921	**224,512**	159,929	**70,225**	45,632	31%
24	AIG Egypt	NL	**238,415**	231,474	**864,880**	823,292	**333,420**	286,101	**47,320**	46,212	14%
25	Iskan Ins. Co	NL	**216,285**	319,745	**454,833**	468,789	**170,465**	140,245	**43,674**	32,003	26%
26	Cooperative Ins. Society	NL	**203,313**	193,568	**541,838**	425,924	**155,103**	69,707	**6,655**	21,065	4%
27	Misr Takaful Ins. Co.	NL	**194,756**	211,928	**278,025**	244,144	**144,497**	135,207	**9,290**	15,207	6%
28	Tokio Marine G. Takaful	NL	**189,999**	191,493	**482,825**	450,879	**167,898**	141,485	**26,106**	17,637	16%
29	Arope Egypt	NL	**161,725**	187,027	**455,358**	413,110	**254,681**	218,018	**40,278**	23,603	16%
30	Tharwa Takaful	NL	**158,764**	19,786	**205,358**	71,618	**102,921**	50,485	**2,417**	485	2%
31	Egyptian Emirates Family Takaful	L	**147,046**	106,799	**358,065**	173,476	**61,143**	47,106	**13,818**	2,462	23%
32	Mohandes Life Co.	L	**91,077**	106,105	**1,081,515**	1,051,861	**270,887**	247,082	**74,683**	87,681	28%
33	Arope Egypt	L	**74,454**	61,667	**239,508**	205,980	**101,101**	94,737	**9,358**	8,361	9%
34	CHUBB Egypt	NL	**63,087**	71,165	**403,908**	329,712	**241,584**	231,390	**10,194**	5,130	4%
35	Tharwa life	L	**58,763**	3,155	**141,903**	65,896	**105,643**	60,523	**5,843**	3,043	6%
36	Tokio Marine Family Takaful	L	**42,292**	42,293	**265,706**	274,560	**109,312**	127,076	**(17,367)**	(12,039)	-16%
37	Medgulf Insurance Co.	NL	**33,876**	237,617	**113,418**	193,032	**41,780**	41,939	**(159)**	(8,078)	0%
38	Egyptian Export Credit	NL	**25,498**	9,012	**510,392**	501,685	**385,792**	384,997	**48,741**	56,011	13%
39	United Ins. Co	NL	-	49,784	-	46,792		(74,168)		(12,638)	0%
	TOTAL MARKET		38,766,477	33,420,414	128,647,993	118,139,010	33,385,163	34,941,707	7,243,088	6,136,150	

L= *Life*, NL= *Non-Life* | WP= *Written Premiums* | SHE= *Shareholders' Equity* | ROE= *Return on E Equity* Source: FRA

Egyptian Insurance Companies Results in 2020: Ranking per Assets

Figures In EGP thousands

Rank	Company		Assets 2020	Assets 2019
1	Misr Insurance Co.	NL	**32,840,766**	33,530,578
2	Misr Life Insurance Co.	L	**31,935,593**	31,483,869
3	Allianz Life Egypt	L	**12,930,210**	10,737,690
4	AXA Life Egypt (ex CIL)	L	**8,636,736**	7,054,200
5	MetLife Egypt	L	**8,215,740**	6,605,985
6	QNB ALAHLY	L	**3,775,123**	3,114,934
7	Egyptian Takaful Ins. Co.	NL	**2,405,603**	1,612,903
8	Bupa Egypt	NL	**2,203,483**	1,925,192
9	AXA Egypt	NL	**1,974,895**	1,185,474
10	GIG Egypt	NL	**1,824,086**	1,606,896
11	Allianz Egypt	NL	**1,803,478**	1,466,365
12	Orient Takaful Ins. Co.	NL	**1,756,109**	1,573,087
13	Suez Canal Ins.	NL	**1,737,458**	1,629,727
14	Suez Canal Life Co.	L	**1,564,663**	1,464,922
15	Delta Life Co.	L	**1,441,736**	1,230,921
16	Royal Ins. Co.	NL	**1,217,123**	1,091,264
17	Mohandes Life Co.	L	**1,081,515**	1,051,861
18	Mohandes Ins.	NL	**1,053,732**	997,828
19	Delta Ins.	NL	**1,035,682**	805,241
20	Wethaq Takaful Ins. Co.	NL	**989,912**	836,031
21	Egyptian Saudi Ins. House	NL	**987,696**	860,368
22	Egyptian Family Takaful Co.	L	**957,985**	803,146
23	AIG Egypt	NL	**864,880**	823,292
24	CHUBB Life Egypt	L	**743,551**	622,732
25	Cooperative Ins. Society	NL	**541,838**	425,924
26	Egyptian Export Credit	NL	**510,392**	501,685
27	Tokio Marine G. Takaful	NL	**482,825**	450,879
28	Arope Egypt	NL	**455,358**	413,110
29	Iskan Ins. Co	NL	**454,833**	468,789
30	CHUBB Egypt	NL	**403,908**	329,712
31	Egyptian Emirates Family Takaful	L	**358,065**	173,476
32	Misr Takaful Ins. Co.	NL	**278,025**	244,144
33	Tokio Marine Family Takaful	L	**265,706**	274,560
34	Arope Egypt	L	**239,508**	205,980
35	Lebano Swiss Family Takaful Co.	L	**219,103**	158,907
36	Tharwa Takaful	NL	**205,358**	71,618
37	Tharwa life	L	**141,903**	65,896
38	Medgulf Insurance Co.	NL	**113,418**	193,032
39	United Ins. Co	NL	-	46,792
	TOTAL MARKET ASSETS		**128,647,993**	**118,139,010**

Egyptian Insurance Companies Results in 2020: Ranking per Net Profit

Figures In EGP thousands

Rank	Company		Net Profit 2020	Net Profit 2019
1	Misr Insurance Co.	NL	**2,234,626**	2,212,971
2	Misr Life Insurance Co.	L	**1,559,463**	1,310,861
3	MetLife Egypt	L	**650,109**	461,640
4	Allianz Life Egypt	L	**510,502**	344,213
5	AXA Life Egypt (ex CIL)	L	**373,262**	280,560
6	QNB ALAHLY	L	**232,668**	198,079
7	GIG Egypt	NL	**164,450**	181,652
8	Egyptian Takaful Ins. Co.	NL	**146,668**	144,005
9	Allianz Egypt	NL	**138,895**	91,643
10	Orient Takaful Ins. Co.	NL	**135,176**	99,903
11	Mohandes Ins.	NL	**112,287**	92,218
12	Delta Ins.	NL	**109,418**	88,233
13	Royal Ins. Co.	NL	**89,245**	77,425
14	AXA Egypt	NL	**80,611**	4,006
15	Mohandes Life Co.	L	**74,683**	87,681
16	Delta Life Co.	L	**70,225**	45,632
17	Wethaq Takaful Ins. Co.	NL	**65,874**	52,059
18	Suez Canal Life Co.	L	**57,829**	49,246
19	CHUBB Life Egypt	L	**51,641**	46,556
20	Egyptian Export Credit	NL	**48,741**	56,011
21	AIG Egypt	NL	**47,320**	46,212
22	Suez Canal Ins.	NL	**45,441**	59,633
23	Iskan Ins. Co	NL	**43,674**	32,003
24	Arope Egypt	NL	**40,278**	23,603
25	Bupa Egypt	NL	**34,293**	24,669
26	Egyptian Saudi Ins. House	NL	**32,768**	(17,084)
27	Tokio Marine G. Takaful	NL	**26,106**	17,637
28	Egyptian Family Takaful Co.	L	**25,401**	8,725
29	Egyptian Emirates Family Takaful	L	**13,818**	2,462
30	CHUBB Egypt	NL	**10,194**	5,130
31	Arope Egypt	L	**9,358**	8,361
32	Misr Takaful Ins. Co.	NL	**9,290**	15,207
33	Cooperative Ins. Society	NL	**6,655**	21,065
34	Tharwa life	L	**5,843**	3,043
35	Tharwa Takaful	NL	**2,417**	485
36	Lebano Swiss Family Takaful Co.	L	**1,385**	(6,840)
37	Medgulf Insurance Co.	NL	**(159)**	(8,078)
38	Tokio Marine Family Takaful	L	**(17,367)**	(12,039)
39	United Ins. Co	NL	-	(12,638)
	TOTAL MARKET NET PROFITS		**7,243,088**	**6,136,150**

According to data published by the Financial Regulatory Authority (FRA), the Egyptian insurance market recorded a 14.2% increase in turnover during the 2019/2020 fiscal year ending 30 June 2020.

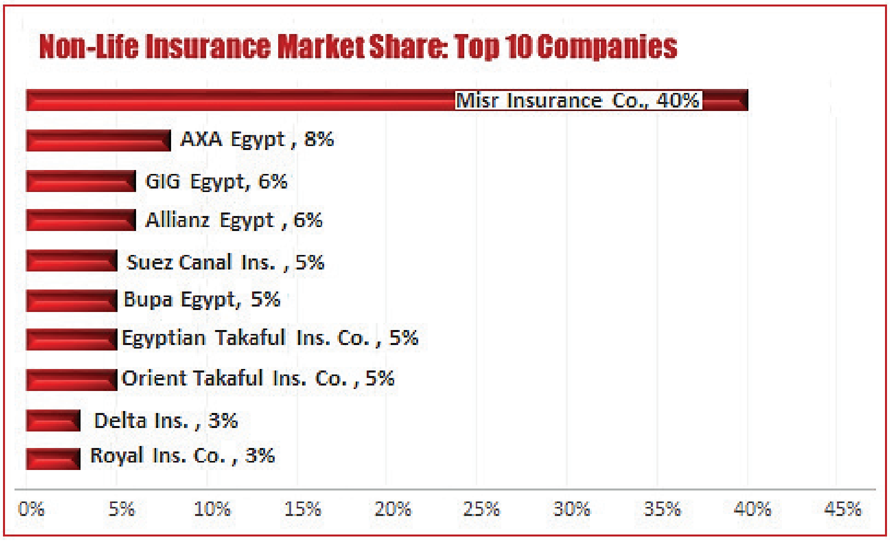
Premium volume jumped from 33.5 billion EGP as at 30 June 2019 to 40 billion EGP a year later.

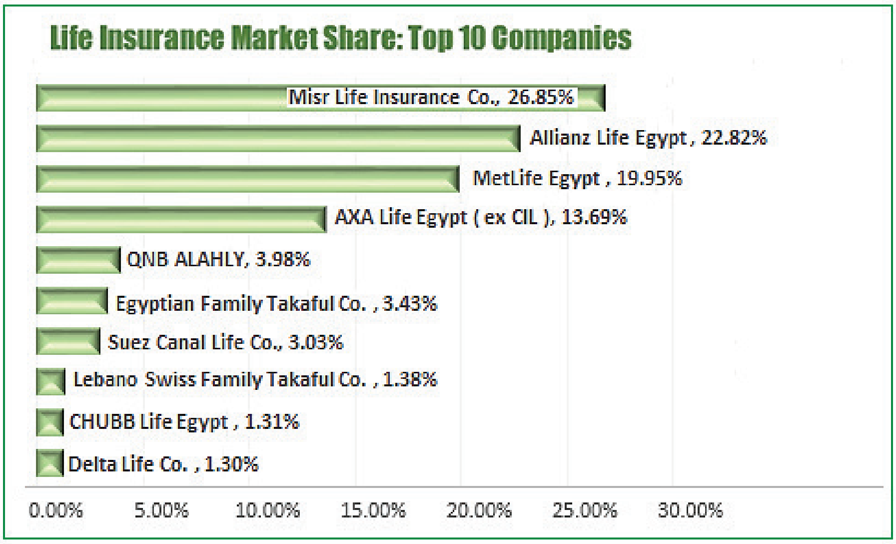
The total value of paid claims from insurance companies at the end of fiscal year (FY) 2019/2020 continued to rise, reaching EGP 18bn, compared to EGP 17bn in the previous FY, reflecting an increase of about 3%.

The net assets of all insurers in the country amounted to 128.6 billion EGP as at 30 June 2020 against 118.2 billion EGP a year earlier.

The total value of insurance market policyholders' rights increased at the end of FY 2019/20, to EGP 77.2bn, compared to EGP 69bn in the previous FY, reflecting an increase of about 12%.

The total value of insurance companies' investments at the end of FY 2019/20 increased to reach EGP 107.8bn compared to EGP 102bn at the end of the previous year, an increase of about 5.7%.





The estimated value of private insurance fund investments amounted to about EGP 83.4bn at the end of FY 2019/20, compared to EGP 75.8bn at the end of the previous year, reflecting a growth rate of 10%.

The State-owned general insurer Misr Insurance commanded a 20% share of total premiums in the Egyptian market in 2020. Its sister company Misr Life Insurance acquired a market share of 13%.
Thus, State-owned companies acquired about 33% of total premiums. This proportion was lower than in previous years as newcomers entered the sector.

The market share of Allianz Life Assurance-Egypt amounted to about 11.98% of total market premiums during 2020, ranking the insurer third in the sector. This figure was the highest among privately-held insurers.

MetLife Alico Life Insurance ranked fourth in the overall market and second in the private sector, with a contribution rate of 8.09% in 2020..

The market share of AXA Life Insurance-Egypt was about 6.99% during 2020, making it the fifth biggest insurer overall and third in the private sector. Its sister company AXA Insurance-Egypt came in sixth in the overall market and fourth among privately held insurers with a share of 4.48%.

The remaining market share of 37.3% was divided among privately held insurers, each with a contribution of less than 3%.

As regarding the total premiums ***concentration*** in the end of FY 2020; the top 5 companies in the overall market represent 60.7%, and the top 10 companies represent 76.5% at the end of the previous year

At the level of ***distribution channels, Insurance brokers*** in Egypt contribute 50% of the total premium income of the insurance sector, playing a pivotal market role.

EGYPTIAN INSURANCE MARKET: GLOBAL AND REGIONAL POSITION

Globally, Egypt ranks No. 57 among global insurance market in terms of premiums in 2020 with share of world 0.04%, according to the latest sigma report from Swiss Re.

At the level of Africa, Egypt ranks No. 3 among insurance markets in Africa in terms of premiums in 2020 but came in No.8 in terms of insurance penetration, according to the latest sigma report from Swiss Re.

The following table shows the premium volume of the top 9 insurance markets in Africa as is presented in the sigma report .

World Ranking		Country	Premium in US$ mn		Change %		Share of world %	
2020	2019		2020	2019	2020/2019	Inflation-adjusted	2020	2019
19	19	South Africa	*40,635	*46,421	-12.5	-3.4	0.65	0.65
49	50	Morocco	**5,080	4,646	9.3	7.3	0.08	0.07
57	**61**	**Egypt**	*2,390	1,899	25.9	8.8	0.04	0.03
58	58	Kenya	+ 2,199	2,235	-1.6	-2.5	0.03	0.04
72	66	Nigeria	+ 1,213	1,565	-22.5	-14.8	0.02	0.03
75	73	Algeria	**1,065	1,248	-14.7	-11.3	0.02	0.02
81	84	Tunisia	**900	817	10.1	-0.1	0.01	0.01
85	87	Ghana	*759	673	12.7	10.0	0.01	-
87	88	Ivory Coast	**685	663	3.4	-	0.01	-
		World	**6,287,044**	**6,284,360**	**0.0**	**-1.3**	**100%**	**100%**

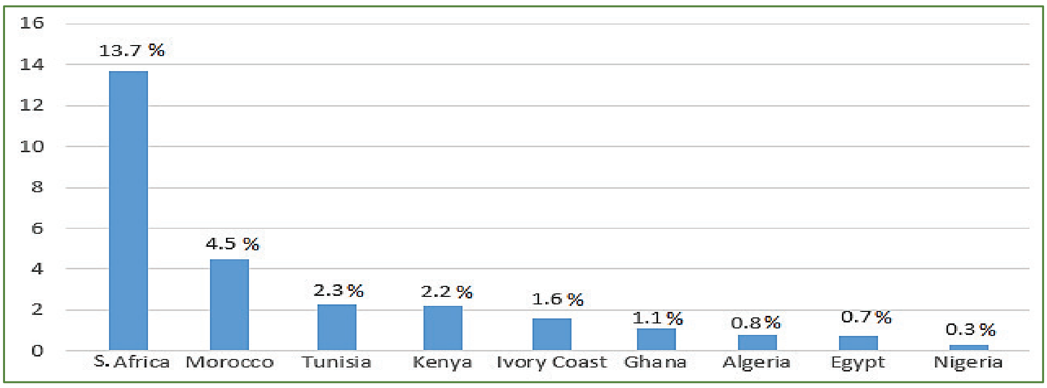
Insurance Penetration (premiums as a % of GDP in 2020)

The following table shows the insurance penetration rate in the top 9 markets in Africa listed in the sigma report for 2020:

World Ranking		Country	Insurance Penetration 2020		2020	2019
2020	2019		Life %	Non-life %	Total %	
4	4	South Africa	11.2 *	2.5 *	13.7 *	13.4 **
34	41	Morocco	2.0 **	2.5 **	4.5 **	3.9 **
55	60	Tunisia	0.5 **	1.8 **	2.3 *	2.2 **
57	55	Kenya	1.0 +	1.2 +	2.2 +	2.3 +
69	-	Ivory Coast	0.7 **	0.9 **	1.6 **	--
78	-	Ghana	0.5 +	0.6 *	1.1 *	--
82	80	Algeria	0.1 **	0.7 **	0.8 **	0.7 **
85	**84**	**Egypt**	**0.3 ***	**0.4 ***	**0.7 ***	**0.6**
88	87	Nigeria	0.2 *	0.1 *	0.3 *	0.3 *
		World	**3.3%**	**4.1%**	**7.4%**	**7.2%**

Key:
+ provisional
* estimated
** estimated US$ value assuming constant insurance penetration

Source:
World insurance reports 2020, 2019, Swiss *Re*



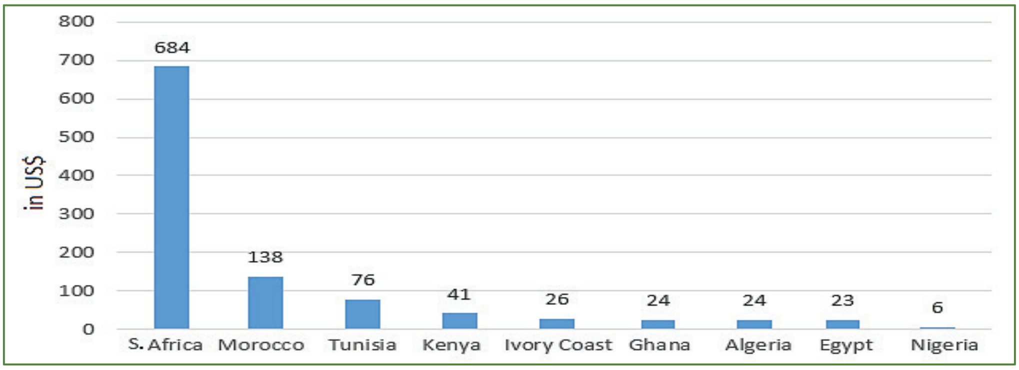
Insurance Density (premiums per capita)

The following table shows the insurance density in the top 9 markets in Africa listed in the sigma report:

World Ranking	Country	Insurance Density in US$ 2020		2020
2020		Life	Non-life	Total %
34	South Africa	560 *	124 *	684 *
65	Morocco	61 **	77 *	138 **
73	Tunisia	18 **	58 *	76 **
81	Kenya	18 +	23 +	41 +
82	Ivory Coast	11 **	15 **	26 **
83	Ghana	12 +	13 *	24 *
84	Algeria	2 **	22 **	24 **
85	**Egypt**	**11 ***	**13 ***	**23 ***
88	Nigeria	3 *	3 *	6 *
	World	**360**	**449**	**809**

Key:
+ provisional
* estimated
** estimated US$ value assuming constant insurance penetration

Source:
World insurance reports 2020, 2019, Swiss Re

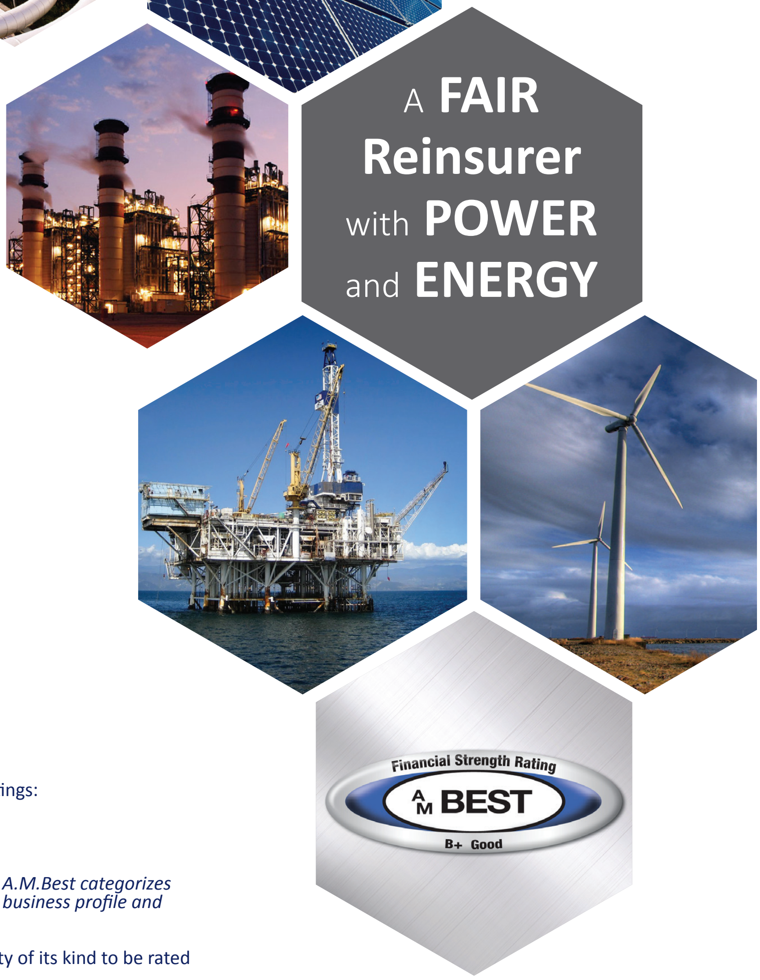


Outlook

Despite numerous challenges facing the industry, the fundamentals of the sector support a positive outlook for long-term expansion. The IFE estimates that there is an insurance protection gap of approximately $2.8bn in the Egyptian market. The organization proposes reducing this figure by promoting coverage in three areas, namely agricultural insurance, micro-insurance and government asset insurance. Fitch Ratings anticipates an average per annum expansion for the life and non-life segments of 5.5% and 9.9%, respectively, through to 2024. With premium as a percentage of GDP below 1% and a regulatory shift towards greater insurance penetration and wider financial inclusion, Egypt's insurance industry is well position.



FAIR Oil & Energy Insurance Syndicate



Capacity
Sizeable underwriting capacity for Oil & Energy related business and Nuclear Energy.

Geographical Scope
Risks located in Afro-Asian countries and Russia.
Europe (For Nuclear Energy risks only)
and their interests worldwide

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

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

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

A.M.Best Rating

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

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

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

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

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

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