FAIR Review

Issue No. 190 (4th 2021)

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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.

The articles in FAIR Review represent the opinion of the authors and are not representative of the views of FAIR. Responsibility for the information and views expressed lies entirely with the author(s).

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Expo Bridge In Daejeon South Korea


CYBER SECURITY

Global News

• AM Best to add ESG section to all Credit Reports

By Matt Sheehan

Matthew C. Mosher

Rating agency AM Best has announced the addition of an environmental, social and governance (ESG) section to its Credit Reports under Enterprise Risk Management. With insurance industry stakeholders increasingly seeking information about the impact of these risks, AM Best believes that the addition of an ESG section to its reports will help to promote transparency.

Analysts explained that the new section will highlight how ESG elements that are relevant and material to the financial strength of an insurance company and help AM Best to better evaluate how an insurer manages these ESG risks and opportunities.

“AM Best has always considered ESG risks in our credit rating analysis, when they were material and relevant to financial strength,” said Matthew C. Mosher, President and CEO of AM Best Rating Services.

In 2018, AM Best’s methodology was updated to identify factors within the ratings process that are considered ESG factors and how these may impact any one of the building blocks used to determine our credit ratings.

“The discussion of ESG factors in our methodology allows us to be more transparent as to how these risks impact our consideration of an insurer’s financial strength,” Mosher added. “The impact of ESG factors on financial strength varies depending on a company’s profile, exposures and level of risk transfer, as well as the markets in which it operates.” At the same time, AM Best has released a new commentary addressing frequently asked questions about ESG considerations for financial strength and application of ESG within the rating process.

The FAQ document aims to help provide additional background and context, as well as addressing uncertainties over what ESG actually entails, and what actions or disclosures are expected from re/insurers. ■

Source: Reinsurance News (www.reinsurancene.ws) | 23 November 2021

• S&P: *10% of insurers and reinsurers to be affected by rating model change*

S&P has announced future changes in its model for calculating ratings assigned to insurance and reinsurance companies. The rating agency will be more demanding in terms of portfolio diversification, exposure to natural catastrophes and use of debt capital.

From now on, raising a large amount of equity is no longer the main guarantee of a company's stability. Other alternatives to mitigate risks are becoming essential.

According to the analyst group "Litmus Analysis", the transition to the new calculation model could affect the ratings of 10% of insurers and reinsurers.

It should be recalled that in November 2021, Fitch Ratings had also updated its rating criteria for insurance companies. The updates had focused on:

- The way "Corporate Governance" is rated. The latter has become a sub-component of a new credit factor called "Corporate Profile",
- the specifics of the Industry Profile and Operating Environment (IPOE),
- Trade credit insurance (TCI) which has been separated from non-life insurance,
- the introduction of new ratios for the calculation of ratings. ■

Source: Atlas Magazine – 16 Dec 2021

• *Can insurance companies help drive the shift towards decarbonisation?*

- **Leading insurers are moving to net-zero greenhouse gas emissions policies**
- **Companies are increasingly turning their backs on coal in particular**
- **Emerging markets are shifting to renewables, with potential to leapfrog fossil fuels**

As environmental, social and governance (ESG) concerns become increasingly important in the corporate world, insurance companies are emerging as potentially key players in the shift away from fossil fuel-powered projects.

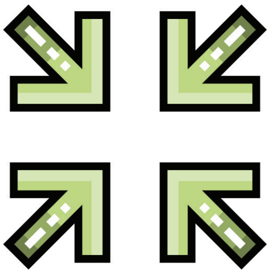
The recent launch of the UN-convened Net-Zero Insurance Alliance (NZIA) reflects an ongoing sea change in the global insurance industry.

Inaugurated in July, the NZIA brings together eight of the world's biggest insurers and reinsurers, each of which are committed to transitioning their underwriting portfolios to net-zero greenhouse gas emissions by 2050.

NZIA's members – AXA, Allianz, Aviva, Generali, Munich Re, SCOR, Swiss Re and Zurich – will set science-based intermediate targets every five years and report annually on their progress.

All eight are already members of the Net-Zero Asset Owner Alliance. Also convened by the UN, this group of 53 institutional investors has been working towards science-based 2025 decarbonisation targets since early 2019.

According to its manifesto, pen-



sion funds and insurance companies "have a key role to play in catalysing decarbonisation of the global economy and investing in climate-resilience"

A shrinking market

One area in which insurers are playing a particularly instrumental role is in curtailing global coal use.

Earlier this year, French multinational bank Société Générale published a report which noted that coal projects are not economically viable without insurance. It noted that, for this reason, "the insurance industry can, almost single-handedly, exert pressure on coal energy producers, which other industries are less well placed to do".

Globally, many insurers have already taken significant steps to divest themselves of coal. By the end of 2020 at least 65 insurers with total assets of $12trn had committed to either divesting or making no new coal investments; this figure was $4trn in 2017.

European and Australian firms have been frontrunners in this regard. For example, in 2019 Australian insurance giant Suncorp announced it would no longer invest in, finance or insure new thermal coal mines or power plants, and that it would not underwrite any existing thermal coal projects after 2025.

Asian insurers have been slower to take action on coal, but there are signs this is changing. For instance, in June South Korea's three major non-life insurers announced they would no longer provide coverage for new coal power projects.

Meanwhile, insurers in the US are lagging behind: few have taken any meaningful action, and US insurance companies still have a combined $90bn invested in coal. In overall terms, however, significant progress has been made on coal. Many in the industry now anticipate that it will now begin to move away from oil and gas.

So far, Suncorp is the only major global insurer to have said it will no longer directly finance or insure new oil and gas projects, an announcement the company made in August last year.

It is also set to phase out financing and underwriting for oil and gas exploration or production by 2025.

Nevertheless, momentum is growing, and the rapid shrinkage of the coal market is a sign of insurers' ability to drive decarbonisation.

Decarbonising emerging economies

The insurance industry's shift away from hydrocarbons will serve to accelerate numerous countries' energy transitions.

Many of the world's emerging economies are already increasing their investment in clean power.

In July two environmental think tanks – the UK's Carbon Tracker and India's Council on Energy, Environment and Water – published a report forecasting that 88% of growth in electricity demand between 2019 and 2040 will come from emerging markets.

Given that renewable energy is cheaper than fossil fuel-based energy in 90% of the world, the report argues that many such countries will leapfrog directly to renewables, without building up energy infrastructure based on fossil fuels.

Many emerging markets have already made such a transition. For example, the report observes that Egypt and Argentina have leapfrogged from gas directly to

solar and wind, without passing through nuclear or hydro, which would have constituted a more traditional, linear development.
Meanwhile, countries like Kenya or Nigeria could avoid fossil fuels altogether and roll out an entirely renewables-based grid.

However, the report notes a lack of sufficient capital for emerging markets to develop their renewable capacity.
Some $2.6trn was invested in renewable energy between 2010 and 2019, but among emerging markets, only China, India, Brazil, Mexico and South Africa were able to secure investments of more than $20bn.

However, with institutional investors such as insurers increasingly looking to boost their ESG credentials by favouring renewables, this situation is likely to change.

A complicating factor is persistent uneven demand for certain fossil fuels across emerging markets.
For example, China and India today account for 65% of global coal demand; by contrast, it is anticipated that by 2025 the EU and the US will account for less than 10%.

Indeed, China is the only major economy in which demand for coal grew in 2020, and in India coal mining generates more than half a million jobs.

These examples give a sense of some of the challenges associated with implementing a comprehensive energy transition among emerging markets. However, in light of its defining influence, the insurance industry's ongoing shift away from coal is a cause for optimism. ■

Source: Oxford Business Group - 20 Oct 2021

• *New Trends in Ransomware Cyberattacks*

According to Allianz Global Corporate & Specialty (AGCS), cybercrime is up by 125% in the first half of 2021. Ransomware and extortion operations being the two main contributors to this increase.

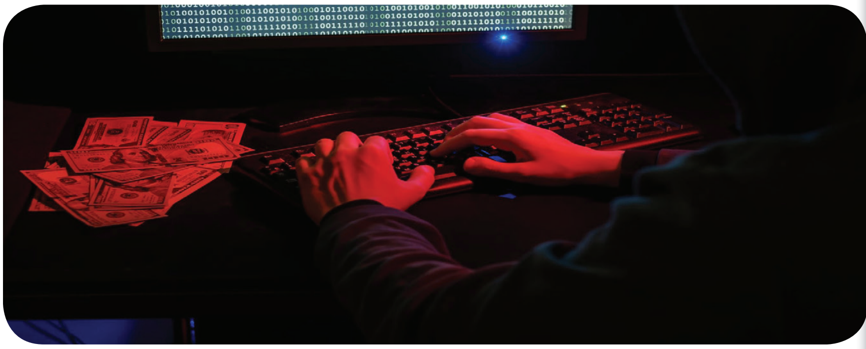
In its report "Ransomware trends: Risks and Resilience," AGCS highlights an upsurge in ransomware attacks. The increasing frequency and severity of these incidents is primarily due to the growing number of techniques employed by cybercriminals (double and triple extortion) and the rise of supply chain attacks.

The number of ransomware claims has also increased in recent years, driven by the growth of the global cyber insurance market.

In 2020, AGCS received 1000 claims compared to 80 in 2016. This upward trend has continued in 2021 with over 500 cyber claims in the first half of the year.

Business interruption alone accounts for more than 50% of total claims reported to the insurer over the past six years. The amount of these losses stands at 750 million EUR (885 million USD). ■

Atlas Mag - 20 Oct 2021



• *Cyber War and Cyber Operation Exclusion Clauses*

Lloyd's Carves out Cyber-Insurance Exclusions for State-Sponsored Attacks

- **LMA5564 - War, Cyber War and Cyber Operation Exclusion No. 1**
- **LMA5565 – War, Cyber War and Limited Cyber Operation Exclusion No. 2**
- **LMA5566 - War, Cyber War and Limited Cyber Operations Exclusion No. 3**
- **LMA5567 - War, Cyber War and Limited Cyber Operation Exclusion No. 4**

In discussion with Lloyd's it has been agreed that, in respect of standalone cyber insurance policies, these clauses meet the requirements set out in the Performance Management - Supplemental Requirements & Guidance (July 2020) which state that all insurance and reinsurance policies written at Lloyd's must, except in very limited circumstances, contain a clause which excludes all losses caused by war.

Four clauses have been drafted to provide Lloyd's syndicates and their (re)insureds (and brokers) with options in respect of the level of cover provided for cyber operations between states which are not excluded by the definition of war, cyber war or cyber operations which have a major detrimental impact on a state.

When deciding which clause to use on an individual placement (whether LMA5664 – LMA5667, a variation thereof or any other appropriate war clause), underwriters should consider the coverage provided, their outwards reinsurance wording and the resultant impact on exposures across the portfolio.

As with all LMA model clauses, these clauses are purely illustrative and are distributed for the guidance of LMA members, who are free to agree to different conditions or amend as they see fit. The clauses are available on the Lloyd's Wordings Repository (LWR), which can be accessed via www.lloydswordings.com . ■

Source: Lloyd's Market Association Bulletin (LMA21-042-PD | 25 November 2021)

• Swiss Re: Litigation Funders Driving Social Inflation, 'Outsize' Verdicts

By Jim Sams

Swiss Re said in a report released that litigation funding has become a $17 billion industry globally, with 52% of that money being spent in the United States.

The reinsurer said third-party litigation funding (TPLF) is increasing the number of "outsize" legal awards and contributing to growing loss ratios for excess liability, commercial auto, medical malpractice and general liability. Global investment in the sector increased 16% since last year, the report says.

"We see TPLF as a contributing factor to the trend of social inflation in the US," the report says. "US general liability and commercial auto lawsuit data show a strong rise in the frequency of multi-million-dollar claims over the past decade."

Swiss Re said litigation funding is helping drive up the size of verdicts in US courts. From 2010 to 2019, for cases with awards of more than $1 million, the share of verdicts of more than $5 million increased from about 29% of liability cases to 36%, the report says. For vehicle negligence claims, the percentage increased from about 21% to 30%.

During the same period, the average award, for cases with awards of more than $1 million, climbed from $8 million to more than $10 million for general liability and from $6 million to $8 million for vehicle negligence.

Those larger verdicts, in turn, are driving higher loss ratios for insurers and increasing premiums. Swiss Re said in 2020, directors and officers rates jumped 15.8%, umbrella rates 22.6%, general liability 7.3% and medical professional liability 8.8%, the report says.

Insurers are trying to recoup for underwriting losses. Swiss Re said in 2020 the average 2020 combined ratio for general liability was estimated at 105.7% and for medical malpractice at 117.5%. That was the seventh straight year of underwriting losses for both lines. The 2020 commercial auto liability combined ratio was 104.1%, the tenth year of underwriting losses, according to the report.

While insurers are eating losses, litigation funding companies are enjoying enviable returns on their investment. The report says data from Morning Investments, which advises litigation funding investors, shows that the average internal rate of return on personal injury cases ranged from 25% to 35% from 2019 to 2021. For mass-tort lawsuits, profits ranged from 20% to 25%.

Swiss Re said that is significantly higher returns than other types of investments. Private equity and venture capital deals saw average returns of 13% over the past 15 years. The S&P 500 index enjoyed an average return rate of 10%.

What's more, the report says 80% of venture capital cases don't pay off. Profits are made from the occasional big success. But in litigation finance, only 10% to 15% of cases do not succeed.

"Although risks may be low, especially across a portfolio of cases, TPLF returns are typically high

since funders are able to apply their financial expertise, data analytics and legal experience with complex cases in negotiations with consumer and commercial borrowers," the report says.

While litigation funders are enjoying profits, plaintiffs in the cases that are funded are receiving less. The report, citing data from the US Chamber of Commerce's Institute for Legal Reform, says plaintiffs received 55% of awards in cases that were not funded by third parties, but only 43% of awards in cases financed by third-party litigation funders.

"We assume that TPLF involvement will on average lead to higher award amounts and total liability costs, given that third-party funding allows plaintiffs to pursue better-prepared cases further and make more effective use of the litigation strategies that have contributed to social inflation," the report says.

Michael B. McDonald, a principal with Morning Investments Consulting and the source of much of the data cited in Swiss Re's report, said he doesn't agree that litigation funding drives up the size of verdicts.

"If litigation finance makes it easier to finance meritorious lawsuits, then that might increase the supply/number of lawsuits going through the court system, but it doesn't mean that lawsuits become any more expensive," he said in an email. "Indeed, one could argue that with more claims getting in front of judges and juries, those arbiters would have more experience dealing with similar claims and are able to more fairly assess them and the appropriate financial sanction."

McDonald, who is also a finance professor at Fairfield University in Connecticut, said the biggest impact of litigation funding companies is that they provide access to capital for law firms who have been historically barred from raising equity capital. The industry also provides opportunities for gathering data and rationally pricing the value of legal claims, he said.

"Smart insurers, law firms, and plaintiffs alike can therefore benefit if they are using a data-driven approach to the litigation finance investment space," McDonald said. "Indeed, we have even seen a couple of insurance firms invest in litigation funds through their investment arms as a way to diversify their portfolio and hedge their risk. So in sum, it's a rapidly evolving space, but it would be short-sighted to see litigation finance as either 'good' or 'bad' for defendants or plaintiffs."

Swiss Re has a different view. The reinsurer is calling for more regulation of third-party litigation funders, including universal disclosure of funding agreements and caps on the amount of interest charged through funding agreements that are usually structured as loans.

The reinsurer noted that 25 out of 94 US district courts have adopted rules that require disclosure of litigation funding agreements in civil cases. That is part of trend toward requiring more disclosure that was previously noted by an article posted in the Claims Journal in September.

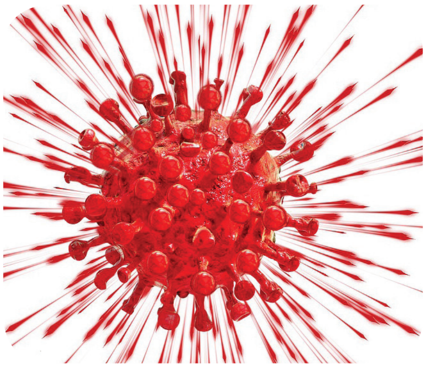
Swiss Re said lawmakers should push more more disclosure across more jurisdictions. Lawmakers should also subject litigation funders to anti-usery regulations to protect consumers from excessive interest rates. The report says many consumer litigation funding agreements, which provide cost of living assistance to plaintiffs while they go through litigation, charge interest that is compounded monthly, greatly increasing the amount that is necessary to pay off the loan.

"We believe litigation funding contracts should be subject to comparable protections as other consumer financial products, that benefit from enhanced consumer protection," the report says. ■

Claims Journal - 10 December 2021

• UK: Warranty & Indemnity Insurance in the COVID Era

by Mark Everiss - Cooley LLP



Introduction

Warranty & Indemnity Insurance1 has been a popular and effective tool in facilitating and supporting transactions for a number of years. COVID has, of course, affected every aspect of our lives over the last two years. Similarly, COVID has affected every transaction since the beginning of 2020 to some extent. In many cases its effect has been significant and in some, particularly in the early days of the pandemic, the risks invo

However, after an initial slowdown in Q2 2020 as the business world came to terms with new ways of working and doing deals, deal volumes and cumulative value surged in the final six months of 2020. In 2021, global M&A deals have hit a new record high, both in terms of deal numbers and cumulative value. An abundance of capital, low interest rates and high levels of optimism for continued global economic growth suggest that the M&A industry will continue to be busy and competitive.

Against that background, the demand for W&I insurance increased to record levels and W&I insurance is likely to remain in high demand, not simply to support transactions but to assist competing buyers in gaining a competitive advantage.

Warranty & Indemnity Insurance

A sale and purchase agreement (SPA) will typically contain a set of warranties from the seller addressing all key aspects of the business being sold. Strong and well drafted warranties will provide clarity on the state of the target business and will necessitate disclosure, in the Virtual Data Room (VDR), as part of due diligence, of the key information relating to the target. The effect of a breach of one or more of these warranties will be that the buyer will have a claim in damages for breach of contract against the seller. Accordingly, the seller will seek to limit the extent of the warranties that it gives while the buyer will seek to expand the warranties as far as possible.

W&I insurance can provide a single solution to the concerns of both sellers and buyers alike – removing or limiting the seller's risk while providing protection to the buyer, whose recourse will be against the insurer rather than against the seller. Although historically W&I insurance has been available in two forms, sell-side policies (where the seller is the insured under the policy) and buy-side policies (where the buyer is the insured), buy-side policies have been more popular for a number of years and are by far the more prevalent in 2021. Under a buy-side W&I insurance, cover is provided to the buyer for financial loss or liability arising from a seller's breach of a representation or warranty in the SPA.

The benefits of Warranty & Indemnity Insurance

W&I insurance can be used to support a deal, simply transferring the risk arising from a breach of warranty from the seller to the insurer. It can be tailored to expand the warranties that the seller is prepared to give to match those required by the buyer. It can give a buyer an advantage over other competing bidders by removing or limiting the extent of the seller's risk through the warranties given in the SPA.

With W&I insurance in place, a seller can make a clean exit from the business being sold, removing the risk of claims being made against it in the future and allowing it to distribute the sale proceeds while obviating the need for monies to be held in escrow against the possibility of such claims. For the benefit of both parties, the insurer can step in and offer warranties acceptable to the buyer, beyond those which the seller was prepared to give, both in terms of their extent and the length of time for which they are given, which will give the buyer more time to assess the acquired business and to discover potential issues which may lead to a claim.

For a buyer, it gains the security of an insurer being responsible for the financial consequences of a breach, rather than the seller, which may well not be as financially secure. Again, having the insurer in place of the seller is beneficial to a buyer who may not want to proceed against the seller as that would be damaging to the ongoing relationship if the seller continues to play a part in the business, for example, continuing to manage the business on behalf of the buyer. Further, a buyer with W&I insurance, in a competitive auction process, is able to distinguish itself from other bidders by offering the prospect of no recourse or limited recourse against the seller in the event of a breach.

Features of Warranty & Indemnity Insurance

Extent of warranties and due diligence

Although there are certain provisions that will be common across all W&I policies, most policies will be subject to careful and detailed negotiation to tailor the policy to reflect the specific features of the deal and to address the subjective demands of both seller and buyer. A W&I policy may cover some, but not all, the warranties in the SPA and, as noted above, can cover warranties on a modified basis rather than as drafted in the SPA. However, having a W&I policy in place is not a substitute for comprehensive due diligence. Insurers will expect, and will confirm by enquiry, that the seller has provided proper disclosure, through a comprehensive and well-ordered VDR and a comprehensive disclosure letter, and that the buyer has carried out proper due diligence, with appropriate questions raised and answered, and has properly negotiated the terms of the SPA. The insurer will also make its own enquiries and carry out its own due diligence exercise.

Policy period

The W&I policy period will typically run from signing of the deal until the warranties and indemnities in the SPA expire. It is not uncommon to see a W&I policy cover a fundamental warranty for seven years from completion with other warranties covered for at least three years from completion. As noted above, a buyer may seek to extend any temporal limitations in the SPA to address the buyer's requirements.

Retentions; de minimis

Many W&I policies will have a retention to be borne by the insured, though some policies are written without a retention and that will, of course, be reflected in the premium charged. Some W&I policies have a tipping retention mechanism, under which no claims are paid within the amount of the tipping retention itself but, once a covered claim or claims exceed(s) the level of the tipping retention, all covered claims are payable in full. Most policies reflect the deal value in the limits and the retention and, consequently therefore, in the policy premium. Many W&I policies will contain a de minimis provision excluding claims below that threshold which may mirror the approach in the SPA.

Exclusions

Although cover under a W&I policy will be linked to the warranties in the SPA, certain warranties will be excluded in all policies and other warranties excluded in most policies. It is common to see claims relating to transfer pricing, tax liabilities, pension underfunding, bribery/ corruption and environmental issues excluded. Further, issues addressed in the disclosure letter, issues appearing in due diligence reports, transaction documents or the VDR, forward looking warranties, issues known to the buyer (on a buy-side policy) and issues arising from fraudulent conduct by the seller (on a sell-side policy) are also typically excluded. A buy-side W&I policy will, however, usually cover seller fraud.

As noted above, COVID has, to some extent, affected every transaction since the beginning of 2020. In the early days of the pandemic, full COVID/ communicable disease exclusions were, at the very least, under consideration by insurers. However, the level of COVID risk in any transaction is a subjective issue, depending on the nature of the business being sold, and the policy will be tailored accordingly. In the calmer, booming market of 2021, while it is likely that any specific express COVID-related warranties will be excluded from cover under a W&I policy, it is equally unlikely that a blanket COVID or communicable disease exclusion will appear in the policy.

Subrogation
In accordance with the fundamental principles underlying W&I insurance, in many instances, a buy-side W&I policy will remove all risk from the seller, in which case the policy will also prohibit the insurer from exercising rights of subrogation against the seller, except in cases of seller fraud.

Knowledge qualifications
Often certain warranties will be based on, and limited to, the actual knowledge of certain specified individuals at the target business. In these instances, insurers will require evidence as to the extent of the knowledge of those named individuals in assessing a claim for a breach of such warranties.
Claims under Warranty & Indemnity Insurance; extent of damages for breach of warranty

Making a claim
Again, reflecting the fundamental principles underlying W&I insurance, most W&I policies do not require the assertion of, or initiation of, a claim against the seller as a pre-condition to making a claim under the policy.

W&I policies will usually have a comprehensive notification regime with notice of a claim to be given within a specified period from the date on which the information forming the basis of the claim came to the knowledge of the insured.
The notice will typically need to be followed by a full statement of loss with information and documentation in support.
Where warranties relating to accounts and financial statements are the subject of a claim, it is likely that expert evidence will also be required.

The extent of damages for a breach
Under English law, damages for breach of warranty are calculated on the basis that they will put the claimant in the position that it would have been, had the warranty been true.

So, in looking at a transaction, the damages will reflect the difference be-tween the value of the target business as warranted (generally the purchase price paid) and the actual value of the target business i.e. with the warranty breached.

In cases where the purchase price was calculated by the application of a multiplier to profits, the damages will be calculated by applying the same multiplier to the shortfall in the profit figure relating to the breach.

If a claim on a W&I policy is based on the application of a multiplier, the insured will need to provide evidence of the valuation model that it used in determining the purchase price. ■

Source: MONDAQ - 24 November 2021

• *Executive summary of the types of restrictive reinsurance measures applied by jurisdictions*


GRF GLOBAL REINSURANCE FORUM

Reinsurance Trade Barriers and Market Access

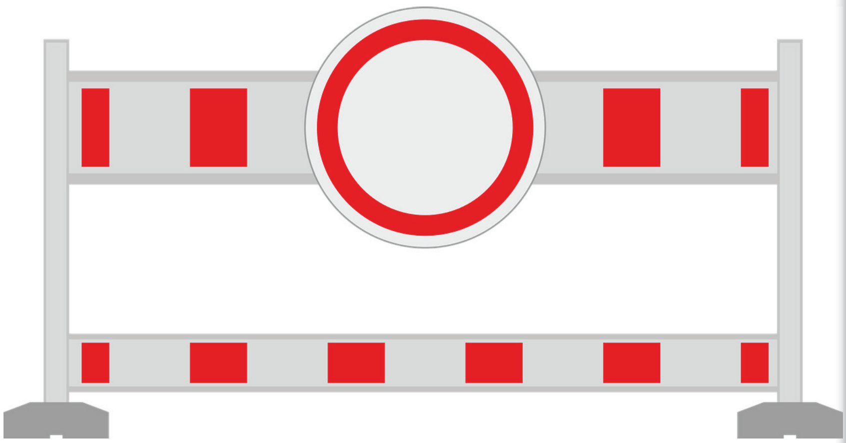
Issues Worldwide

Global Reinsurance Forum (GRF) – 1 December 2020

Global Reinsurance Forum (GRF) members account for more than 65% of global net reinsurance premiums. The GRF believes that positive and significant economic benefits will result from the free global flow of risk through open and competitive reinsurance markets.

The GRF has identified 46 major territories including regional groupings around the world which have either implemented, or are in the process of implementing, barriers to the transfer of risks through global reinsurance markets. This edition of the GRF document includes countries which had not been included in previous editions, but nonetheless implement barriers to the free flow of reinsurance across their territories and have come to our attention. Despite this edition of the GRF trade barriers report encouragingly showing that no new major barriers have been introduced since the last edition in May 2020, it remains concerning to see that significant existing barriers still remain in place worldwide. Such barriers reduce competition leading to reduced customer choice, higher reinsurance costs and less capacity over the long-term horizon. These reinsurance trade barriers and market access issues include but are not limited to:

- Restrictions on the ability of reinsurers to freely conduct business on a cross-border basis, thus limiting the capacity of global reinsurers to spread risk globally and to prevent domestic concentrations of risk. Varying levels of restriction are witnessed or developing in Algeria, Argentina, Azerbaijan, Brazil, China, Colombia, Ecuador, Egypt, Germany, India, Indonesia, Malaysia, Nepal, Nigeria, the Philippines, Singapore, South Africa, South Korea, Tanzania, Thailand, Vietnam, as well as the groupings of other member countries of the African Union and the grouping of the Conférence Interafricaine des Marchés d'Assurances.



- Requirements for reinsurers operating on a cross-border basis to collateralise or localise assets, preventing the global reinsurance market from transferring and spreading risk on the basis of a competitive, level playing field across borders. Such requirements exist or are evolving in jurisdictions including Argentina, Brazil, Canada, China, Israel, Portugal, Singapore, and the United States.
- Restrictions on foreign ownership of subsidiaries and other barriers to the establishment of branches, subsidiaries and operations. This restricts the ability of reinsurers to deliver their full economic benefit by providing local underwriting expertise and direct services to transfer risk out of domestic markets on an open and competitive basis. Such barriers are present or developing to varying extents in a number of jurisdictions including, but not limited to: Algeria, Argentina, Azerbaijan, Bangladesh, Brazil, Cambodia, China, Egypt, India, Indonesia, Kenya, Malaysia, Moldova, Nigeria, Russia, Saudi Arabia, UAE, UK and the United States.
- The use of discriminatory and anti-competitive mechanisms such as compulsory cessions to domestic entities, systems of 'right of first refusal', and compulsory, subsidized or monopolistic governmental mechanisms limiting the competitive capacity of global reinsurers to operate on a level playing field. Such practices concentrate risk domestically, whilst limiting customer choice, and can be witnessed or are developing to varying degrees in the African Union, Algeria, Argentina, Bangladesh, Belarus, Brazil, Cambodia, China, Colombia, Ecuador, Egypt, Ethiopia, France, Gabon, India, Indonesia, Kenya, Malaysia, Namibia, Nepal, Nigeria, Pakistan, the Philippines, Russia, Saudi Arabia, Senegal, Sri Lanka, Sudan, Tanzania, Vietnam and elsewhere.

Developments since the last edition of this document was published

- The Polish Ministry of Finance has confirmed, based on its interpretation of Solvency II, that Polish cedants can conclude cross-border reinsurance agreements with third country reinsurers.
- As part of the wider financial services liberalisation commitments, China has formalised its plans to remove the requirement of "running insurance business over 30 years and 2 years establishment of representative office" before a foreign-invested insurance company can be established in China.
- Effective from 1 October 2020, local insurers in Myanmar are permitted to purchase reinsurance directly from foreign reinsurers. A number of conditions apply to foreign reinsurers, including a minimum level of credit ratings which also determines the maximum level of cessions permitted.
- Fifteen US states have enacted the latest revisions implementing the EU-US and UK-US covered agreements which provide a process for reinsurers domiciled in jurisdictions with robust regulatory regimes to qualify for zero collateral. The GRF continues to encourage jurisdictions to remove existing and remaining barriers to reinsurance. Such improvements will be in the interests of governments, policyholders, taxpayers and national economies.

Full report:
https://bit.ly/32oo4qn ■

Africa News

• *Africa's sleeping giant*

Although few regions of the world have such an acute need for a multitude of insurance products, Africa remains desperately under-insured, with a penetration rate of less than 3%. Finbarr Toesland explores the world of African insurance and discusses how this vital sector can redefine and reshape itself to begin fulfilling its great potential.

Africa's insurance market shows early signs of a solid recovery from the impact of Covid-19. While the pandemic is set to shock the sector in the short term, ongoing effects of the novel coronavirus may play into longstanding industry trends that offer new opportunities. From a continuing shift to digital and a drive towards consolidation, the insurance sector across the continent is preparing for a reshaping.

Compared to both established insurance markets and emerging countries, Africa is at a relatively early stage of development for insurance. Total insurance penetration stood at only 2.78% in 2019, far below the global average of 7.23%, says the African Insurance Organisation. According to McKinsey, South Africa dominates the African insurance market, generating 70% of the continent's insurance premiums at a value of $48.3bn.

Life insurance, non-life insurance and reinsurance are the three main categories, with each nation performing very differently in the penetration rates of these product areas; for example, non-life insurance comprises 98% of the Angola market but only 20% of the South African sector.

There are undoubtedly challenges ahead for African insurers in the coming years as they rebound from the impacts of Covid, but the solid market fundamentals of African nations remain attractive for long-term growth.

Many traditional insurers have realised the urgent need to modernise and scale up their technological set-up in recent years. The ramifications of the pandemic include a higher demand for remote access to conventional in-person services, further boosting the trend of insurers offering a more comprehensive digital experience.

According to a report from McKinsey, respondents in all the African countries surveyed said they expect to use digital channels, such as online and mobile banking, more in the post-pandemic world. For example, 56% of Nigerians expect to use online banking more and 51% of Kenyans say they will use mobile more in the future.

As in any industry, putting the right product in front of the right customer is essential to not just surviving as a business, but thriving. With the African middle class growing across many African nations, the target market for insurance products is growing.

Developing ecosystem

Eunice Kinungi, an experienced leader in the insurance industry with over 15 years of knowledge gained working with companies such as UAP Old Mutual and Resolution Health, has seen firsthand the challenges facing insurers.

"The continent still lacks flexible, affordable, and tailored policies that will unlock insurance for the African consumer. There needs to be a key focus at a macro level to unlock insurance's potential for stirring economic growth by developing policies that support insurance growth," she says.

Now working as Head of Insurance at the Kenya-based Insurtech firm, Lami Technologies, Kinungi is helping to provide an advanced technology platform for a range of businesses, including banks and tech companies, that enables them to integrate Lami's API solution and seamlessly give their customers access to insurance products.

By working with leading companies in identity management and valuation, as well as embracing innovative technology such as cloud computing and automation, Lami's products can be tailored to the exact needs of customers.

Eunice Kinungi

For Kinungi, a central aim of the Insurtech firm is to shift the perception of insurance. "Insurance unfortunately, does not have the best reputation and there is a general distrust of insurance companies perpetuated by poor customer service and unpaid claims," she says. "Overturning this perception is an ongoing challenge for us, particularly as a new brand in the market."

By replacing insurance jargon with common sense language, quickly settling claims and creating a more streamlined process, the company hopes to play a part in the insurance transformation in Kenya, and beyond. Kinungi says the company has seen the customer base grow steadily as customers begin to trust them more.

The approach Lami takes with digital insurance massively reduces overheads and increases efficiencies, whilst still offering the customer the service they want. "With the advance of technology, there is great potential to distribute retail insurance products that are packaged via digital aggregators. There is also a vast market under the SME sector which is quickly being taken over by start-ups. Technology and innovation will be the key drivers of insurance penetration," says Kinungi.

Consolidation on the way?

Thomas Wiechers, Assistant Director, Risk & Resilience, at FSD Africa, a Nairobi-based non-profit company that promotes financial sector development across

Thomas Wiechers

Jeremy Gray

sub-Saharan Africa, points to the opportunity that new start-up Insurtech firms have to disrupt the industry, in part due to their lack of legacy systems that add to administrative complexity and costs.

Yet, start-up firms must also contend with their own challenges. “Regulatory hurdles, including capital requirements or qualification requirements for senior management, for the establishment of new insurance companies, are discouraging Insurtech in some markets,” he says.

Fragmentation is common in many markets, with a large number of insurers competing for a relatively small customer base. Consolidation could be a beneficial route for some countries, including Kenya, Ghana and Nigeria, as small local insurers typically do not have the financial resources to both invest in expansion activities and also face challenges to comply with capital and solvency requirements.

“There are several markets where market consolidation would likely lead to better customer service, better product value, better underwriting decisions and more market stability overall. This is, ultimately, a challenge and responsibility for regulators,” adds Wiechers.

Regulators in several countries have recently increased the capital requirements for insurers to encourage the formation of larger entities that can play a more solid role in the growth of the industry. For example, Nigeria’s National Insurance Commission (NAICOM) increased the minimum capital requirement for insurance companies from N2bn ($4.9m) to N8bn for life insurance businesses and from N3bn to N10bn for general insurers.

Countries in the West African Economic and Monetary Union (WAEMU) also saw the minimum amount of share capital required increase from CFA3bn ($1.8m) to CFA5bn. As the pandemic continues to have an impact on insurers, some smaller firms may not survive in the medium term.

“The economic effects from the pandemic will continue to increase pressure on corporate insurance business,” explains Jeremy Gray, Principal at the Cape Town based Centre for Financial Regulation and Inclusion (Cenfri), a think-tank supporting financial sector development and financial inclusion in Africa.

“At the same time, the limited focus on products that offer real value and speak to the needs of individuals together with poor claims experience has undermined trust across most retail markets over an extended period of time.”

Stagnant insurance firms that have few resources and technological expertise face challenges in diversifying their product mix and seeking further penetration in retail and business segments. Digital-first competitors are also set to compete with conventional players in a range of markets as technology is used as a key competitive advantage.

Strengthening and further formalising the insurance framework can pave the way for the long-term growth of the sector, according to Gray. “There is a big role for regulators to play to encourage innovation. Increasingly, insurance regulators across the continent are being given an explicit legislative mandate to encourage market development. This means they are now required to take steps to enable innovation," he says.

Even in areas where a relatively strong market environment exists, effective communication of either regulatory grey areas or complex parts of new bills can prove vital to foster growth and insurer confidence. No one-size-fits-all regulatory structure is applicable to all the diverse markets found within Africa. For Gray, while formal sandboxes are growing in popularity, they may not be appropriate for most markets.

"However, enhanced flexibility, consistency and proactive communication with insurers and Insurtechs around innovation, emerging risks and their regulatory stance can present strong signals to market players that regulators are willing to embrace and enable innovative products," he says.

While each region and country in Africa faces its own distinct set of challenges, many markets face similar problems in their development. The often intense competition between insurers on compulsory product lines, like motor insurance, drives prices down in some regions, leaving many customers to select their provider based on price only. An over-reliance on price can also result in service levels falling.

Despite the uncertainties and slow-down induced by the pandemic, the combination of a burgeoning innovation ecosystem across the insurance sector, an increasingly confident regulatory network and solid economic growth are all contributing to a strong outlook for insurance across the continent.

Regional performances

North Africa

Insurers targeting countries in North Africa face different challenges from those seeking to reach customers in sub-Saharan Africa. While penetration rates are higher in North African countries than sub-Saharan African nations, at a global scale, they remain lower than the rates found in Western and Asian countries.

Building on solid financial growth in recent years, Morocco's insurance sector has a positive outlook. Non-life premiums make up a 55% market share and are growing at a rate of 3.9% per year, much faster than life insurance. The most recent statistics show that life insurance premiums fell slightly by 0.2% last year, to $2.2bn, compared to non-life premiums, which reached a total of $2.8bn last year.

Growth is also expected to come from takaful (Islamic insurance), as Morocco's parliament approved a law in 2019 that allowed takaful subsidiaries to be launched by insurance companies.

Egypt's insurance industry is also set to record strong growth of 16% this year as micro insurance products expand the market, and travel insurance premiums increase. Insurers in this country are also leveraging the benefits of innovative technologies to offer flexible policies to customers.

In Tunisia, compulsory insurance for auto liability and various property-related insurance policies has supported limited growth in the market, but it remains a challenge for both conventional and digital firms to interest citizens in products that are not directly mandated by law.

As a result of the compulsory insurance, a great deal of the population seek out the lowest-cost products that meet the legal requirement, and not the most appropriate policies for their needs.

There are no restrictions on foreign companies entering the Tunisian insurance market, with new foreign insurers simply needing to register with the General Insurance Committee; once approved, they are able to compete on the same terms as local firms.

West Africa

In both Anglophone and Francophone West Africa, non-life insurance is the dominant insurance type, with this product comprising 70% and 56% of the entire market in the respective regions. Anglophone West Africa has an extremely low insurance penetration rate of 0.3%, compared to 1.2% in Francophone Africa, according to McKinsey data.

The insurance oversight body, Conférence Interafricaine des Marchés d'Assurances (CIMA), was established in 1992 to improve the insurance process in the sub-Saharan region. By creating a single regulatory structure, the CIMA has been beneficial in promoting stability and encouraging professionalism in the industry. Yet, having a single system of regulation for 15 countries, located across the breadth of Africa, establishes a one-size-fits-all policy for a diverse range of markets, leading to some member states facing a complex framework.

"Nigeria and Ghana, in West Africa, are important hubs – particularly given the size of their economies – however, much of the rest of West Africa is constrained by onerous and inflexible regulatory approaches under CIMA," says Jeremy Gray, Principal of the Cape Town-based Centre for Financial Regulation and Inclusion (Cenfri).

"Whilst the CIMA zone may enable somewhat easier movement for insurers across countries, in practice the level of bureaucracy required to adapt [to] rules often holds innovation back amongst member countries," he adds.

Despite the economic power of Nigeria and its growing middle class, life insurance in the country stands at just 0.1%. Due to the low rate of insurance in Africa's largest nation of more than 200m people, major opportunities exist for this low penetration rate to grow substantially.

Expanding the availability of sharia-compliant takaful insurance products is one potential avenue to achieving development in the industry. Directly targeting formally employed people to increase insurance uptake could help grow this relatively untapped segment, with only 10.6% of this group of Nigerians possessing an insurance policy.

Ghana may not be the biggest insurance market on the continent but its current situation is largely underdeveloped, with 51 insurers making up less than 3% of total financial sector assets and serving just 6% of adults with a non-health-related insurance product. According to analysis by Cenfri, close to 5.5m further adults could potentially be served with insurance in Ghana.

Several deals have been struck in recent years to expand insurance penetration in Ghana, with insurance firm Hollard Ghana partnering with retailer, Melcom Ghana, to offer insurance through in-store Hollard-on-the-go booths.

East Africa

Kenya's insurance market is one of the most robust in East Africa, with the sector experiencing growth every year since 2013. Despite the track record of growth, insurers have experienced diminishing returns on their equity due to a mix of tight margins, slow premium growth and insurance fraud.

As the top five non-life insurers in Kenya account for 38% of the overall market, consolidation may be a possibility in the future to improve economies of scale and reduce some of the fragmentation found within the sector.

"East Africa is emerging as the most vibrant fintech hub on the continent, aside from South Africa. Political buy-in, a track record of successes, such as with mobile money, and a fairly good skills base mean countries like Kenya, Uganda and Rwanda are amongst those with the greatest innovation taking place," explains Gray.

The Ugandan insurance market currently has an uptake of 1.4%, with a new Insurance Act being introduced in 2018 that expanded the Insurance Regulatory Authority's (IRA's) mandate. As part of this mandate, market development and innovation are promoted, with the pandemic leading regulators to shift their approach.

Many insurers were immediately faced with the need to digitise their operations as lockdown came into effect. While some had already begun their digital transformation journey, the more traditional firms that had not invested in cutting-edge technology saw disruption to their operations.

Regulators adapted their strategy to incorporate the new normal into the framework and ensure the most appropriate mechanisms were in place to encourage innovation and support insurers as they capitalise on the opportunities to modernise.

As Rwanda was the first African nation to implement a national lockdown due to the Covid pandemic, their insurance market was one of the first on the continent to feel the impacts of this dramatic change. During this first lockdown, the government of Rwanda did not consider insurance to be an essential sector, which led to an almost complete decline in physical insurance services. While this abrupt closure of operations for many insurers is set to have a negative short-to-medium-term effect, the market fundamentals of the country indicate that it will create a delay in growth rather than a substantial decline.

South Africa

The insurance sector in South Africa is by far the most advanced and developed market across Africa. With a gross premium amount of $48.3bn that accounts for over 70% of the entire African insurance market, life insurance policies comprise the majority of South Africa's insurance products, with 80% of premiums being related to this area.

An innovative use of technology forms the basis of the South African insurance market, with citizens responding well to purchasing the insurance they need through digital platforms. Not only have insurers found that au-

Insurance Regulatory Authority of Uganda
Driving insurance growth

tomation and digitisation of the entire insurance process brings costs down, it also offers a more seamless experience for customers.

South African Insurtech start-up Naked is one of the leading African innovators in the insurance space. Since entering the market in 2018, this digital-only insurance platform has offered immediate coverage for homes and vehicles, as well as individual items. Unlike the often complex and unintuitive process of buying insurance from conventional financial providers, Naked uses AI and automation to reduce costs and improve the user experience.

The strategy taken by other nascent insurers can also be replicated by firms in other African countries. "The approach of Discovery in South Africa is a powerful model to learn from across markets – by integrating tangible short-term benefits, rewards and encouraging risk management behaviour leveraging IoT technologies (like smart watches and telematics in vehicles) they have, for many consumers, elevated themselves beyond simply an insurance provider and built far greater trust than more traditional providers," says Gray. International insurers also have a strong presence in South Africa, increasing competition in the industry.

The Covid crisis has acutely impacted South Africa's insurance sector, with the country already facing a downgrade of their credit rating and a damaging recession. According to analysis by McKinsey, the combination of these factors will see a sharp decline of 15% over the next two years in the gross written premiums (GWP) paid by citizens, with life insurance seeing a reduction of 18%. ■

Source: New African Magazine- 24 November 2021

• *Guy Carpenter and Marsh to combine South Africa facultative reinsurance operations*

Reinsurance broker Guy Carpenter and global insurance broker Marsh, both businesses of Marsh McLennan (MMC), announced that they will combine their South Africa facultative reinsurance operations into a single business, effective January 1, 2022. The new unit will operate under the Guy Carpenter brand.

The announcement forms part of Guy Carpenter's strategy to expand its presence across the region. The combined operation will provide clients with improved access to the company's regional and global facultative capabilities, including its market-leading analytics, enhancing its ability to deliver structured and cost-effective risk-transfer solutions.

The unit will be led by Don WRIGHT, who has been appointed Head of Facultative Broking for the region.

Based in Johannesburg, he will report to Jane MARCH, Guy Carpenter's CEO for South Africa. Mr. WRIGHT has more than 35 years of (re)insurance market experience, including 14 years in the reinsurance broking sector. Most recently, he served as Head of Reinsurance for Marsh in South Africa, and prior to this was part of JLT Re. ■

Source: XPRIMM - 1 December 2021

2019 Top 100 Insurance Companies in Africa

Figures in millions

2019 rank	Companies	Class of business	Country	2019 turnover		2018 turnover		2018-2019 evolution *
				In local currency	In USD	In local currency	In USD	
1	Sanlam	L	South Africa	87931	6254	67246	4655	30.76%
2	Old Mutual Life	L	South Africa	55324	3935	53920	3733	2.60%
3	Liberty Group	L	South Africa	38820	2761	37494	2596	3.54%
4	Santam	NL	South Africa	28431	2022	26361	1825	7.85%
5	MML Group Limited (1)	L	South Africa	27510	1948	21355	1553	28.82%
6	Wafa Assurance	C	Morocco	8853	912	8371	875	5.76%
7	The Hollard Insurance (1)	NL	South Africa	11326	802	11179	813	1.31%
8	Old Mutual Insure	NL	South Africa	10660	758	9511	658	12.08%
9	Guardrisk Insurance (1)	NL	South Africa	9984	707	8201	596	21.75%
10	Royale Marocaine d'Assurance	C	Morocco	6816	702	6544	684	4.16%
11	OUTsurance Insurance	NV	South Africa	8380	593	7796	567	7.49%
12	Saham Assurance	C	Morocco	5422	559	5223	546	3.81%
13	Misr Insurance (1)	NL	Egypt	8990	538	8557	478	5.06%
14	Mutuelle Taamine Chaabi	L	Morocco	5123	528	4253	445	20.46%
15	The Hollard Life Assurance (1)	L	South Africa	7448	527	6498	473	14.62%
16	Guardrisk Life (1)	L	South Africa	7408	524	6790	494	9.09%
17	Axa Assurance Maroc	C	Morocco	4645	479	4231	442	9.79%
18	Professional Provident Society Ins.	L	South Africa	4606	328	4211	292	9.37%
19	Bryte Insurance Company	NL	South Africa	4528	322	4275	296	5.93%
20	AVBOB Mutual Assurance (1)	L	South Africa	4158	294	3636	264	14.37%
21	Absa Life	L	South Africa	4085	291	3780	262	8.07%
22	Atlanta	C	Morocco	2664	275	2433	254	9.52%
23	Misr Life Insurance Company (1)	L	Egypt	4403	263	3974	222	10.79%
24	Leadway Assurance	C	Nigeria	90596	248	87520	240	3.52%
25	Botswana Life Insurance	L	Botswana	2651	246	2397	219	10.57%
26	Assupol Holdings (1)	L	South Africa	3458	245	2987	217	15.76%
27	SAA	NL	Algeria	29117	243	27679	232	5.20%
28	Britam Life	L	Kenya	23942	234	20619	201	16.12%
29	Marocaine Vie	L	Morocco	2268	234	1826	191	24.22%
30	Mutual & Federal Risk Financing	NL	South Africa	3221	229	2847	197	13.15%
31	Sanad	C	Morocco	2176	224	2022	211	7.61%
32	Absa Insurance	NL	South Africa	3093	220	2567	178	20.52%
33	Auto and General Insurance (1)	NL	South Africa	2993	212	3592	261	-16.68%
34	CAAT	NL	Algeria	24589	206	24126	202	1.92%
35	Standard Insurance	NL	South Africa	2759	196	2659	184	3.74%
36	Escap(2)	NL	South Africa	2722	187	3341	282	-18.54%
37	Allianz Life Egypt (1)	L	Egypt	3120	187	1978	110	57.76%
38	Metlife Egypt (1)	L	Egypt	2855	171	2374	132	20.24%
39	MCMA	C	Morocco	1541	159	1419	148	8.65%
40	Nedgroup Life Assurance	L	South Africa	2172	154	2006	139	8.25%
41	Allianz Assurance Maroc	L	Morocco	1480	153	1367	143	8.25%
42	Sasria (2)	NL	South Africa	2169	149	1994	168	8.76%
43	Renasa Insurance (1)	NL	South Africa	2045	145	1405	102	45.51%
44	Lombard Insurance (1)	NL	South Africa	2019	143	1813	132	11.31%
45	Jubilee Insurance	L	Kenya	14134	138	12653	123	11.70%
46	AIICO Insurance	C	Nigeria	50138	137	37666	103	33.12%
47	STAR	C	Tunisia	375	134	359	119	4.50%
48	ENSA seguros de Angola	C	Angola	63796	131	47697	154	33.75%
49	Budget Insurance (1)	NL	South Africa	1828	129	1749	127	4.51%
50	Custodian & Allied	C	Nigeria	47203	129	36722	101	28.54%
51	Clientele Life (1)	L	South Africa	1826	129	1792	130	1.91%

Figures in millions

2019 rank	Companies	Class of business	Country	2019 turnover		2018 turnover		2018-2019 evolution *
				In local currency	In USD	In local currency	In USD	
52	CAAR	NL	Algeria	15365	128	15195	127	1.12%
53	SWAN Life	L	Mauritius	4821	128	4395	125	9.70%
54	ICEA Lion Life	L	Kenya	13041	128	12114	118	7.65%
55	Alexander Forbes Insurance (2)	NL	South Africa	1776	122	1695	143	4.77%
56	CNMA	NL	Algeria	14312	120	14025	117	2.05%
57	AXA Life Egypt (1)	L	Egypt	2000	120	1599	89	25.13%
58	AXA Mansard Insurance	C	Nigeria	43620	120	33924	93	28.58%
59	King Price Insurance (1)	NL	South Africa	1612	114	1173	85	37.38%
60	Mamda	NL	Morocco	1035	107	1001	105	3.39%
61	Compass Insurance	NL	South Africa	1496	106	1411	98	6.03%
62	Ethiopian Insurance Corporation (1)	C	Ethiopia	3117	106	2842	102	9.69%
63	CASH Assurances	NL	Algeria	12676	106	9499	80	33.45%
64	CIC General	NL	Kenya	10537	103	10090	98	4.43%
65	Hollard Specialist Insurance (1)	NL	South Africa	1434	101	1396	102	2.70%
66	1 Life (1)	L	South Africa	1387	98	1334	97	3.98%
67	SAHAM Assurance CI	NL	Côte d'Ivoire	56771	97	52017	91	9.14%
68	APA Insurance	NL	Kenya	9337	91	9559	93	-2.32%
69	UAP Insurance	NL	Kenya	9279	91	9150	89	1.40%
70	SUNU Assurances Vie	L	Côte d'Ivoire	50682	87	48904	85	3.63%
71	Nedgroup Insurance	NL	South Africa	1180	84	1175	81	0.46%
72	CIAR	NL	Algeria	9866	82	10099	85	-2.31%
73	Old Mutual Alternative Risk Transfer	L	South Africa	1145	81	1007	70	13.68%
74	SWAN	NL	Mauritius	3060	81	2882	82	6.19%
75	Britam	NL	Kenya	8209	80	8049	79	1.99%
76	Infiniti Insurance (2)	NL	South Africa	1155	80	1123	95	2.85%
77	Allianz Global Corporate	NL	South Africa	1117	79	985	68	13.39%
78	Jubilee Health	NL	Kenya	7884	77	-	-	-
79	Enterprise Life	L	Ghana	437	76	360	74	21.23%
80	COMAR	C	Tunisia	212	76	208	69	1.97%
81	CAT	NL	Morocco	693	71	689	72	0.61%
82	First for Women Insurance (1)	NL	South Africa	952	67	936	68	1.78%
83	GIG Egypt (1)	NL	Egypt	1110	66	971	54	14.28%
84	Bupa Egypt (1)	NL	Egypt	1086	65	967	54	12.30%
85	GA Insurance	NL	Kenya	6520	64	5977	58	9.08%
86	SICOM Life	L	Mauritius	2382	63	6384	181	-62.69%
87	Mauritius Union Assurance	NL	Mauritius	2350	62	2253	64	4.30%
88	AXA Insurance (1)	NL	Egypt	1043	62	589	33	77.04%
89	Momentum Short Term Insurance (1)	NL	South Africa	881	62	747	54	17.86%
90	SIC Life	L	Ghana	355	62	305	63	16.44%
91	GAT	NL	Tunisia	171	61	175	58	-2.05%
92	The Federated Employers Mutual Assurance Company	NL	South Africa	857	61	957	66	-10.45%
93	MAGHREBIA	NL	Tunisia	170	61	159	53	6.44%
94	Suez Canal Insurance (1)	NL	Egypt	1007	60	938	52	7.32%
95	ASTREE	C	Tunisia	168	60	155	52	8.40%
96	CIC Life	L	Kenya	6072	59	6074	59	-0.04%
97	Maroc Assistance Internationale	NL	Morocco	568	59	542	57	4.87%
98	Dial Direct Insurance (1)	NL	South Africa	825	58	899	65	-8.32%
99	AMI	C	Tunisia	161	58	168	56	-4.17%
100	AAR Insurance	NL	Kenya	5862	57	5609	55	4.51%

*Evolution in local currency (1) The year ending June 30th (2) The year ending March 31th

L = Life NL= Non life C= Composite

Source: Atlas Magazine | 08 Nov 2021

ANGOLA

• *Service-oriented insurers gain market share*

The insurance market in Portuguese-speaking Angola is changing rapidly and service-oriented insurers are gaining market share at the expense of those who are slower to meet customer needs, settle claims and process policy changes on time.

Mr Olivier Dubois, co-founder and executive chairman of the pan-African insurance broker OLEA Holding, and Mr Olivier Canuel, a cofounder and CEO, point this out in a report they wrote on the African insurance market. Their comments are carried in a 2021-2022 White Paper on the European, Middle Eastern and African insurance markets published by SIACI Saint Honore, a leading European provider of insurance risk management consulting and brokerage services.
The writers said, "We believe this trend is likely to continue as private insurers continue to gain market share in non-energy insurance lines through their significant investments in marketing and brokerage relationships. These investments are particularly important in an increasingly competitive insurance environment where more insurers compete each year for a steadily declining premium portfolio in US dollars."

The Angolan insurance market is subject to competition and functions as an unrestricted free market. The only exception to this free market is the insurance of offshore exploration and production assets which, according to local law, must be placed with the Empresa Nacional de Seguros e Resseguros d'Angola (Ensa).
Although local Angolan insurers continue to rely heavily on the support of their reinsurers, they are increasingly able to offer both significant capacity on local risks and flexibility in the scope and coverage of their insurance products.

At the time of writing, only two Angolan insurers were rated: Nossa ("CCC") and Ensa ("CCC +", outlook stable), although almost all insurers buy reinsurance treaties with international insurers rated "A". Sanlam and Fidelidade also have financial guarantees from their parent companies, both of which are rated 'A'.

Angola has a population of 30m and a GDP of $105bn. The local currency (Angolan kwanza) has been extremely volatile historically. The kwanza depreciated by a combined total of more than 50% in 2019 and 2020, following the authorities' move to liberalise the FX rate regime at the end of 2018, said Fitch Ratings in a recent report. The year 2021 has been relatively stable so far.

The Angolan economy depends almost exclusively on the oil and gas sector, which contributes more than 90% of GDP. A diversification strategy is underway to find other sources of income, such as fishing, timber and increased mining production. However, the importance of oil and gas reserves means that this sector will remain the central pillar of the Angolan economy.

In 2019, Angola counts 28 insurers. The insurance market is dominated by five insurers: Saham, Ensa Seguros, Fidelidade, Nossa Seguros and Global Seguros, these companies collected 139352 million AOA (286 million USD) of premiums, that is 76.36% of the market production. ■

OLEA M&G INSURANCE BROKERS

Olivier Dubois

Olivier Canuel

Sources:
Atlas Mag 26 Oct 2021
Middle East Insurance Review – 6 Dec 2021

Burkina Faso

• Insurance companies in Burkina Faso: 2020 turnover

In thousands

Insurers	2020 turnover		2019 tunover		2019-2020 evolution *	2020 shares
	In FCFA	In USD	In FCFA	In USD		
NON-LIFE COMPANIES						
Saham	15 291 000	28 594	10 812 000	18 488	41.43%	14.12%
SONAR IARD	9 863 000	18 444	11 005 000	18 819	-10.38%	9.11%
Raynal IARD	8 118 000	15 181	7 487 000	12 803	8.43%	7.50%
Coris Assurance	7 220 000	13 501	6 593 000	11 274	9.51%	6.67%
SUNU IARD	6 638 000	12 413	5 905 000	10 098	12.41%	6.13%
UAB IARD	6 468 000	12 095	5 488 000	9 384	17.86%	5.97%
GA IARD	5 803 000	10 852	5 772 000	9 870	0.54%	5.36%
Jackson Assurance	2 371 000	4 434	1 621 000	2 772	46.27%	2.19%
Total non-life	**61 772 000**	**115 514**	**54 683 000**	**93 508**	**12.96%**	**57.05%**
LIFE COMPANIES						
SONAR Vie	13 012 000	24 332	11 557 000	19 762	12.59%	12.02%
UAB Vie	11 554 000	21 606	10 315 000	17 639	12.01%	10.67%
SUNU Vie	11 137 000	20 826	10 011 000	17 119	11.25%	10.29%
CORIS Vie	3 259 000	6 094	2 407 000	4 116	35.40%	3.01%
SAHAM Vie	3 237 000	6 053	2 029 000	3 469	59.54%	2.99%
CIF Vie	2 573 000	4 812	2 562 000	4 381	0.43%	2.38%
GA Vie	1 725 000	3 226	1 307 000	2 235	31.98%	1.59%
Total life	**46 497 000**	**86 949**	**40 188 000**	**68 721**	**15.70%**	**42.95%**
Grand total	**108 269 000**	**202 463**	**94 871 000**	**162 229**	**14.12%**	**100%**

* Evolution in local currency
Exchange rate as at 31/12/2020 : 1 FCFA = 0.00187 USD; as at 31/12/2019 : 1 FCFA = 0.00171 USD

Sources: Atlas Magazine – 8 Sep 2021

• AfricaInvest enters Burkina Faso's non-life insurance market

A week after it acquired a minority stake in Nigeria's non-life insurer Royal Exchange General Insurance, AfricInvest announced a new investment. This time, the beneficiary is Raynal Assurances IARD, Burkina Faso's third-largest non-life insurer with over 13% of the market share.

The operation is made through the investor's FIVE vehicles dedicated to African financial institutions, for an undisclosed amount. AfricInvest acquired the shares held by SUNU insurance group, which co-founded Raynal Assurances IARD with Burkinabe businessmen in 2005. Omar Bekkali, a partner at AfricInvest, said AfricInvest is committed to "consolidating Raynal's position in the Burkinabe insurance market and to actively support its development strategy."

The insurance sector in Burkina Faso has 17 companies, including 8 in the non-life branch. According to provisional data for 2020, non-life insurance premiums increased by 14% compared to 2019 to reach CFA61.9 billion. The provisional turnover of the country's insurance companies is estimated at CFA108 billion in 2020, up 15%. ■

Sources: Ecofin Agency - 13 October 2021

EGYPT

• Immigration Ministry, FRA work on 1st insurance policy for Egyptian expats

Insurance policy will be optional for Egyptians abroad starting January 2022

Nabila Makram, Minister of State for Immigration and Egyptian Expatriates' Affairs, held a meeting to discuss the executive steps of the first optional insurance policy for Egyptians working and residing abroad, and coordinate efforts between the concerned authorities.

During the Insurance and Reinsurance Conference in Sharm El Sheikh held in September 2021, a memorandum of understanding was signed between the Immigration Ministry, the Ministry of Interior, the Egyptian Insurance Federation, the Financial Regulatory Authority (FRA), and the Egyptian Association for Travel Insurance, to offer personal accident insurance policy for Egyptian expats. The insurance policy will be optional for Egyptians abroad starting January 2022.

The Minister of Immigration said that Egyptians abroad showed a positive interaction with the announcement of the insurance policy.

Mohamed Omran, Chairperson of the FRA, said that the insurance policy for Egyptians working abroad provides a solution to the problem that was troubling many when accidents occurred, thus fulfilling their desires to transport the bodies of the deceased to the homeland, in a way that guarantees their dignity, and in a manner that achieves cooperation to achieve that supreme goal.

The personal accident insurance policy will be available to Egyptians working abroad who have work permits, up to EGP 100,000. It will cover the transportation of the body.

For their part, representatives of the Ministry of Interior explained that there is cooperation between the Ports Department, Work Permits and Security Directorates to provide the policy through a website designated for this, stressing that there are 28 branches that have already been prepared in preparation for the subscription.

Reda Abdel Moati, Deputy Chairperson of the FRA, said that the policy is linked to work permits, as everyone working abroad is obligated to provide a work permit in accordance with the law.

The Minister of Immigration said earlier that it was agreed that the subscription fees to the personal accident insurance policy would be EGP 300 at the first issuance of a passport, and EGP 100 for the annual renewal. An account will be opened at the Central Bank of Egypt (CBE) for the beneficiaries of the new insurance policy to cover the costs of body transportation to Egypt in case of death or hospitalization in case of personal accidents. ■

Daily News Egypt - 2 November 2021

EGYPT

• Fitch Ratings upgrades Misr Insurance Company's rating

Fitch Ratings has upgraded Misr Insurance Company's domestic financial strength (IFS) rating to "AA+" from "AA". The outlook on the rating remains stable.

The rating takes into account the company's leading position in the Egyptian insurance market, its strong capitalization, its good financial performance and its prudent investment strategy.

For the rating agency, the Egyptian insurer's results are solid. The turnover for the year 2020-2021 amounts to 9.6 billion EGP (611.27 million USD).

The average combined ratio over the last five years (2017-2021) stands at 84% and the return on equity (ROE) at 13%. ■

Atlas Magazine - 22 December 2021

• AM Best confirms Misr Life Insurance Company's rating

AM Best has confirmed the "BB+" (good) financial strength and "bbb" long-term credit ratings of Misr Life Insurance Company, a subsidiary of Misr Insurance Holding Company (MIHC). The outlook for both ratings is stable.

The rating reflects the life insurer's strong balance sheet, adequate operating performance, neutral business profile and appropriate enterprise risk management.

According to the rating agency, the company holds an excellent position in the Egyptian insurance market.

Misr Life has achieved a turnover of 7.8 billion EGP (496.66 million USD) in the fiscal year 2021, a 53.8% increase over one year. This performance is mainly driven by the development of the company's distribution network through bancassurance. ■

Atlas Magazine - 22 December 2021

GHANA

• Finance Minister inaugurates new insurance commission

The Minister for Finance has inaugurated the newly constituted board of directors of the insurance regulator, National Insurance Commission (NIC).

Speaking at an inauguration ceremony in Accra on 30 November 2021, the minister Mr Ken Ofori-Atta charged members of the board to diligently steer the affairs of the insurance industry and make it more efficient. He said there was a huge untapped market in the informal sector and the board must initiate strategies for the industry to harness the market and help deepen insurance penetration in the country.

Referring to the ongoing recapitalisation exercise in the insurance sector, he urged insurance entities to meet the new minimum capital requirements.

The new seven-member board is chaired by Ms Abenaa Kessewaa Brown with Dr Justice Yaw Ofori as Commissioner of Insurance.

Meanwhile, data from the Bank of Ghana (BoG) show that Ghana's insurance industry witnessed an increase in its total capital base to GHS2.91bn ($472m) at the end of December 2020, from GHS2.53bn at the end of December 2019. The BoG's Financial Stability Review for 2020 said the insurance industry last year grew by 15% over the previous year.

The NIC was established by the new Insurance Act, 2021 (Act 1061). Its object is to ensure effective administration, supervision, regulation, monitoring, and control of the business of insurance, to protect insurance policyholders and the insurance industry. The NIC, among other things, is committed to ensuring that insurance companies operating in the Ghanaian market are financially sound and honour their obligations to policyholders.

The new Insurance Act 2021, assented to by Ghana's President on 5 January 2021, replaces the previous Insurance Act of 2006 (Act 724) to bring the regulation of the insurance industry into conformity with the international framework and supervisory standards.

The new Act aims at strengthening corporate governance, deepening the insurance penetration, and increasing access to insurance for the population. It affirms the position of the NIC as the regulator of insurance business and practice in Ghana.

Insurance companies currently carry only two mandatory insurance policies: motor third party liability and fire insurance (for private commercial properties).

The amendments include the addition of three compulsory insurance coverages, namely public liability, group life insurance for employees and professional indemnity.

The project aims to increase the insurance penetration rate in Ghana, which is currently low. ■

Sources:
Atlas Magazine – 4 Feb 2021
Middle East Insurance Review – 6 Dec 2021

Abenaa Kessewaa

Justice Yaw Ofori

GHANA

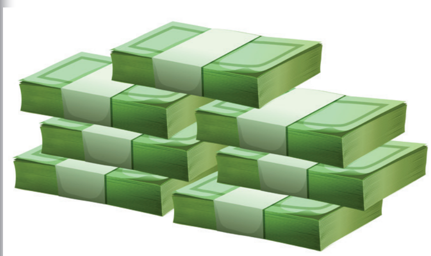
• Most Insurance Firms Meet Minimum Capital Requirement Before December 31st Deadline - NIC

NATIONAL INSURANCE COMMISSION

The National Insurance Commission (NIC) has revealed that most insurance companies have recapitalised, ahead of the 31st December, 2021 deadline in meeting the minimum capital requirement of ¢50 million.

The NIC announced the new capital requirement in 2019 and extended the deadline to the 31st of December this year.

Both life and non-life insurers are expected to increase their capital from ¢15 million to ¢50 million.



Speaking to Joy Business at the 2021 Chartered Insurance Institute of Ghana Educational Conference and Annual General Meeting, Commissioner of Insurance, Dr Justice Ofori said his outfit is hopeful majority of insurance companies will be able to recapitalised by the end of the month.

“So far, they [insurers] are doing well, most of them have already capitalised beyond the ¢50 million. We understand some are also trying to catch up... you know the Ghanaian always want to wait till the last minute. I know before the end of the month we will see some miracles.”

On whether there will be potential consolidation, Dr. Ofori said it’s too early to forecast.

“There is one acquisition that has already taken place already. I haven’t seen any mergers yet, but as I said it’s not yet time, so anything can happen”, he stressed.

“I can’t tell whether all firms can recapitalise until we passed the 31st December, 2021. This is because someone [insurer] has the money but is waiting; once there is a deadline you can’t actually do anything”, he further said

Again, Dr. Ofori noted that “we gave an extension six months, the deadline was supposed to be July 1st but because of Covid-19 we extended it to January 1st 2022.”

Regarding plans for policy holders, Dr. Ofori said “we have plans in place to ensure that if companies fail to recapitalize, their policy holders will be taken care of. The new act, InsuranceAct, 2021 (Act 1061) takes care of that.”

The National Insurance Commission (NIC) has given a strong indication to revoke licenses of insurance firms that fail to recapitalise by 31st of December this year.

The companies have less than six months to meet the new requirement of ¢50 million which is expected to put them in good standing to be able to underwrite big ticket risks.

Speaking to Joy Business, Commissioner of Insurance, Dr Justice Yaw Ofori said an appreciable number of insurance companies would be able to meet the new requirement following a final assessment of their books.

“Most of them have brought in their work plan on how they are going to actually achieve the ¢50 million requirement. So is in progress, by the end of the third quarter, we will actually have a clear figure of those companies that might be able to meet the requirement”, he pointed out. ■

Ghanaian Times - 16 Dec 2021

MADAGASCAR

• Settling a Claim in Madagascar Proves the Value of Insurance

The microinsurance program paid a significant amount and indirectly supported the government to meet its share of the retained risk.

Africa Risk Capacity Limited (ARC) (www.ARC.int) recently paid US $ 350,000 to farmers in a corner of Madagascar after a drought, demonstrating the value of insurance in building resilience. David Maslo, Head of Business Development at ARC Ltd, explained: "The insurance value comes from a claim. At that point, the insured discovers the true value of the insurance and the cost of the premium melts in terms of importance. "

Madagascar is a country that faces many dangers. Since 2018, ARC has supported the government in the development and implementation of a comprehensive disaster risk management framework to better plan, prepare, and respond to these natural disasters.

As part of this initiative, for the past two years the government of Madagascar has adopted a policy against drought and last year it signed a policy against tropical cyclones. In 2020, following a significant drought in the south, the country as a whole received a claims payment of $ 2.13 million.

Although this has a significant impact at the country level, it is not necessarily sufficient to manage the extent of risk in Madagascar, especially for those who suffer minor losses, but have a large impact on them. As Mr. Maslo put it "We were concerned for those affected by a catastrophe, but the total cost of the claim would fall into the retention layer below the excess of the parametric insurance product. Furthermore, while macroeconomic products are suitable for coordinating and financing response operations at the national level, they may have limitations in addressing the special local needs of communities.

African Risk Capacity
Sovereign Disaster Risk Solutions
A Specialized Agency of the African Union

Malagasy insurance Market : Key Highlights

- The Malagasy insurance industry is regulated by the Ministry of Finance.
- Non-admitted insurance is not permitted. However, reinsurers can operate without obtaining a license on a cross- border basis only.
- Composite insurance is permitted in Madagascar.
- 100% FDI is permitted in the Malagasy insurance industry.
- Motor third-party liability, workers' compensation and professional liability insurance for brokers are compulsory classes of insurance.
- In July 2020, Parliament passed new banking and insurance laws. These laws aim to provide more customer protection by mandating more transparency in the services offered, require companies to secure their IT systems, and provide tools to detect money laundering and terrorism financing. The new banking law can require banks to set aside funds (to be deposited at the Central Bank) to guarantee deposits (on top of the required reserve ratio). The new insurance law puts supervision of insurance companies in the hands of the Banking Supervision Committee (CSBF), rather than the Ministry of Economy and Finance to avoid conflicts of interest, as the major insurance companies in Madagascar are state-owned.

David Maslo

"This is particularly true when they can be located in unique and uncorrelated areas or exist within a microclimate. In these parts, the needs of the communities can be addressed with tailored micro and meso-safe products. Although they are less profitable at the macro level (due to higher costs and delays), these products can provide a more relevant response, "he added.

With these two elements in mind, ARC decided to support a microinsurance initiative in Madagascar launched by its long-time partner, the World Food Program (WFP). This initiative, called R4, became known as Aron'ny Fambolena Voatse, which translates to agricultural protection, and is an area yield index insurance program for farmers in nine pilot locations.

The Village Saving and Loans Association 'Mandresy' network contracted the insurance on behalf of all its members participating in the program in the towns of Sampona, Ifotaka, Behara, Berano, Tanandava, Maroalomainty, Maroalopoty, Ambovombe and Amboasary, an area known for its droughts and severely affected by climate change.

WFP purchased insurance for some 3,500 homes in the area from local insurer ARO, and ARC reinsured the program and assumed 95% of the risk.

The insurance aims to protect farmers' income against a number of risks that could affect their harvest, including floods, droughts, sandstorms, and pest infestation. It is innovative because it ensures the value of the inputs purchased and invested, against low profitability.

To capture the particularities of the southeastern region of Madagascar, WFP and its local partners opted for an Area Yield product designed and delivered by the Kenya-based company, Pula Advisors.

In the first growing season after November 2020, the region suffered extreme drought, followed by sandstorms and pest infestation, triggering the insurance program and ultimately resulting in a payment for losses incurred.

This was not a generalized event in the entire south of the country, which is insured by the government, but rather a series of severe sources of drought located in the southeast corner of the island.

One of these sources of drought affected the southeastern region covered by the Aron'ny Fambolena Voatse program. In fact, crop cutting experiments and field evaluations show total planting failure in these regions.

As a result, ARO Assurance and its reinsurer ARC Ltd paid $ 350,000 for planned response operations. The payment was made within weeks of the end of the season and benefited 3,500 farmers and their households.

"This experience," said Mr. Maslo, "highlights the complementary nature of macro and microinsurance products to help governments better manage and respond to natural disasters and ease their financial burden. In fact, although the sovereign policy did not generate a payment, the microinsurance program paid a significant amount and indirectly supported the government to respond to its share of the retained risk. "

"Without the Aron'ny Fambolena Voatse program, those 3,500 farmers would have been facing increasing debt and increasing poverty. There would have been the possibility that more of them had left the region to seek to earn a living in the towns and cities. "

Mathieu Dubreuil, Senior Advisor for Weather Insurance Programs at the World Food Program, explains that this was far from the end.

"This is not just an unexplained payment. We don't want to be paying premiums on behalf of farmers forever. We want them to understand the value of the insurance, to save enough money to pay the premiums and to benefit in the event of future claims. "

Mr. Maslo emphasized the need not only to make a one-time payment, but also to further development goals and build the capacity of local insurance providers.

"This project can be considered a success on all three levels. Not only have we protected vulnerable farmers, we have also delivered a successful program using a local insurer, ARO Assurance, and opened the conversation about the value of insurance. Looking ahead, we look forward to the day when these farmers are financially independent, able to fund their own insurance program and become resilient to future threats from climate change, "he concluded. ■

Sources: News Agency of Nigeria - 13 December, 2021

SOUTH AFRICA

• *Reinsurers present mixed performance in 2020 - KPMG*

Reinsurers in South Africa saw a mixed bag of performance in terms of loss ratios in 2020, with some reinsurers showing improved loss ratio results and other reinsurers showing declining loss ratios, says the international professional services firm KPMG. In its annual "South African Insurance Industry Survey" for 2021, released on 14 October, KPMG says that the overall loss ratio for reinsurers participating in the survey declined from 80% in 2019 to 90% in 2020.

The loss ratio performance of the industry is reflective of the lower occurrence of weather-related catastrophe events and lower claims frequencies experienced over several classes of business following the impact of the COVID-19 lockdown, offset by claims experience related to business interruption losses and increasing mortality experience from the COVID-19 pandemic.

The table below illustrates the loss ratios across the reinsurers surveyed:

Reinsurer	Loss ratio	
	2020	2019
African Reinsurance Corporation (South Africa)	62%	59%
General Reinsurance Africa	113%	98%
Hannover Life Reassurance Africa	96%	64%
Hannover Reinsurance Africa	62%	65%
Munich Reinsurance Company of Africa	78%	80%
Scor Africa	60%	60%
Swiss Re Africa	99%	85%

Source: KPMG South African Insurance Industry Survey 2021

Underwriting results

For most reinsurers, profits deteriorated, profits turned into losses or losses further deteriorated. African Re's underwriting result improved from an underwriting loss in 2019 to an underwriting profit in 2020. Hannover Re and Hannover Life's underwriting result deteriorated from an underwriting profit to an underwriting loss in 2020, while Munich Re's underwriting result improved from an underwriting loss in 2019 to an underwriting profit in 2020. Scor Africa was able to continue to generate an underwriting profit into 2020, albeit lower than that in 2019, however Swiss Re generated sustained and higher underwriting losses from 2019 into 2020.

Investment income

Investment income growth remained respectable at 12%, albeit not at the same levels experienced in 2019 at 23%; again because of the impact of the COVID-19 pandemic.
Reinsurers achieved an average return on investments (including cash and cash equivalents) of 6.3% (2019: 6.4%) compared to an average prime rate of 7.9%1 and the average 10-year government bond yield of 9.4%.

GWP

KPMG's performance analysis is based on locally registered professional reinsurers participating in the survey, reflecting approximately 95% of the reinsurance market share in terms of GWP. Growth in 2020 in GWP of 8% (2019: 14%) showed a downward trend, reflective of the sustained repressed local and global economic growth. The results are also reflective of the fact that many insurers provided their policyholders with premium discounts or premium holidays to manage lapse experience and policy cancellations mainly during the Level 5 lockdown period.

The premium growth rate is still commendable in that it exceeded the growth of between 4% and 5% experienced by life and non-life insurers respectively. This growth is likely attributable to the hardening of premium rates that continued into 2020 from 2019 due to the anticipation of increased losses arising from business interruption claims, uncertainties around the nature and frequency of natural catastrophe events, business failures, loss of employment, death and increased health-related claims.

Illustrated below is the share of the reinsurance market by GWP, as reported in the audited financial statements of reinsurers participating in this survey.

Reinsurer	Market share 2020	Market share 2019
African Reinsurance Corporation (South Africa)	6%	8%
General Reinsurance Africa	11%	11%
Hannover Reinsurance Africa and Hannover Life Reassurance Africa	18%	20%
Munich Reinsurance Company of Africa	42%	38%
Scor Africa	5%	4%
Swiss Re Africa	18%	19%

Source: KPMG South African Insurance Industry Survey 2021

Munich Re, Swiss Re and Hannover Re continue to dominate the local life and non-life reinsurance sectors. Their combined market share accounts for 78% (2019: 77%) measured by GWP volumes. The market share distribution across reinsurers continues to remain relatively consistent moving from 2019 and 2020, with only marginal movements noted across industry players.

Looking ahead

It is expected that demand for reinsurance will increase as primary insurers plan against increased levels of uncertainty emanating from their experience from the pandemic and increased incidences of civil unrest.

It is also expected that primary insurers will be able to afford increased levels of reinsurance as economic circumstances improve, coupled with lower levels of pandemic-related claims for the following reasons:

- As increased levels of populations are vaccinated, the risk of excess mortality claims for the life insurance industry reduces.
- As part of the annual renewal process, the exclusion of infectious disease in contingency and business-interruption contracts, will to a large extent eliminate the risk of new pandemic-related claims from these lines of business.
- Business interruption losses reported in 2021 have been within expectations factored into claims provisions set aside in 2020.

As a result, a hardening in reinsurance rates is expected resulting in higher premiums earned by reinsurers which will contribute to improved financial performance, says KPMG. However, as market economies struggle to regain momentum, it is expected that investment income will erode increased underwriting income.

Coupled with the uncertainty around increasing natural catastrophe claims due to climate change, this may further contribute to reinsurers hardening rates.

The support provided by the reinsurance industry over the course of 2020 was unwavering, during what has been one of the most uncertain and devastating periods that humanity has experienced in recent history. The contribution of this industry to the stability and financial soundness of the South African economy once again demonstrates the capital strength, resilience and ability of the industry to adapt, innovate and show up when it matters, with the purpose of serving the public interest. ■

Source: Middle East Insurance Review - 18 Oct 2021

Munich RE

Swiss Re

hannover re®

SOUTH AFRICA

• Santam bids $8.3mln for 76% stake in insurance broker Indwe

General insurance company Santam has offered to buy the remaining 76% stake it does not own in Indwe Broker Holdings Proprietary.

Under its plan, Santam engaged in talks with ARC Financial Services Investments Proprietary to acquire the 51% stake it holds in Indwe. The other 25% interest belongs to Sanlam, Santam's parent company.

Santam bids R125 million ($8.3 million) in cash for its acquisition. Once the transaction is completed, Santam plans to retain Indwe's commercial operations and divest the firm's corporate and specialty businesses.

African Rainbow Capital (ARC), the parent company of ARC Financial Services Investments Proprietary, entered into a shareholding agreement that resulted in the acquisition of a majority stake in Indwe in 2016.

Five years later, ARC plans to exit. This leaves room for short-term insurer Santam and its parent company. ■

Sources: Ecofin Agency - 9 November 2021

Vuyo Rankoe

• Specialty market seen as robust going into 2022

Rebuilding the economy should bring opportunities for growth in the specialty insurance market, according to Mr Vuyo Rankoe, head of Niche at Santam that is South Africa's biggest general insurer.

In an article published on the news website, iol.co.za, Mr Rankoe also said,"This will come from market consolidation, insurers exiting unprofitable lines, and opportunities materialising from emerging risks, like those associated with cybersecurity and drones, which will be especially helpful for the growth of the aviation and liability lines. There is also demand for contingency business interruption cover.

"As complex new risks emerge, we must continue to innovate and be prepared to underwrite the risks that threaten our businesses and economic vitality (so as) to remain relevant. We believe each time there is disruption in the market, underwriting discipline is key to who survives. Overall, we see the specialist market as robust going into the rest of 2021 and into 2022."

Economy and the state of insurance

According to Santam's research, 62% of commercial entities cite the struggling South African economy as their biggest emerging concern. The economic downturn has hit businesses across specialist lines of insurance. Mr Rankoe said, "We've seen the marine, heavy haulage, taxis (including e-hailing), aviation, travel, and the construction industries contract due to economic challenges."

In the current economic and financial environment, large corporates are not reducing cover but are instead shopping around for the best value products, often delaying their policy renewals, Mr Rankoe says. At the same time, some niche industries have seen clients amend their cover.

This has been the case in the construction sector (given less infrastructure development in the wake of the COVID-19 pandemic) while businesses in the marine and heavy haulage industries have amended their policies to match their reduction in turnover. Consequently, insurers may look to narrow their offerings away from unsustainable lines, fuelling further consolidation. The segments that are most at risk are the construction, transport, and travel lines, Mr Rankoe says.

Commenting on several different classes of business, he says:

Aviation: Insurance volumes for the outbound travel business are roughly 30% of where they were a year ago. The aviation business has also seen lower volumes given reduced charter flights and the closure of flight schools (80-90% of whose students are international).

Aviation has also seen frequent and severe losses, notably arising from mechanical or maintenance issues due to disuse, rather than pilot error, which traditionally accounts for 90% of insurance claims.

Transportation: Santam's research shows 80% of respondents in the commercial transport sector reported profit loss in 2020. Numerous business closures increased the workload of those still operating, which means employees (including truck drivers) work longer hours, increasing the chances of fatigue-related truck accidents. The poor maintenance of the country's roads compounds the problem.

Plus, imported vehicle parts are increasing in price. The cost of repairs has risen by as much as 40%, partly due to original engine manufacturers (OEM) producing far more sophisticated trucks that can cost up to ZAR2m ($125,000). It is additionally due to a constrained supply chain causing a delay in parts supply.

Mr Rankoe said, "It is no surprise that we have experienced higher frequency and severity losses in the heavy haulage industry. Our claims data show an increase of 25% in volume and 30% in the average cost of claims."

Public-owned Infrastructure: There is concern about water supply given the dire state of reservoirs and pump infrastructure. Functioning safe infrastructure is a crucial building block for economic growth.

Top emerging risks

Mr Rankoe also lists the top emerging risks cited by businesses as:

- impact of the COVID-19 pandemic on business interruption (57%)
- political unrest (48%)
- social change (44%)
- cybercrime (36%)
- climate change (35%).

Traditional risks

As for traditional risks that businesses face, fire damage and its impact on business interruption is the biggest, says Mr Rankoe. Recently, South Africa has seen several large-scale fires and explosion-related losses including the Table Mountain National Park fire, the Charlotte Maxeke Academic Hospital blaze, and Astron Energy oil refinery explosion. ■

Source: Middle East Insurance Review | 13 Dec 2021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ASIA-PACIFIC

• *Asia-Pacific insurance market in 2020*

Figures in millions USD

Country	Turnover 2020 in US$ mn	Turnover 2019 in US$ mn	2019-2020 evolution (%)	2020 shares (%)	2020 Penetration (%)	2020 Density in US$
China	655 875	617 399	6.23%	37.38%	4.5%	455
Japan	414 805	427 580	-2.99%	23.64%	8.1%	3280
South Korea	193 708	179 019	8.21%	11.04%	11.6%	3741
Taiwan	113 305	117 824	-3.84%	6.46%	17.4%	4800
India	101 247	97 368	3.98%	5.77%	4.2%	78
Hong Kong	73 131	70 695	3.45%	4.17%	20.8%	9746
Australia	62 841	68 688	-8.51%	3.58%	4.7%	2448
Singapore	35 061	31 300	12.02%	2.00%	9.5%	5638
Thailand	26 765	27 526	-2.76%	1.53%	5.3%	383
Indonesia	20 542	22 840	-10.06%	1.17%	1.9%	75
Malaysia	18 427	17 543	5.04%	1.05%	5.4%	568
New Zealand	10 239	10 703	-4.34%	0.58%	4.9%	2027
Vietnam	7 965	6 890	15.60%	0.45%	2.3%	82
Philippines	6 408	6 297	1.76%	0.37%	1.8%	58
Macau	3 632	3 527	2.98%	0.21%	5.9%	5593
Bangladesh	1 323	1 381	-4.20%	0.08%	0.4%	8
Sri Lanka	963	1 100	-12.45%	0.05%	1.2%	45
Total	**1 746 237**	**1 707 680**	**2.26%**	**99.53%**		
Rest of the market	**8 283**	**11 945**	**-30.66%**	**0.47%**		
Asia-Pacific total	**1 754 520**	**1 719 625**	**2.03%**	**100%**		

Sources: Sigma (Swiss Re) and Atlas Magazine

ASIA-PACIFIC

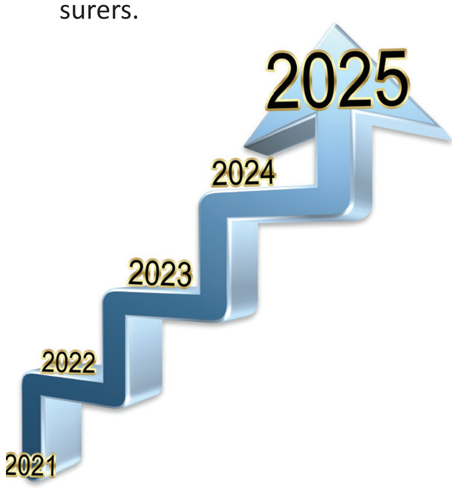
• Marine, Aviation and Transit Insurance in Asia-Pacific to reach US$14.5bn by 2025

The marine, aviation and transit (MAT) insurance industry in Asia-Pacific is projected to grow from US$11.2bn in 2019 to US$14.5bn in 2025, in terms of written premiums, according to GlobalData, a leading data and analytics company.

GlobalData's insight report, Global Marine, Aviation and Transit Insurance Market to 2025 - Key Business Lines, Trends, Drivers, Challenges, Regulatory Overview and Developments', reveals that MAT insurance industry in Asia-Pacific will grow at a compound annual growth rate (CAGR) of 4.4% over 2019-2025.

Deblina Mitra, Senior Insurance Analyst at GlobalData, comments: "Airtravel restrictions, supply chain disruptions and weak economy slowed the industry's growth in 2020 in Asia-Pacific."

Japan and China, which are among the top five global markets, collectively accounted for 60% of Asia-Pacific's premiums in 2020. China's intricate presence in global supply chain and its growing airline and marine fleet are strong growth drivers for insurers.



Asia-Pacific has also seen several insurers withdrawing from MAT industry due to years of unsustainable losses resulting from both man-made and natural hazards and bottomed out premium prices which resulted in reduced market capacity.

For instance, Allianz, Swiss Re and Ascot withdrew from Singapore while Axa-XL withdrew from hull underwriting in Hong Kong and marine liability in Singapore in 2020. However, impact on premium price increase due to these market exits were mostly offset by the entry of new players such as China-based Donghai Marine Insurance and the resurgence of Lloyd's syndicate's presence in the region.

Ms Mitra adds: "The enactment of new sulfur limits as per the International Maritime Organization ruling in 2020 is a development that aims to tackle global warming contributed by the maritime sector and is a focus area for insurers."

The regulation mandates shipowners to make changes in ship parts and fuel to comply with the standards. This exposes insurers to high claim risk and can lead to increase in prices.

Ms Mitra concludes: "Delayed recovery in the aviation sector and uneven progress of vaccines will continue to restrict the growth of aviation premium in the region this year." ■

The Insurance Times – 31 August 2021

CHINA

• Chinese Insurers Unlikely to Shift to Low-Rated Bonds Despite Easing Rules

Fitch Ratings-Hong Kong-30 November 2021: Chinese insurance companies are unlikely to shift their investment portfolios significantly towards lower-rated bonds, despite a recent relaxation in credit rating requirements for their bond investments, Fitch Ratings says.

This is because we believe insurers are now making investment decisions more cautiously ahead of tightening solvency computation under the China Risk-Oriented Solvency System phase 2, which could be implemented in 2022.

On 19 November 2021, the China Banking and Insurance Regulatory Commission (CBIRC) announced that there are no credit rating requirements for insurers to invest in bonds issued by financial institutions. Insurers with comprehensive solvency ratios of 200% or above also do not face any credit rating requirement when they invest in bonds issued by non-financial companies. Insurers with comprehensive solvency ratios of 120%-199% are now able to invest in bonds issued by non-financial companies locally rated 'BBB' or above. Prior to this, insurers were only allowed to invest in bonds with local credit ratings of 'A' and above.

The easing of the rules provides more investment opportunities for insurers, but we expect them to continue to make investment decisions based on their risk-management policies and liquidity profiles. In July 2020, the CBIRC allowed insurers to invest up to 45% of their prior-quarter total assets in equities, subject to their solvency and asset-liability management. However, the change did not result in a significant rise in the industry's exposure to equities. At end-2020, stocks and funds represented 13.8% of insurers' total cash, deposits and investments, compared with 13.2% at end-2019.

Insurers mainly invest in central- and local-government bonds and bonds issued by financial institutions. Many of them increased investments in long-dated government bonds, particularly life insurers, to lengthen their asset duration in 2021. Bonds represented 39.1% of the industry's total investments at end-September 2021, up from 36.6% at end-2020.

Exposure to defaults remains a key credit risk, with an increase in the number of defaults in China. Insurers with consistent investment strategies and strong risk-management capabilities are unlikely to raise their exposure to lower-rated bonds at the expense of having higher credit risks. We believe capital requirements, investment asset duration and liquidity are key considerations that insures will continue to focus on, rather than pursuing higher yields offered by lower-rated bonds. ■

Source: Fitch Ratings - 30 Nov, 2021

FitchRatings

HONG KONG

• Key Findings of Joint Inspection by Hong Kong Regulators on Using Premium Financing for Purchasing Long Term Insurance

保險業監管局
Insurance Authority

HONG KONG MONETARY AUTHORITY
香 港 金 融 管 理 局

Premium financing (PF) is a financing arrangement whereby a customer takes out a loan to pay the premium for an insurance policy. PF is often used by customers to take out life insurance, with the insurance policy used as collateral (i.e. security) for the loan.

The Hong Kong Insurance Authority (HKIA) and the Hong Kong Monetary Authority (HKMA) carried out a joint inspection on insurers and insurance intermediaries (including banks) on the use of PF to take out long term insurance in Hong Kong.

Key findings of the joint inspection were announced on 30 September 2021 and can be accessed here. The key findings included the following:

Customers' Affordability

- PF is in substance a loan and customers need to make loan repayments with interest. The affordability assessment should therefore take into account the PF loan, but does not always do so. Some insurers and intermediaries would conduct affordability assessment based on the premium amount borne by the customer (which is not funded by the PF), which would allow the customer to use PF to purchase policies above his/her affordability. This is a concern because if the lender requests early repayment of the PF loan in full, the customer would not have sufficient liquid assets – and the lender may surrender the policy to the customer's detriment.
- Insurers and insurance intermediaries do not check whether existing policies of customers are subject to PF loans. The customer's repayment obligations for outstanding PF loans over existing policies will affect his/her affordability to purchase any new policies and should therefore be taken into account in the affordability assessment.
- It was found that despite declaring having sufficient liquid assets, some customers failed to provide proof of assets or source of funds, or provided proof which did not match the exact information. Some insurers also found that customers had undisclosed liabilities, such as loans and overdrafts, but simply omitted these in the affordability assessment.

Risk Disclosure

- Risk disclosure practice and level of disclosures vary substantially amongst insurers and intermediaries. While the majority of insurers required or expected intermediaries to explain the insurers' risk disclosure form to customers, there was no requirement for intermediaries to sign-off showing that they had complied with such procedures.
- Some insurers did not ade-

quately disclose certain key terms/risks to customers – such as the definition of PF and that PF is not part of the insurance policy contract; that customers may be subject to various risks resulting from use of PF (e.g., exchange rate risk, credit risk, early surrender risk, etc); and the impact on the customer's rights to cancel the policy within a cooling-off period. Similar issues were noted with some banks acting as insurance intermediaries, not adequately explaining the risks, features and limitations of PF to customers.

Other Practices

- Certain inappropriate sales practices were found, such as an agent bundling the PF arrangement with the insurance policy, as if this was a banking product. A few intermediaries also recommended a particular product because it was eligible for PF and would "enhance" the return for the customer.
- Intermediaries did not fully take into account the actual impact of PF facilities. For instance, the actual benefit received by a customer might be less than the target advised by the insurance intermediary, as the benefit would be offset by repayment of the PF. The shortfall could be significant but customers may not fully understand the impact of the PF if this shortfall is not highlighted to them.
- Deficiencies were also found in processing the assignment of policies, including: customer's signature on the Notice of Assignment was significantly different from signatures in the policy documents; and the Notice of Assignment lacked key policy information but was still processed by the insurer.
- The right to cooling-off was often assigned to the lender prior to policy issuance, but insurers did not update the cooling-off notice. It was also found that some banks acting as insurance intermediaries failed to inform customers that interest would be charged on the PF loan even if the customer exercised cooling-off rights

In summary, the joint inspection did indeed find some areas of concern and the use of PF was not always fully considered. The HKIA and HKMA will be engaging the industry to clarify expected standards for insurers and insurance intermediaries when carrying out insurance activities involving PF.

Insurers, insurance intermediaries and PF lenders therefore need to closely monitor this area – as there will likely be further regulatory development which will affect current practices involving the use of PF. ■

Source: Mayer Brown | 13 October 2021

INDIA

• Intellectual Property Insurance A Look Into The Future

Byline: Sehal Mahajan

The rise of the start-up culture in India has led to a huge influx of investment in the Indian market, creating entrepreneurs by the second. As of 2020, India is only second to China in terms of Venture Capital funding. A lot of these start-ups have some form of valuable intangibles, in the form of Intellectual Property. It could be a Patented technology, or a Trademarked logo or tagline.

If you are a start-up CEO, or an entrepreneur, insuring your Intellectual Property can erase a lot of concerns while adding a veneer of extra protection to your company's assets, trade secrets, and technology.

There are broadly four types of Insurance Coverage Policies-

Infringement Defence Coverage

This policy provides money for defense costs, where a company is accused of infringing another enterprise's intellectual Property issued. The insurance company underwrites the litigation and settlement of any disputes against you. If you're held liable for infringing on a patent, trademark, copyright, or any other form of intellectual property, you don't have to bankroll the litigation out of pocket. A defensive policy protects the insured from any intellectual property holder who files an infringement lawsuit against him during the policy period. Coverage under such a policy may encompass charges of patent, copyright, and trademark infringement, but it may be limited to one or more of these rights, or any combination of them, depending on the policy. The insurer pays for the defense attorney's fees as well as any settlement costs or damages (if any) awarded under this policy. Defensive policies are based on the obligation to defend the insured, which is triggered when the claimant alleges a claim that the insurance policy may or may not cover.

Commercial General Liability Insurance

Standard-form CGL plans often cover "advertising injury" (sometimes known as "personal and advertising harm"), which can cover various forms of IP claims depending on how these terms are defined in the policy.
However, not all IP-related claims will be covered by a CGL policy's "advertising injury" coverage. Due to differing definitions of "advertising injury," numerous exclusions included in certain CGL policies, the specific facts of the claims, and the legal theories stated, policyholders, have had mixed results. Claims for

copyright infringement, trademark infringement, service mark infringement, and trade dress infringement, for example, are frequently covered by the "advertising harm" coverage of a CGL policy (unless excluded).

Obtaining coverage for unfair competition claims under the CGL policy's "advertising injury" coverages, on the other hand, maybe more challenging unless the claims include "misappropriation of advertising ideas or style of conducting business" or "usage of another's advertising concept."

Coverage for Enforcement of IP Rights

This policy helps the insured party take pre-emptive actions and expeditiously enforce their rights. This helps in building an offensive approach, where the infringers are sued at the earliest sign of illegal IP infringement and use. The litigation will be funded by the insurance company, allowing you to stop infringement of your Trademarks, copyrights or patents, while also seeking damages resulting from past infringement and use.

Generally, the policy covers the cause of action arising out of copyright infringement, trademark infringement, misappropriation of slogan or title, trade libel, violation of the right to privacy & publicity, and breach of an implied contract stemming from the alleged use of submission of an idea or other material. However, the policies do not insure insured for any sort of offensive litigation.

Media Liability Insurance

Media liability plans address the risks faced by enterprises such as media and entertainment companies that create or use non-patentable types of intellectual property. Liabilities arising from the dissemination of the policyholder's creative works and/or advertising for such works throughout the insurance period are normally covered by the policies. Furthermore, they are frequently "named peril" policies, which means that they only cover a limited number of causes of action, such as one or more of the following: Infringement of copyright, theft of non-copyright ideas, trademark infringement, and breach of an implied contract relating to a third party's submission of an idea or other intellectual property. Submission of an idea or other creative content to the policyholder, defamation, trade libel, infliction of emotional distress, and invasion of privacy rights are all covered by the policy.

In the USA, the rise of patent litigation, specifically in the Pharmaceutical Industry is leading to a sharp hike in the prices of the products. Insurance against patent infringement as well as offensive litigation solves this problem. Intellectual property litigation can be pricey, and it is only becoming more so. The high stakes of intellectual property litigation might put a company's survival in peril in some cases. Furthermore, the likelihood of a specific company being entangled in intellectual property litigation is increasing. Given these realities, it's reasonable that certain insurers have developed policies particularly for companies concerned about these risks. In general, the breadth of protection provided by any of the many policies can often be tailored to suit the policyholder's particular needs.

Intellectual property insurance is now commonplace in the states, especially in Industries that are technology-specific, or those that require protection from infringement due to the considerable dependence of their business on their intellectual property.

Conclusion

For certain businesses, intellectual property insurance may not be necessary. The right level of insurance protection could mean the difference between survival and mortality for a small technology company with an intellectual property portfolio as its most valuable asset, or for a new competitor trying to break into an industry where aggressively enforced intellectual property rights are the rule rather than the exception. Given the value of the intellectual property, a growing number of policyholders are negotiating tailored insurance policies to better handle their intellectual property exposures.

In India, Insurance for Intellectual Property is relatively new. The One Hundred and Sixty-first report of The Department Related Standing Committee on Commerce talks briefly about the future of legislation regarding insuring Intellectual Property. The Committee suggests that the insurance industry participates in covering/protecting an IP's increasing financial losses in order to reduce monetary risks, by amending The Insurance Act to incorporate insurance for valuable Intellectual Property.

Given the recent trends in the global market, India is likely to follow in the footsteps of the USA, where specific insurance policies will be available to enterprises, in order to ensure protection from claims arising out of misappropriation, theft, misuse, or infringement of any Intellectual Property. ■

Source: Mondaq – 16 Dec 2021

• *Credit insurance regulation in India*

The Indian regulatory authority IRDAI has issued revised guidelines on credit insurance. The new regulations will come into force on 1 November 2021.

The new guidelines aim to promote the sustainable and sound development of the credit insurance business and improve economic stability.

The Indian non-life insurance companies will be able to provide credit insurance coverage to suppliers, licensed banks and other financial institutions to help businesses better manage risk. ■

Source: Atlas Magazine | 27 Sep 2021

• *Maharashtra warns action against crop insurance firms for failing to pay insurance claims to farmers*

H.E Minister Dada Bhuse

State Agriculture Minister Dada Bhuse asks companies to deposit insurance claim amount in the bank account of farmers within the next eight days

Crop insurance companies and the Maharashtra government are once again at loggerheads. State Agriculture Minister Dada Bhuse has ordered the crop insurance companies to make quick decisions on the insurance claims submitted by farmers for Kharif 2020 losses incurred due to the unseasonal rains.

He has asked the companies to deposit the insurance claim amount in the bank account of farmers within the next eight days, and warned that cases will be filed against those companies which fail to follow the order.

According to the State government's information, 1.7 crore farmers participated in the insurance scheme for Kharif 2020 season. The estimated crop loss evaluated is ₹1,068 crore out of which ₹844 crore has been given to farmers.

"The pending insurance claim of ₹223.35 crore should be deposited in the bank accounts of farmers within the next 8 days," Bhuse ordered company representatives in a recent meeting in Mumbai. This Kharif season, about 84 lakh farmers have participated in the insurance scheme and paid ₹2,312 crore insurance instalment.

Crop insurance companies must improve operations Minister Bhuse said that farmers are agitated because they have not received insurance claims and insurance companies will be held responsible for the law and order situation in districts. He said that companies need to improve their operations and speed up the process to disburse the insurance claims.

Bhuse said that farmers, whose claims were rejected, must get another chance to get the evaluation of their losses. He said that the State Agriculture Department must support farmers and ensure that all the eligible farmers get insurance claims. ■

Source: Business Line - 3 Dec 2021

IRAN

• Takaful insurance to make debut in Iran

Iran will launch limited takaful insurance services for the first time after finance minister Ehsan Khandouzi said that there is a demand for Islamic takaful insurance.

Ebrahim Kardgar, Dana Insurance chief, said that the company will introduce takaful for the Sunni population in the country.

"The (Iranian) Insurance industry has lagged behind in this field and based on talks have had with the finance ministry it has been agreed that we launch Islamic insurance," said Kardgar, according to ILNA news agency.

Unlike conventional insurance, takaful insured can benefit from a set of claims of the fund in which they have participated, if it remains in excess.

The system has not been used in Iran mainly over deficit concerns and also because religious authorities in the Shia-dominated country have not fully endorsed the system.
Takaful is currently the dominant system of insurance in Malaysia while it has been introduced in limited forms in some Muslim and non-Muslim countries.

Kardgar said that Dana's takaful services would specifically target Iran's Sunni population of less than 10 million. He said that Sunni clerics in the country had approved the use of the insurance service by members of the community.

The announcement comes two days after Khandouzi said that insurers in Iran should respond to a demand for takaful in the country's domestic market.

"A group of the customers of the insurance industry has an inclination to use takaful insurance. We are lagging behind some Muslim countries in this regard," said Khandouzi. ■

Iran News Daily – 8 December 2021

LEBANON

• *Insurance premiums in Lebanon to be paid in US$*

The Association of Insurance Companies in Lebanon (ACAL) announced that the underwriting and renewal of insurance policies will be done in "Fresh Dollars" as of 2022.

The term "fresh dollars" refers to the sums denominated in US dollars, injected into the Lebanese banking system and collected either in cash or through international electronic payments.

This decision comes in response to the challenges facing the insurance market following the significant depreciation of the Lebanese Pound. ■

Source: Atlas Magazine – 10 December 2021

NEPAL

• *Insurance regulator mandates 100% cession to the two domestic reinsurers*

The Insurance Board, Nepal's insurance regulator, in a recent circular has mandated all life and non-life insurance companies to seek 100% reinsurance support from domestic reinsurance companies only.

Himalayan Reinsurance Company became second local reinsurer in Nepal beside Nepal Reinsurance Company Limited (Nepal Re) which commenced operations on 22 December 2014. The company was granted an operating licence for conducting reinsurance business by the Nepalese insurance regulatory authority Insurance Board of Nepal (Beema Samiti) in May 2021.

Also as a reminder, From 16 July 2018, the Ministry of Finance requires local insurance companies to reinsure 20% of their business (excluding aviation, trekking and travel medical insurance) to Nepal Re. Previously, insurers were only required to cede 5% to Nepal Re. ■

Sources: Atlas Magazine, Himalayan Re Website & GR Forum Dec 2021

Palestine

• Aggregate income statement from 1/1/2020 until 31/12/2020 ***

Currency: (US dollar)

Description	Total
Written insurance premiums	286,142,525
(Reinsurer's share of written premiums)	(31,829,026)
Net insurance written premiums	**254,313,499**
±Change in current risks reserve- mathematical life insurance reserve	(5,493,602)
±Reinsurer's share in change of current risks reserve- mathematical life insurance reserve	1,002,436
Net earned premiums	**249,822,333**
Income from insurance activities	-
Reinsurance commission	3,432,867
(Paid-up commissions)	(18,490,426)
Other revenues from insurance activities	-
Net revenues from insurance activities	**234,764,774**
(Paid-up claims)	(165,643,162)
(Paid-up premiums to cover loss's surplus)	-
Reinsurer's share of paid up claims	16,909,589
±Change in reserve of outstanding and unreported claims	(24,225,096)
±Reinsurer's share of change in reserve of outstanding and unreported claims	7,058,189
Net incurred claims	**(165,900,480)**
(Losses) profits of currency exchange in converting technical reserves to US Dollar	-
(Distributed general and administrative expenses)	(35,318,076)
(Agency fees and speculation expenses)*	(19,324,545)
Total expenses of insurance activities	(220,543,101)
Net profit of technical insurance activities	**14,221,673**
Revenues (investments, rents, interests..,etc)	15,515,603
±Currency differences	8,092,272
Provisions of increase (decrease) in fair value of investments	(281,758)
(Undistributed administrative expenses)	(9,268,120)
(Allowance for doubtful account)	(3,836,912)
(Other expenses)	(759,706)
Provision (redemption), takaful fund subscribers loan**	-
Net income before tax	**23,683,052**
(Value added and income tax)	(2,165,265)
Net income	**21,517,787**

* Agency fees and speculation expenses are remunerations payable to shareholders for their efforts in managing the operations and the investments on behalf of Al Takaful participants at Takaful insurance company and Tamkeen insurance company

** Provision (redemption)- Al-Takaful fund subscribers' loans is the remaining balance of the total contributions paid by policyholders during the year after deducting incurred claims, paid-ups claims, expenses, technical reserves, and the agency fees.

***Statistics not included financial statement of the Ahleia Insurance Group

هيئة سوق رأس المال الفلسطينية
Palestine Capital Market Authority

PHILIPPINES

• Philippines gets $500m World Bank catastrophe contingent credit line

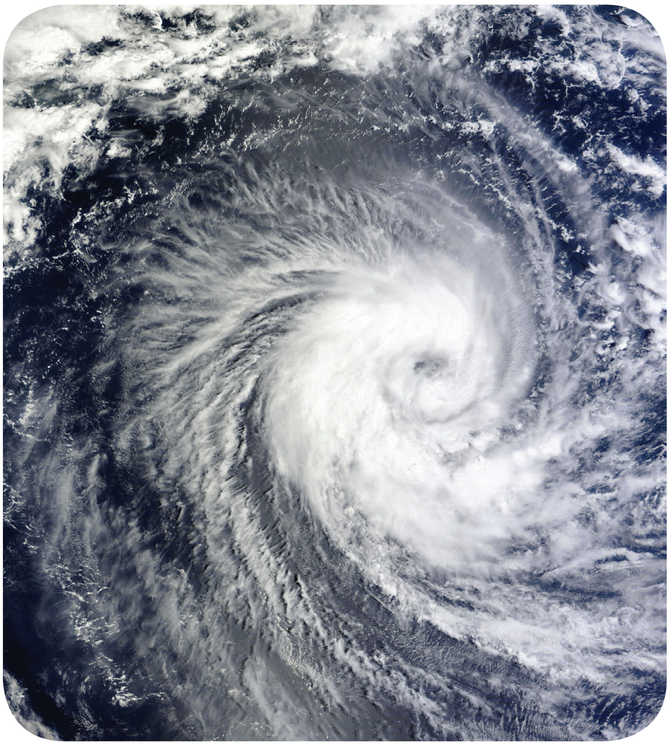
THE WORLD BANK

Ndiamé Diop

The Philippines has received more catastrophe protection with the help of the World Bank, as its government has signed up to another $500 million catastrophe contingent line-of-credit through a new Catastrophe-Deferred Drawdown Option arrangement, dubbed CAT-DDO 4.

The Philippines has benefited from these novel catastrophe contingent credit arrangements before, having had two specific Catastrophe-Deferred Drawdown Options in place before. They have proven their worth as well, as the country drew-down from one of these arrangements back in 2018.

The Philippines received a payout of almost $500 million to assist with recovery from 2018's typhoon Mangkhut, after the countries catastrophe contingent line of credit (CAT DDO) from the World Bank was triggered.



The new CAT-DDO arrangement is designed to "strengthen the Philippines' institutional and financial capacity to manage risks from climate change, natural disasters, and disease outbreaks," the World Bank explained.

The Fourth Disaster Risk Management Development Policy Loan with a Catastrophe-Deferred Drawdown Option (CAT-DDO 4), to give the arrangement its full name, will provide the Philippines with US $500 million of capital that it can activate on a state of emergency declaration, helping it to manage the financial impacts of natural or man-made disasters and disease outbreaks.

"This contingent funding mechanism protects the Philippines' fiscal health following natural disasters and disease outbreaks, helps develop sustainable risk financing mechanisms for local government units, and cushions poor and vulnerable households from the impact of disasters," explained Ndiamé Diop, World Bank Country Director for Brunei, Malaysia, Philippines and Thailand. "If not managed well, these shocks can exacerbate poverty through the loss of lives, destruction of assets, disruption of economic activities and trade, and indirect impacts on health, mobility, and access to education."

The catastrophe contingent capital can be drawn-down on the declaration of a State of Calamity by the Government of the Republic of the Philippines, due to an imminent or occurring natural catastrophe or a declaration of a State of Public Health Emergency.

That provides much-needed liquidity at the point of disaster, making these instruments akin to catastrophe bonds, in how they secure a line of catastrophe contingent funding. The line of credit is available for three years to begin and can be renewed for up to fifteen years.

The CAT-DDO sits alongside various insurance and reinsurance arrangements that the Philippines has, which largely protect it against natural catastrophes and severe weather events. These include parametric insurance, microinsurance, reinsurance for state assets and infrastructure, as well as the Philippines catastrophe bond that was issued with the support of the World Bank, the $225 million IBRD CAR 123-124 cat bond from 2019.

Guaranteed lines of credit, that can be triggered by specific disaster scenarios, are a valuable piece of disaster risk management resources for many countries, with the help of the World Bank and other agencies.

Ultimately, the goal in time would be to reduce the need for debt and to encourage premium payment to support private market risk transfer, insurance and reinsurance uptake.

In time, it is possible that countries like the Philippines look to expand coverage from catastrophe bonds, so that they can downsize contingent credit facilities like this. ■

Source: Artemis | 19 Nov 2021

SINGAPORE

• Singapore insurers to end COVID-19 relief measures on Dec. 31

by Gabriel Olano

Singaporean general insurers will end offering support measures for policyholders affected by the COVID-19 crisis on Dec. 31, according to the General Insurance Association (GIA) of Singapore.
These measures were introduced last year, giving clients undergoing financial difficulty more flexibility in paying premiums in order to maintain protection.
Current policyholders that have availed of the financial relief scheme will continue to be supported until their next policy renewal. Beginning Jan. 1, customers encountering financial problems due to the pandemic are advised by the GIA to discuss the issue with their insurers.

Craig Ellis

"Support measures offered by the general insurance sector have enabled many individuals and businesses to benefit from financial relief while maintaining their insurance protection throughout the pandemic," said Craig Ellis, GIA president. "As Singapore transitions towards an endemic phase, we stand ever-ready to support customers in navigating the evolving situation. General insurers remain committed to continuing to play our part to support the nation's recovery efforts and ensuring insurance remains accessible when people need it most."

In March, life and health insurance policyholders were given the option to defer their premium payments for up to six months while keeping their coverage. Meanwhile, general insurance customers are allowed to pay their premiums through instalment plans. ■

Insurance Business Magazine - 11 Dec 2021

THAILAND

• Thailand Updates Third-Party Liability Insurance Requirement For Specific Buildings

by Chaiwat Keratisuthisathorn and Sorawit Partomtanasarn (Tilleke & Gibbins)

Thailand's Ministry of Interior has issued new regulations requiring owners, occupants, and operators of certain types of buildings to obtain third-party life, body, and property liability insurance.

The Ministerial Regulations Prescribing the Type or Category of Buildings Which Must Apply for Legal Liability Insurance B.E. 2564 (2021) were announced in the Government Gazette on September 6, 2021, and will come into effect on November 6, 2021. The new regulations, which repeal and replace similarly titled regulations from 2005, detail third-party liability insurance rules, procedures, conditions, and minimum insurance amounts for specific building types and activities.

The new regulations clearly distinguish the building use phase from the construction, modification, relocation, and demolition phases. They also add a new requirement for the owner, occupant, or operator of large buildings to apply for third party liability insurance during the construction, modification, relocation, and demolition phases.

Building Construction, Modification, Relocation, and Demolition

When a permit for construction, modification, relocation, or demolition is granted for a building classified as a high-rise, large, or extra-large building, the owner, occupant, or operator who obtained the permit must apply for third-party liability insurance before work begins. If work is already in progress when the regulations come into effect, the permit holders will have 30 days to apply for third party liability insurance covering the remainder of the period specified in the permit.

Building Usage

Owners or occupiers of public assembly buildings, hotels with more than 80 rooms, entertainment venues of 200 square meters or more, and large free-standing or building-attached signboards and support structures must also apply for third party liability insurance covering accidents related to the condition or use of the structures. Owners or occupiers have 30 days from the completion of the construction, modification, relocation, or change of use of the buildings, as the case may be, to apply for third-party liability insurance.

Owners or occupiers of existing structures must apply for the required coverage within 30 days from the effective date of the new regulations.

Insurance Minimums

The regulations set the following minimum coverage amounts for third-party liability insurance:

- Bodily injury or loss of life – THB 100,000 per person
- Medical expenses – THB 100,000 per person
- Property damage – THB 500,000 per incident

Bodily injury/loss of life coverage and medical expense coverage must have a combined total of at least THB 5 million per incident.

The policyholder must retain proof of insurance coverage (in hard copy or electronic format) and provide it to the relevant authorities on request. Failure to do so could result in imprisonment for up to three months, a fine of up to THB 60,000, or both—as well as a penalty of up to THB 10,000 per day until compliance is achieved.

If a juristic person's violation is caused by the order, action, or neglect of a director, manager, or person responsible for the juristic person's operations, that person will also be liable to the above punishments. ■

Source: Mondaq Website | 10 September 2021

TAIWAN

• Key Life Insurance Statistics 2016-2020

	2016	2017	2018	2019	2020	%Change 2020-19
Business In Force (000,000 Omitted)						
Life	41,915,358	42,848,894	45,306,913	47,233,213	48,003,142	1.63
Individual	38,520,683	39,384,689	41,636,889	43,518,482	43,973,608	1.05
Group	3,394,675	3,464,205	3,670,024	3,714,731	4,029,534	8.47
Accident	35,861,048	40,076,314	40,730,225	40,574,951	41,018,886	1.09
Individual	21,872,647	25,051,922	25,124,511	25,334,181	25,369,146	0.14
Group	13,988,401	15,024,392	15,605,714	15,240,770	15,649,740	2.68
Health	17,018,064	15,433,361	16,666,072	16,200,271	16,568,289	2.27
Individual	11,116,863	11,423,724	11,952,445	12,794,957	13,691,816	7.01
Group	5,901,201	4,009,637	4,713,627	3,405,314	2,876,473	-15.53
Annuity	1,267,285	1,492,137	1,800,491	1,996,853	2,168,091	8.58
Individual	1,267,193	1,491,632	1,799,586	1,995,272	2,166,096	8.56
Group	92	505	905	1,581	1,995	26.19
New Business (000,000 Omitted)						
Life	3,378,169	3,069,732	3,736,737	4,497,727	4,092,829	-9.00
Individual	2,041,102	1,728,316	1,962,145	1,992,483	1,777,774	-10.78
Group	1,337,067	1,341,416	1,774,592	2,505,244	2,315,055	-7.59
Accident	41,033,537	42,972,685	39,466,119	39,423,050	22,286,837	-43.47
Individual	29,608,447	29,712,198	26,854,535	25,778,660	12,235,404	-52.54
Group	11,425,090	13,260,487	12,611,584	13,644,390	10,051,433	-26.33
Health	6,398,904	3,844,743	4,023,812	5,060,186	3,950,657	-21.93
Individual	1,569,628	1,743,995	1,769,243	2,125,860	1,308,791	-38.43
Group	4,829,276	2,100,748	2,254,569	2,934,326	2,641,866	-9.97
Annuity	171,221	389,029	375,001	282,110	344,935	22.27
Individual	171,132	388,701	374,689	281,662	344,820	22.42
Group	89	328	312	448	115	-74.33
Premium Income (000 Omitted)						
Life	2,525,362,767	2,680,801,834	2,731,925,841	2,696,998,067	2,396,598,190	-11.14
Individual	2,520,860,298	2,676,388,801	2,727,320,640	2,692,324,615	2,391,725,741	-11.17
Group	4,502,469	4,413,033	4,605,201	4,673,452	4,872,449	4.26
Accident	63,860,137	65,316,463	65,907,977	67,681,730	67,448,595	-0.34
Individual	56,719,600	57,826,891	58,544,717	60,094,683	60,058,251	-0.06
Group	7,140,537	7,489,572	7,363,260	7,587,047	7,390,344	-2.59
Health	338,145,163	353,156,283	367,655,978	386,105,014	399,731,210	3.53
Individual	329,064,621	344,160,451	357,645,926	375,822,927	389,571,975	3.66
Group	9,080,542	8,995,832	10,010,052	10,282,087	10,159,235	-1.19
Annuity	205,989,063	320,958,590	346,069,368	315,902,744	300,187,295	-4.97
Individual	205,894,859	320,543,413	345,655,932	315,198,598	299,706,679	-4.91
Group	94,204	415,177	413,436	704,146	480,616	-31.74
Total	3,133,357,130	3,420,233,170	3,511,559,164	3,466,687,555	3,163,965,290	-8.73
Benefit Payment (000 Omitted)						
Total	1,624,612,970	1,655,150,295	1,875,815,976	1,942,067,973	1,872,992,362	-3.56
Assets (000 Omitted)						
Cash & Cash in Bank				1,652,823,770	1,772,799,570	7.26
Securities				21,839,970,731	23,779,282,116	8.88
Investmnet Property				1,233,305,956	1,382,299,357	12.08
Loans				1,412,593,832	1,352,586,652	-4.25
Property & Equipment				137,685,607	129,055,348	-6.27
Other Assets				3,170,873,590	3,336,126,969	5.21
Total Assets				29,447,253,486	31,752,150,012	7.83
Insurance Liabilities (000 Omitted)				24,447,617,979	25,976,448,105	6.25

Note: Data of Securities are including Financial Assetsat Fair Value through Profit or Loss and Available-for-Sale Financial Assets and Held-to-Maturity Financial Assets and Investments in Debt Securities with No Active Market and others.

Source: 2020 Life Insurance Business In Taiwan - by The Taiwan Insurance Institute (TII) – 23 August 2021

TURKEY

• *Turkish insurance market 2020*

2020 Turnover per Class of Business

Figures in millions

	Turnover 2020		Turnover 2019		2019-2020	2020
	In TRY	In USD	In TRY	In USD	evolution (1)	shares
Motor	31232,47	4234,19	28127,98	4727,19	11,04%	37,82%
Fire (2)	10585,80	1435,12	8447,13	1419,62	25,32%	12,82%
Health	10096,25	1368,75	8358,92	1404,80	20,78%	12,23%
Marine (3)	2552,03	345,98	1896,72	318,76	34,55%	3,09%
Accident	2237,23	303,30	2372,74	398,76	-5,71%	2,71%
General third party liability	2190,26	296,93	1713,12	287,91	27,85%	2,65%
Other risks (4)	9258,44	1255,17	6979,34	1172,95	32,65%	11,21%
Total non-life	**68152,48**	**9239,43**	**57895,95**	**9729,99**	**17,72%**	**82,53%**
Life	**14431,32**	**1956,45**	**11358,90**	**1908,98**	**27,05%**	**17,47%**
Grand total	**82583,80**	**11195,89**	**69254,85**	**11638,97**	**19,25%**	**100%**

(1) Growth rate in local currency
(2) Including natural catastrophes
(3) Including inland, marine and aviation transportation
(4) Including the credit, bond, financial losses, legal protection, assistance and miscellaneous accident classes of business
Exchange rate as at 31/12/2020 : 1 TRY = 0.13557 USD ; at 31/12/2019: 1 TRY = 0.16806 USD

Source: Insurance Association of Turkey (TÜRKİYE SİGORTA BİRLİĞİ)

2020 Ranking of Turkish Insurance Companies

Figures in millions

	Companies	2020 turnover		2019 turnover		2019-2020	2020
		In TRY	In USD	In TRY	In USD	evolution (1)	shares
1	**Türkiye Sigorta**	8887.13	1204.83	7167.00	1204.49	24.00%	10.76%
2	**Allianz Sigorta**	8135.36	1102.91	6922.97	1163.47	17.51%	9.85%
3	**Anadolu Anonim Türk Sigorta Şirketi**	8015.70	1086.69	6606.86	1110.35	21.32%	9.71%
4	**Aksigorta**	5272.14	714.74	4473.56	751.83	17.85%	6.38%
5	**Axa Sigorta**	4657.37	631.40	4104.06	689.73	13.48%	5.64%
6	**Türkiye Hayat ve Emeklilik**	4188.83	567.88	3827.59	643.27	9.44%	5.07%
7	**HDI Sigorta**	3475.89	471.23	2481.73	417.08	40.06%	4.21%
8	**Sompo Sigorta**	3332.71	451.82	3363.09	565.20	-0.90%	4.04%
9	**Mapfre Sigorta**	2561.33	347.24	2800.49	470.65	-8.54%	3.10%
10	**Neova Sigorta**	1899.27	257.48	1638.48	275.36	15.92%	2.30%
11	**Bupa Acıbadem Sigorta**	1839.05	249.32	1586.21	266.58	15.94%	2.23%
12	**Eureko Sigorta**	1836.04	248.91	1466.82	246.51	25.17%	2.22%
13	**Doğa Sigorta**	1781.06	241.46	1533.60	257.74	16.14%	2.16%
14	**Ray Sigorta**	1699.44	230.39	1238.08	208.07	37.26%	2.06%
15	**Anadolu Hayat Emeklilik**	1685.08	228.45	1230.08	206.73	36.99%	2.04%
16	**Metlife Emeklilik ve Hayat**	1623.28	220.07	1210.73	203.47	34.07%	1.97%

Figures in millions

	Companies	2020 turnover		2019 turnover		2019-2020 evolution (1)	2020 shares
		In TRY	In USD	In TRY	In USD		
17	Quick Sigorta	1610.36	218.32	1339.79	225.17	20.19%	1.95%
18	Ethica Sigorta	1586.09	215.03	1304.63	219.26	21.57%	1.92%
19	Allianz Yaşam ve Emeklilik	1457.74	197.63	1019.68	171.37	42.96%	1.77%
20	Bereket Sigorta	1419.24	192.41	1094.42	183.93	29.68%	1.72%
21	Groupama Sigorta	1381.95	187.35	1168.42	196.36	18.27%	1.67%
22	Aviva Emeklilik ve Hayat	1331.87	180.56	987.75	166.00	34.84%	1.61%
23	Garanti Emeklilik ve Hayat	1111.76	150.72	837.53	140.76	32.74%	1.35%
24	Aegon Emeklik ve Hayat	1006.47	136.45	724.52	121.76	38.92%	1.22%
25	Zurich Sigorta	988.31	133.99	800.10	134.46	23.52%	1.20%
26	Cigna Finans Emeklilik ve Hayat	923.16	125.15	746.90	125.52	23.60%	1.12%
27	Türk Nippon Sigorta	837.37	113.52	771.03	129.58	8.60%	1.01%
28	Unico Sigorta	745.41	101.06	514.46	86.46	44.89%	0.90%
29	Chubb European Group Merkezi Fransa Türkiye Istanbul Şubesi	729.39	98.88	485.88	81.66	50.12%	0.88%
30	Ankara Anonim Türk Sigorta Şirketi	648.72	87.95	593.96	99.82	9.22%	0.79%
31	Koru Sigorta	643.41	87.23	431.32	72.49	49.17%	0.78%
32	Gulf Sigorta	584.05	79.18	522.27	87.77	11.83%	0.71%
33	Fiba Emeklilik ve Hayat	451.10	61.16	303.16	50.95	48.80%	0.55%
34	Corpus Sigorta	406.42	55.10	338.39	56.87	20.10%	0.49%
35	Şeker Sigorta	403.00	54.63	353.20	59.36	14.10%	0.49%
36	Magdeburger Sigorta	332.52	45.08	215.15	36.16	54.55%	0.40%
37	BNP Paribas Cardif Emeklilik	315.14	42.72	306.98	51.59	2.66%	0.38%
38	Dubai Sigorta	298.18	40.42	227.21	38.18	31.24%	0.36%
39	NN Hayat ve Emeklilik	252.98	34.30	259.71	43.65	-2.59%	0.31%
40	BNP Paribas Cardif Sigorta	240.54	32.61	184.73	31.05	30.21%	0.29%
41	BNP Paribas Cardif Hayat Sigorta	233.50	31.66	210.44	35.37	10.96%	0.28%
42	Generali Sigorta	231.75	31.42	273.48	45.96	-15.26%	0.28%
43	Türk P&I Sigorta	181.83	24.65	96.62	16.24	88.19%	0.22%
44	Bereket Emeklilik ve Hayat	180.72	24.50	181.89	30.57	-0.64%	0.22%
45	Katılım Emeklilik ve Hayat	147.22	19.96	67.06	11.27	119.56%	0.18%
46	Allianz Hayat ve Emeklilik	146.90	19.92	113.94	19.15	28.93%	0.18%
47	Coface Sigorta	132.19	17.92	111.71	18.77	18.33%	0.16%
48	Demir Sağlık ve Hayat Sigorta	109.77	14.88	100.05	16.81	9.72%	0.13%
49	Orient Sigorta	105.96	14.37	154.67	25.99	-31.49%	0.13%
50	Euler Hermes Sigorta	104.02	14.10	90.65	15.23	14.75%	0.13%
51	SS Atlas Karşılıklı igorta Kooperatifi	77.60	10.52	63.00	10.59	23.17%	0.09%
52	Atradius Crédito y Caución	75.74	10.27	66.67	11.20	13.60%	0.09%
53	Mapfre Yaşam Sigorta	61.11	8.29	45.86	7.71	33.25%	0.07%
54	Ana Sigorta	61.07	8.28	-	-	-	0.07%
55	SS TMT Karşılıklı Sigorta Kooperatifi	41.81	5.67	-	-	-	0.05%
56	Groupama Hayat	32.67	4.43	30.79	5.17	6.11%	0.04%
57	Bereket Katılım Sigorta	29.02	3.93	-	-	-	0.03%
58	Bereket Katılım Hayat	18.21	2.47	-	-	-	0.02%
59	Axa Hayat ve Emeklilik	16.15	2.19	11.40	1.92	41.64%	0.02%
60	Gri Sigorta	1.67	0.23	-	-	-	0.00%
61	Ergo Sigorta	-	-	454.10	76.32	-	-
	Total	**82583.80**	**11195.89**	**69254.85**	**11638.97**	**19.25%**	**100%**

(1) Growth rate in local currency Exchange rate as at au 31/12/2020: 1 TRY = 0.13557 USD ; at 31/12/2019: 1 TRY = 0.16806 USD

Source: Atlas Magazine – Nov 2021

UAE

• Insurance in UAE: Ready For The Big Leap

The disruption caused by COVID-19 has had a wide-ranging effect on the world economy and the overall economic slowdown and disruption in the market has impacted the insurance sector as well, but the UAE insurance market seems to have emerged resilient and is continuing to grow year on year. Market reports state that Loss Ratios continue to present a positive outlook and the total comprehensive income for the first quarter of 2021 shows an increase of 200 per cent for the corresponding period from the year 2020.

An Overview of Current Trend

Insurance in the UAE is primarily regulated under the Federal Law no. 6 of 2007 concerning the Establishment of the Insurance Authority and Regulation of Insurance Operations (the Insurance Law). The Insurance Law sets out the requirement for an entity to be able to carry out insurance business in UAE and sets out that such entity must be either a UAE public stock company, with at least 51 per cent of capital held by UAE or GCC Nationals, or legal entities fully controlled by UAE or GCC Nationals; or a branch of a foreign insurer. While no official announcements have been made, there has been a moratorium on issuance of new licenses, whether for a locally incorporated company or a branch for the last few years.

The Insurance Law established the UAE Insurance Authority which was the Federal regulator for insurance across the different Emirates in the UAE. This has recently changed, with the insurance regulator merging with the UAE Central Bank (the Authority), creating a unified regulator for entities across the financial sector, banks, financial institutions, and insurance sector. There are currently 62 registered and regulated insurance companies, of which 35 are national and 27 are branches of foreign insurance companies. Within the 62 companies, 17 companies (15 national and 2 foreign companies) are licensed to carry out all insurance activities (including life, property, and liability insurance); 32 companies (15 national and 17 foreign) are licensed for property and liability only; and 12 companies (3 national and 9 foreign) are licensed to provide life insurance only. With the population of country at around 9 to 10 million, there are way too many insurance companies and the Authority has now and again stated the need for consolidation in the market.

Within UAE there are also financial freezones, Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), which allow insurance/reinsurance intermediaries and companies to be set up, but these freezones are considered as foreign jurisdiction and as such, entities based in DIFC and ADGM are not allowed to carry out any direct insurance business in the UAE. DIFC and ADGM have their own Insurance framework and regulator

- the Dubai Financial Services Authority (DFSA) and Financial Services Regulatory Authority (FSRA). The regulations in these jurisdictions are modelled on the previous United Kingdom Financial regulator, the Financial Services Authority, and the insurers and reinsurers operating in these financial freezones must be authorised by the home regulator. Such insurers can only write (directly) insurance for entities situated or risks arising within the financial freezone and/or outside the UAE. The reinsurers based in these freezones are allowed to provide reinsurance capacity for UAE onshore risk as is the case for the overseas reinsurance market.

As with the trend across the region, the UAE insurance market is led by the compulsory classes of insurance, motor, and health, the latter of which is compulsory across Dubai and Abu Dhabi and the former compulsory in all UAE. Health insurance is also regulated by the health regulator of the respective Emirate, the Dubai Health Authority (DHA) and the Department of Health Abu Dhabi (DOH), which set out its own regulatory regime which every insurer and insurance intermediary must adhere to when dealing with health insurance in these Emirates.

As a COVID relief measure, the insurance regulator instructed insurers to offer discount on motor insurance premiums, specifically to those belonging to critical sectors and who continued to serve the wider population even during the lockdown. In spite of the discounted premiums, the lockdown resulted in a lower number of accidents on the road, thus increasing profitability of the motor insurance book. Similarly, during the lockdown, except for COVID related cases, only emergency cases were allowed to visit or be admitted to hospitals and clinics, leading to lower utilisation of the medical policies and increased overall profitability.

Life insurance remains a largely untapped market. A lot of blame for this is generally attributed to the population demography, more than 90 per cent of the population being expatriates who are, by and large, considered a transient population with little appetite for long term insurance contracts. However, the international life insurance market has more recently seen a number of new products being developed, some specifically for expatriates who move between countries, and the demand for life insurance both from the international markets and from the local UAE based insurers is growing. What has, however, hampered the otherwise traditional life and investment insurance market are the spate of regulatory changes in the recent couple of years, focused on the life insurance market. <u>We are setting out below a brief summary of some of these important changes, in a chronological order:</u>

- The Insurance Authority issued the Board of Directors' Decision No. (49) of 2019 Concerning Instructions for Life Insurance and Family Takaful Insurance (Life Regulations) in October 2019 with an implementation date six months from the date of gazette of the Life Regulations which were due to come into force effective 16 April 2020. Aimed as a measure to cut down on the frequent mis-selling in the life insurance market, the Life Regulations were finally implemented in October 2020 after over two years of discussion on the draft regulations and brought forth drastic measures, such as caps on commissions and indemnity commissions; a mandatory free-look period of 30 days; enhanced disclosures to customers; and complete transparency in terms of other charges and fees. While the Life Regulations bring about the much-required structure and transparency to the life insurance business in UAE for the insured, the market stakeholders have conflicting views on it, with a number of intermediaries even suggesting that the regulator dictating the commission limits is sign of an "over-regulated" market and that commissions should be left open for determination by market factors.

- The Insurance Authority Board of Directors Decision No. (18) of 2020 concerning the Electronic Insurance Regulations (Electronic Regulations) was another important legislation promulgated in the UAE insurance market. The Electronic Regulations came into effect in November 2020 and requires every insurer and insurance intermediary that is carrying out, or that intends to carry out any online insurance business, to have a plan for the electronic insurance business and to obtain prior approval from the Authority before carrying out any electronic insurance business. The Electronic Regulations also prohibit any transactions related to investment linked life insurance to be carried out online or through electronic means, but policies which do not require individual underwriting may be sold online.

- The Insurance Authority Board of Directors Decision No. (27) of 2020 Regarding Regulations for Licensing Insurance Producers (Producers Regulations) recognises insurance producers as a separate category of insurance intermediary. Insurance Producers under the Producers Regulations are not permitted to work in the interest of insurance brokers or agents or such other insurance professional nor are they permitted to sub-contract their responsibility to another company. Only the insurance companies are allowed to engage the services of licensed insurance producers for solicitation and procurement of insurance business.

- In November 2020, the UAE Central Bank issued the Consumer Protection Regulation and the Consumer Protection Standards (together, Consumer Protection Guidance) which set out the broad framework applicable to a Licensed Financial Institution (LFI). With respect to insurance/takaful products being sold by an LFI (aimed at bancassurance business, primarily credit life), the Consumer Protection Guidance prescribe enhanced disclosure requirements. It is now mandatory to obtain customer consent for such policies being sold alongside other

financial products and for each such insurance product the consumer must be provided a minimum of three insurance/takaful providers. The insurance product must only be sold by the trained staff of the LFI, the products must be optional in nature, and the LFI must disclose the additional cost for the insurance, including commission being earned by the LFI. These instructions completely change the manner in which LFIs such as banks currently operate when selling insurance complementary to the credit products of the bank. Enhanced transparency and giving the customer the power to choose between products and between insurers is a welcome change for customers.

- On 13 June 2021, the UAE Central Bank issued a circular addressed to LFIs offering structured conventional life insurance and takaful investment and saving products (the Products). In May 2017, the UAE Central Bank had stopped financial institutions from offering savings and investment and non-capital guaranteed products until the Central Bank issued a governance policy around the issuance of such products. The circular now provides that subject to fulfilling the requirements laid down by the Central Bank, and after having obtained a no objection letter from the Central Bank, these institutions can resume selling such Products. Some of the requirements include them carrying out appropriateness and suitability assessment for each customer (based on income, investment experience, knowledge, and net worth) to whom the Products are offered by the LFI, and the customer must attest by signature that the appropriateness and suitability assessment was performed.

Unlike other mature markets, the products currently being offered in UAE by the local insurance companies are the traditional products which are structured with heavy pay-outs for the intermediaries at the beginning of the policy itself; the customer feels the repercussion of this practice as such commissions undermine the performance of the product. The UAE Law provides that UAE-based risks must be insured only by a locally licensed insurer, but it is common practice in UAE for international life insurance companies licensed in overseas markets to sell life insurance/ investment in the UAE. While they continue to operate in the grey area, the bigger question to be asked is: can the locally licensed insurers step up and provide similar products/pricing to the customers?

There is a need for a complete overhaul of the current offerings in the market and the manner in which these products are sold. The regulatory changes are a step in the right direction for driving this change, but the market forces need to come together to make UAE a destination for attractive investment and life insurance products. ■

Source: IFC | 25/08/21


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

VIETNAM

• MARKET DEVELOPMENTS

- Some classes of business, such as directors and officers liability and marine cargo, saw a clear upward trend in premium rates in 2020 due to the harder global reinsurance market.

- Work on a new insurance law is proceeding, with a number of draft versions having been presented to interested parties. It's expected the new law will be implemented in 2022 or 2023 and is likely to augment the use of actuarial services in all sectors of the nonlife insurance market to support the transition to a risk-based supervision model.

- Vietnam ranked among the world's most resilient economies in the face of the COVID-19 pandemic in 2020, reporting real GDP growth of 2.9% — above both external projections and the performance of regional peers.

- The country reported fewer than 1,500 confirmed COVID-19 cases and only 35 deaths from the virus during the year.

- Generally the growth of construction, liability and marine cargo business was sluggish by historic standards last year due to the negative economic effects of the pandemic, which particularly affected the tourism, transportation, construction, education and hospitality sectors.

- The EU-Vietnam Free Trade Agreement went into effect on Aug. 1, 2020. Under this pact, Vietnam committed to substantially improving access to EU companies in a broad range of services, including insurance and reinsurance. The agreement permits EU companies to provide retrocession services with unrestricted market access.

- On Jan. 1, 2021, Vietnam and the United Kingdom signed a trade pact that largely replicates the terms of the EU-Vietnam Free Trade Agreement. ■

Source: Business Insurance Magazine – December 2021

• Vietnam's Non-Life Insurance Market - Best's Market Segment Report

AM Best is maintaining its stable market segment outlook on Vietnam's non-life insurance industry, supported by favourable demographics, ongoing digital transformation and an improving regulatory framework.

The Best's Market Segment Report, titled, "Market Segment Outlook: Vietnam Non-Life Insurance," states that AM Best expects Vietnam's non-life insurance segment to continue expanding, albeit at a modest pace in view of the challenging economic backdrop over the short term. Health and personal accident insurance are likely to remain the primary growth drivers as the COVID-19 pandemic raises public awareness on health and mortality risks. However, this could be offset by a deceleration in group health insurance as domestic industries and businesses implement cost cutting measures.

Despite its early success in containing the spread of COVID-19, Vietnam was dealt a major blow during the second half of 2021 with its worst infection outbreak. Consequently, the General Statistics Office of Vietnam estimated a 6.2% decline in GDP during the third quarter of 2021, which was the first negative period of growth since 2000. As a result of the recent disruption, the International Monetary Fund recently lowered its 2021 GDP forecast for Vietnam to 3.8%. Although the severity of movement restrictions has abated somewhat since October 2021 and businesses have started to re-open, AM Best expects a bumpy economic recovery for Vietnam over the near term.

AM Best still expects Vietnam's non-life market to fare better than many regional peers, with longer-term economic and insurance industry growth likely remaining robust. Despite the setback from the pandemic, the country's economic fundamentals remain sound. These include a large and young population, an emerging middle class and a growing economy. Moreover, the country remains significantly underinsured, as reflected by its low insurance penetration rate of less than 1% for non-life insurance, which highlights ample opportunity for insurance growth.■

Best's News & Research Service – 12 November 2021

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.

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Country Profile

South Korea

Insurance Market Overview

By Hussein Elsayed

Official Name: The Republic of Korea (The country is commonly known as South Korea)

Location: South Korea is bordered on three sides by the sea and to the north by the demilitarized zone which divides it from North Korea. The country is hilly or mountainous with around 3,000 offshore islands.

Surface Area: 99,274 km^2

Capital: Seoul

Currency: The Korean currency is the won, which is abbreviated to KRW

Climate: The extreme south experiences a humid, warm, temperate climate while the rest of Korea has continental temperate conditions with distinct seasons. Spring and autumn are pleasantly warm and dry. Winter is cold and dry with temperatures below freezing point for most of December through to February. The summer months of July and August are the rainy season with precipitation of between 40 inches to 60 inches (1,016 millimetres to 1,524 millimetres). The country is regularly afflicted by typhoons during the period July to September.

Macroeconomic Forecasts

MACROECONOMIC FORECASTS (SOUTH KOREA 2020-2025)						
Indicator	2020e	2021f	2022f	2023f	2024f	2025f
Nominal GDP, USDbn	1,619.4	1,789.0	1,832.9	1,996.1	2,038.9	2,089.3
Nominal GDP, EURbn	1,458.9	1,542.3	1,527.4	1,663.4	1,699.1	1,741.1
Real GDP growth, % y-o-y	-1.0	3.8	2.8	2.6	2.5	2.5
GDP per capita, USD	31,586	34,870	35,708	38,876	39,708	40,695
GDP per capita, EUR	28,455	30,060	29,757	32,396	33,090	33,913
Population, mn	51.27	51.31	51.33	51.34	51.35	51.34
Unemployment, % of labour force, eop	4.5	4.0	3.6	3.5	3.5	3.5
Consumer price inflation, % y-o-y, ave	0.5	2.0	1.4	1.5	1.2	1.5
Lending rate, %, ave	2.6	2.3	2.7	3.1	3.2	3.1
Central bank policy rate, % eop	0.50	1.00	1.50	1.50	1.50	1.25
Private final consumption, % of GDP	46.6	46.1	46.1	46.2	46.3	46.3
Private final consumption, real growth % y-o-y	-4.9	2.5	3.0	2.7	2.5	2.5
Government final consumption, % of GDP	18.2	18.1	17.9	18.1	18.4	18.7
Government final consumption, real growth % y-o-y	4.9	3.0	2.0	3.5	4.0	4.0
Fixed capital formation, % of GDP	31.0	31.1	30.8	30.8	30.6	30.4
Fixed capital formation, real growth % y-o-y	2.6	3.8	2.0	2.5	1.6	1.6
Exchange rate KRW/USD, ave	1,180.27	1,130.00	1,150.00	1,100.00	1,115.00	1,130.00
Exchange rate KRW/EUR, ave	1,345.50	1,367.30	1,414.50	1,353.00	1,371.45	1,401.20
Budget balance, USDbn	-37.6	-21.5	-9.7	-3.7	3.2	10.8
Budget balance, % of GDP	-2.3	-1.2	-0.5	-0.2	0.2	0.5
Goods and services exports, USDbn	606.7	669.8	719.6	749.4	786.6	834.1
Goods and services imports, USDbn	541.0	589.7	632.1	664.8	693.0	731.6
Balance of trade in goods and services, USDbn	65.8	80.2	87.5	84.6	93.5	102.5
Balance of trade in goods and services, % of GDP	4.1	4.5	4.8	4.2	4.6	4.9
Current account balance, USDbn	75.3	89.6	91.1	85.2	91.9	99.9
Current account balance, % of GDP	4.6	5.0	5.0	4.3	4.5	4.8
Foreign reserves ex gold, USDbn	438.3	482.7	493.8	479.0	520.9	570.9
Import cover, months	9.7	9.8	9.4	8.6	9.0	9.4

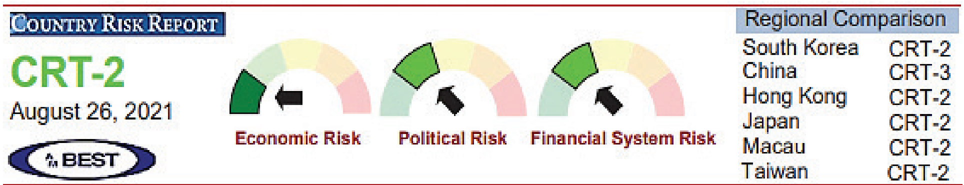
e/f = Fitch Solutions estimate/forecast. Source: National sources, Fitch Solutions

Sovereign Credit Ratings

	Rating	Outlook	Rating Date
Fitch	AA-	Stable	7/2021
Standard & Poor's	Aa2	Stable	9/2020
Moody's	Aa2	Stable	5/2020

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

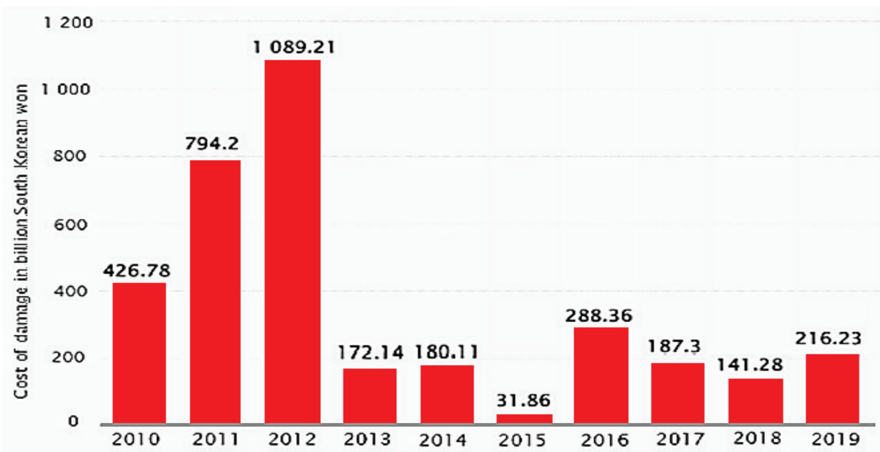
Country Risk Report



Natural Hazards

- **Earthquake and Other Geological Hazards**
  - The Republic of Korea is conventionally regarded as having a low exposure to earthquake. Around 2,000 earthquakes have been recorded in the last 2,000 years of which only 48 were destructive.
  - South Korea has a possible exposure to volcanic eruption from Mount Baekdu, a massive volcano on the North Korean/Chinese border.
- **Windstorm**
  - Typhoons and accompanying floods are the most serious natural hazards in Korea, though reinsurers regard the country's hazard rating as only "average to above average" .
  - Numerous storms occur each year, usually in the typhoon season from July to September. On average, the country experiences between one and three typhoons a year.
  - Normally limit insured typhoon and flood losses to between 2% and 3% of total economic losses. An exception to this was Typhoon Maemi in September 2003, which caused record insured losses of KRW 644.36bn (USD 540.75mn), equivalent to 12% of total economic losses.
  - The Law Regulating Damage by Storms and Floods, which came into effect on 31 December 2005, is intended to encourage farmers to purchase commercial windstorm/flood insurance in order to reduce pressure on the government to provide ex gratia compensation from public funds.
- **Flood:**
  - Most parts of the country can be affected by flooding and associated landslides, particularly during the main typhoon season. Flooding is mainly caused by excessive rainfall. Precipitation rates regularly reach 2.8 inches (70 mm) to 3.5 inches (90 mm) per hour and 11.8 inches (300 mm) per day.
- **Hail:**
  - Hailstorms can occur in most parts of the country. Because the Korean peninsula is so narrow, storm clouds cannot rise high enough to form large hailstones.

Cost of damage caused by natural disasters in South Korea from 2010 to 2019
(in billion South Korean won)



Korean Insurance Market

Historical Development:

1922 The first Korean insurance company, Oriental Fire & Marine, was established.

1953 After the Korean War the insurance industry was subject to close government control. Legal restrictions, including an economic needs test, effectively restricted market entry to Korean-owned companies, most of which were established by the leading industrial conglomerates known as "chaebol".

1962 - The Insurance Business Law was first enacted.
- A fire insurance rating committee was established to promulgate a fire tariff. Tariff control was extended in 1966 with the establishment of the Korea Non-Life Insurance Rating Association which was replaced in 1989 by the Korea Insurance Development Institute.

1963 - The Medical Insurance Act was passed that required workplaces of 300 or more employees to establish a medical insurance association.
- Korean Re was established as the market reinsurer with a legal monopoly of proportional reins business.

1976 The National Health Insurance Act was passed, replacing the Medical Insurance Act.

1996 Korea acceded to the OECD and began the process of deregulating its insurance industry.

1995 The Depositor Protection Act was passed in December. The Korea Deposit Insurance Corporation (KDIC) was established on 1 June 1996.

1997 - The Act on the Establishment of the Financial Supervisory Organizations (EFSO) was passed in December following a number of insolvencies of banking and insurance entities. The act created the Financial Supervisory Commission (later renamed the FSC).
- Korean Re's reinsurance monopoly was formally abolished.

1998 The Financial Supervisory Commission was established as a "super regulator" of the entire Financial Services Sector.

2000 Tariff controls were formally abolished.

2001 Motor insurance rating was liberalized. Kyobo Auto was launched as the first direct motor writer.

2003 Amendments to the Insurance Business Law allowed brokers, established bancassurance, and the products that could be distributed by this channel.

2004 The two specialist bond underwriters, Korea Guarantee and Hankuk Fidelity, were forcibly merged and taken over by the government after suffering massive losses on corporate bond guarantees.

2008 The EFSO was wholly revised and reissued as the Act on the Establishment of the Financial Services Commission was passed in December, renaming the Financial Supervisory Commission.

2009 The Financial Investment Services and Capital Markets Act came into force liberalising ownership and competition between financial institutions.

2010 - The Insurance Business Law was wholly revised by Act No 10394.
- Act No 10339 of 4 June 2010, effective from 1 January 2011, amended many social security laws to allow the National Health Insurance Corporation (NHIC) to be the sole collector for all social security contributions.

2011 The Insurance Business Law was amended by Act No 10688. The FSC was empowered to investigate both consumers and insurance solicitors with respect to their knowledge of insurance contracts. The Depositor Protection Act was amended to require disclosure of the extent to which policyholders were protected in terms of the act.

2012 The National Agricultural Co-operatives Federation (NACF or NongHyup in Korean) transferred its co-operative insurance business to a new subsidiary called NongHyup Property & Casualty Insurance Co Ltd.AXA General acquired ERGO Daum Direct.

2014 On November 5, 2012, the Financial Services Commission (FSC) announced that the regulations on financial investment business would be amended as there had been ongoing concerns regarding the practice of fund distribution. The amendment included the provisions that prohibit insurance companies from outsourcing more than 50% of their variable insurance assets to affiliated asset managers within the same business group. The restriction on outsourcing to affiliated fund managers became effective as of January 1, 2014.

2017 Disaster liability insurance;, which came into effect in January 2017; is one of the compulsory insurance plans in Korea, which covers against third party bodily injury and property damage as a result of disasters arising from fire, explosion or collapse of buildings.

The biggest challenge faced by insurers is increasing their capital to meet the new liability valuation standards being imposed from 1 January 2022 by IFRS 17 and an enhanced risk-based capital system known as K-ICS. The implementation dates of IFRS 17 and K-ICS have been deferred by a year to 1 January 2023.

Regulatory Environment and Market Structure

Financial Supervisory Service
REPUBLIC OF KOREA

Regulatory bodies:

As with banking, the primary regulator of the insurance sector is the FSC, which was created in 1998 and reformed in 2008 to integrate regulatory and supervisory functions. Since the 2008 reform, the FSC has been largely responsible for the development of financial sector policies, with a statutory mandate to draft and amend financial laws and regulations.

The FSS is the supervisory arm of the FSC and is the institution with direct oversight of the insurance sector, responsible for enforcing legislation and directives as charged by the FSC. The FSS was established as a quasi-governmental, fully-integrated supervisory authority in the wake of the 1997 crisis. It conducts the prudential supervision of both life and non-life insurance companies, ensuring consistency with the country's laws, guidelines and standards.

KOREAN INSURANCE MARKET STRUCTURE

Number of Insurance Companies *As of December 31, 2020*

- There are 55 insurers in Korea.
  - The number of life insurers is 24 (15 domestic and 9 foreign insurers)
  - The number of non-life insurers is 31 (14 domestic and 17 foreign insurers).

Auxiliary Organizations

- The primary trade entities for the sector are: *The General Insurance Association of Korea* and *the Korea Life Insurance Association*, which represent the interests of member insurance companies and propose policy changes where deemed necessary.

There are also two non-profit think-tanks: *The Korea Insurance Research Institute* and the *Korea Insurance Development Institute*, both of which seek to aid the development of the sector via information gathering, trend analysis and statistical presentations.

Pools

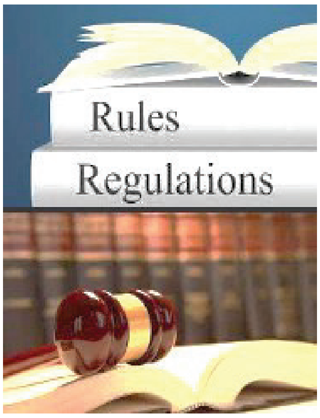
There are 4 pools in the market:

- *Assigned insurance plan (AIP) pool:* The AIP pool provides motor insurance for special risks and motorists whose accident records would normally justify declinature.
- *Small vessels pool:* The General Insurance Association of Korea administers a market pool for unclassified vessels under 500 GRT.
- *Bonded goods pool:* The General Insurance Association of Korea administers a market pool for marine cargo insurance for government property and for fire, inland floater and comprehensive coverage for bonded goods.
- *Nuclear pool:* Korean Re administers a nuclear pool which writes both domestic and international risks.

In addition to these formal pools, there are also ad hoc co-reinsurance panels which are formed for the purpose of sharing new or expanding classes of business. One example is the crop reinsurance panel that supports Nonghyup's monopoly agriculture business; another is the panel formed to write the new type of compulsory cyber liability insurance for data handlers which was introduced in June 2019.

Key Legislations & Regulations:

- **The Insurance Business Act (1962, rewritten in 2003, plus later amendments)**
- *Act on the Indemnification for Fire-Caused Loss and the Purchase of Insurance Policies (1973, plus amendments)*



- *The Korean Commercial Code (relevant for regulations of insurance contracts)*
- *The Corporate Governance Act (2016)*
- *The Automobile Accident Compensation Insurance Act (2007, plus amendments)*

The FSC and its supervisory arm, the Financial Supervisory Service (FSS), also publish rules and guidelines within the framework of the primary legislation.

Form of Corporate:

All insurers must seek a licence from the FSC in order to operate in South Korea; the legal entity can be established as:

- a joint-stock company
- a mutual company
- or the branch of a foreign insurer.

An insurer or reinsurer must be licensed and shall establish itself as a Korea branch or a subsidiary pursuant to the Insurance Business Act ("IBA").

A Korea branch is treated as an extension of its foreign head office while a Korea subsidiary is a separate legal entity set apart from its parent/shareholder(s).

An applicant must satisfy other qualifications such as (1) "seasoning" with a licence in its home jurisdiction, (2) minimum capitalization, (3) an acceptable credit rating from internationally recognized credit-rating agencies (e.g., A.M. Best's, S&P and/or Fitch's), (4) no prior history of sanctions which are equal to or more severe than an institutional warning or criminal fines for the previous three years, (5) manpower to conduct the core functions of the insurance or reinsurance business, and (6) a feasible three-year business plan.

- Composite insurance is not permitted in South Korea. However, both life and non-life insurers can carry on accident and health insurance business
- 100% FDI is permitted in the South Korean insurance industry
- Motor third-party liability insurance, fire and liability insurance for buildings are the key mandatory classes of insurance in South Korea
- Non-admitted insurance is permitted for life and reinsurance business in South Korea.

Capital Requirement

The minimum capital required for the insurance business is 30 billion KRW. Given that, when an Insurer intends to engage in a single-line insurance business, the amount of the paid-in capital or funds should be no less than 5 billion KRW.

- Life insurance: 20 billion KRW
- Annuity (including pension): 20 billion KRW
- Fire insurance: 10 billion KRW
- Marine insurance33): 15 billion KRW (includes aviation and transportation insurance)
- Automobile insurance: 20 billion KRW
- Guaranty insurance: 30 billion KRW
- Reinsurance: 30 billion KRW
- Liability insurance: 10 billion KRW
- Engineering insurance: 5 billion KRW
- Real-estate right insurance: 5 billion KRW
- Accident insurance: 10 billion KRW
- Sickness insurance: 10 billion KRW
- Long-term care insurance: 10 billion KRW
- Other insurance business: 5 billion KRW
- The minimal capital for a branch is KRW 3 billion (approximately USD 2.5 million), and as a subsidiary it is KRW 30 billion (approximately USD 25

million).

Other requirements for permission

- Insurers are required to have adequate professional manpower and physical facilities, including computer equipment to carry on the intended insurance business. Insurer's business plan is required to be feasible and sound. Significant owners are required to possess a financial capability to carry on the business and have financial soundness and social credit.
- Also, Insurers should maintain adequate professional manpower and physical facilities, which can be waived only by the approval of the FSC with proper measures to protect policyholders and maintain the financial soundness of insurers.

Product Regulation

Insurance companies may offer certain types of insurance products without presupervisory review ("discretionary insurance products") if the product complies with the basic documentation and the contract provision requirements are met for an insurance product. If any of the documentation or contract provision requirements is subject to reporting for supervisory review, the product is deemed nondiscretionary ("nondiscretionary insurance product") and subject to reporting.

Supervisory review of an insurance product consists of an ex ante pre-sale review for nondiscretionary insurance products and an ex post after-sale review for discretionary insurance products. Documentation for the sale of a nondiscretionary insurance product must be submitted to the FSS for supervisory review at least 30 days prior to the expected date of the sale.

Discretionary insurance products may be offered to consumers without FSS supervisory review in principle. To mitigate the risk of consumer harm from discretionary insurance products, the FSS conducts each quarter ex post supervisory review to focus on defective discretionary insurance products. Under the intensive review regime, insurance companies submit a list of insurance products sold until the last day of the following months from the end of each quarter.

Distribution Regulation

Solicitation is the act of soliciting, negotiating, or procuring the purchase of an insurance product from consumers. For consumer protection, the Insurance Business Act limits individuals and entities that may engage in insurance solicitation to the following:

(a) Insurance company executives and employees (excluding the company's chief executive officer, outside directors, auditor, and members of the board's audit committee);

(b) Insurance solicitors who are registered with insurance associations and employed by an insurance company; an insurance solicitors must be employed by only one insurance company except where an insurance solicitor employed by a life insurance company solicits a buyer for a non-life insurance company (and vice versa);

(c) Independent insurance agents (also called insurance agencies) that sell insurance products from multiple insurance companies and conclude an insurance contract on behalf of an insurance company; and

Risk Based Capital Requirement

As with the banking sector, the FSC/FSS can determine that an insurer requires corrective action if it shows financial stress, in this case evaluated via the RBC ratio. A management recommendation is issued if the RBC ratio drops below 100%, a demand is issued if it falls below 50% and an order is issued if it drops below 0%. The most extreme measures can include the retirement of the company's stocks, the appointment of an external manager or a forced merger. The FSC/FSS also has the authority to sanction insurance firms that violate existing laws.

Penalties

The FSC/FSS also has the authority to sanction insurance firms that violate existing laws, and in March 2017 the National Assembly approved changes to the Insurance Business Act to toughen the penalties for misconduct. The new rules, which came into effect in October 2017, enable the FSC to directly suspend directors or officers that violate norms, increase the maximum administrative fine to KRW100mn (up from KRW50mn), and raise the surcharges applicable when insurance companies exceed limits on credit extensions and ownership of bonds and stocks of affiliated entities.

Compulsory Insurance:

- Fire Legal Liability and Fire Bodily Injury Insurance are compulsory for many commercial businesses/operations, including restaurants, private educational institutions, hospitals, hotels, government buildings, and small businesses located in multi-dwelling residential properties.
- Gas Legal Liability is also a mandatory cover for both commercial and residential property owners including manufacturers of gas containers, refrigeration and air-conditioning machinery, gas dealers, suppliers, etc.
- Pursuant to the recent Act on Promotion of Information and Communications Network Utilization and Information Protection, a provider of information and communications services must procure insurance for the potential liability for damages due to leakage or forgery of personal information.
- As in other jurisdictions, automobile insurance is compulsory for all vehicles with an engine of 55cc and higher for operation on roads in Korea.
- The Korean Government also administers a mandatory social insurance scheme for every citizen and resident with (1) the National Pension, (2) National Health Insurance, (3) Employment Insurance, and (4) Industrial Accidents Compensation; premiums are deducted from wages or collected from the individual.
- There is other mandatory insurance, such as oil contamination liability insurance required for ship-owners of oil tankers
- Guarantee insurance for real estate brokers.

Reinsurance Business:

- Korea has a large domestic reinsurance market.
- There is no state reinsurance company.
- Business is mainly written by Korean Re and Samsung, though Hyundai, DB, KB and Seoul Guarantee are also active overseas.
- All the domestic and foreign multiline insurers are authorised for inwards reinsurance and all of them write inwards business to a greater or lesser extent.
- Despite the loss of its statutory reinsurance monopoly in 1997, Korean Re still writes around 80% of local non-life reinsurance premiums and 70% of total direct market cessions. The explanation for Korean Re's success lies partly in a long tradition of market solidarity and partly in the company's ability to leverage its huge retrocession premium volumes to obtain competitive treaty terms for its cedants. The company also offers an extremely high level of service to the market, sparticularly in the provision of premium quotations for novel or more complex risks which are beyond the ability of cedants to underwrite on their own.

A government agricultural support agency acts as co-reinsurer and stop loss reinsurer of government-subsidised crop business, as mandated by the Law Concerning Crop Insurance 2005.

- The government also acts as stop loss reinsurer for subsidised natural perils insurance for farm and small business buildings in accordance with the Law Regulating Damage by Storms and Floods 2005.
- With effect from 1 January 2019, insurers have been required to retain a minimum of 10% of every short-term policy apart from motor to cover their underwriting expenses. The requirement does not apply to large or unusual risks which the insurer's risk management committee has determined it would be impossible for the company to retain. The requirement also does not apply to reinsurers' retrocession business. The 10% minimum retention is interpreted to mean 10% of the policy premium rather than 10% of the policy limit or sum insured.
- The risk-based capital (RBC) formula effectively limits the amount of business that may be ceded to reinsurance to 50% of a cedant's gross written premium income.
- Many of the major conglomerate (or "chaebol") programmes are written 100% by the associated insurance company.
- Outside the chaebol market, however, coinsurance is quite common for both marine and non-marine business and is mainly used at the policyholder's request.

Seokguram Grotto from the Silla era, a UNESCO World Heritage Site

Korean Insurance Market
Performance and Statistics

Number of insurance companies in Korea

Classification		Domestic	Foreign	Sub total
Life Insurance		15	9	24
Non-Life Insurance	Primary	13	8	21
	Reinsurer	1	9	10
	Sub total	14	17	31
Total		29	26	55

Note: 1) All figures are as of December 31, 2020
2) Foreign subsidiaries, branches, and joint ventures, in which foreign shareholders account for more than 50% of company shares, are regarded as foreign insurance companies
Source: Financial Supervisory Service, KIDI

Premium volume of Korea

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Life	119,811 (2.2)	113,973 (-4.9)	110,843 (-2.7)	117,262 (5.8)	119,587 (2.0)
Non-life	84,497 (5.3)	88,333 (4.5)	91,065 (3.1)	95,586 (5.0)	102,315 (7.0)
Total	204,308 (3.5)	202,306 (-1.0)	201,908 (-0.2)	212,849 (5.4)	221,902 (4.3)

Note: Figures in parentheses indicate year-on-year growth rates
Source: KIDI, Monthly Insurance Report

Total assets of Korean insurers

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Life	782,162 (7.9)	832,837 (6.5)	857,198 (2.9)	918,166 (7.1)	997,278 (8.6)
Non-life	252,005 (11.5)	277,100 (10.0)	297,041 (7.6)	320,751 (7.6)	343,871 (7.2)
Total	1,034,167 (8.8)	1,109,937 (7.3)	1,155,239 (4.1)	1,238,917 (7.2)	1,341,149 (8.3)

Note: Figures in parentheses indicate year-on-year growth rates
Source: KIDI, Monthly Insurance Report

Premium income and market share of foreign insurers

(Unit: billion KRW, %)

Classification	2016		2017		2018		2019		2020	
	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life	Life	Non-life
Premium income	19,891	1,707	20,629	1,795	21,346	1,896	24,477	2,030	25,167	2,161
Market share	16.6	2.0	18.1	2.0	19.3	2.1	20.9	2.1	21.0	2.1

Source: KIDI, Monthly Insurance Report

Life insurance industry

Premium income by product type

(Unit: billion KRW, %)

Classification		2016	2017	2018	2019	2020
Individual total		102,324 (-0.4)	98,302 (-3.9)	93,209 (-5.2)	91,858 (-1.4)	96,285 (4.8)
	Pure endowment	28,848 (-11.9)	26,980 (-6.5)	24,444 (-9.4)	23,359 (-4.4)	23,104 (-1.1)
	Protection type	40,289 (6.6)	41,759 (3.6)	42,786 (2.5)	44,447 (3.9)	46,140 (3.8)
	Endowment	33,187 (3.0)	29,563 (-10.9)	25,980 (-12.1)	24,052 (-7.4)	27,041 (12.4)
	Variable	19,406 (-6.0)	19,624 (1.1)	18,835 (-4.0)	17,687 (-6.1)	17,224 (-2.6)
Group		17,487 (20.8)	15,671 (-10.4)	17,634 (12.5)	25,405 (44.1)	23,303 (-8.3)
Total		119,811 (2.2)	113,973 (-4.9)	110,843 (-2.7)	117,262 (5.8)	119,587 (2.0)

Note: 1) Figures in parentheses indicate growth rates
2) Pure endowment insurance, protection type insurance, and endowment insurance include variable annuity, variable whole life insurance, and variable universal life insurance, respectively
Source: KIDI, Monthly Insurance Report

Premium income by company group

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Top three companies	55,307 (46.2)	51,756 (45.4)	51,566 (46.5)	54,698 (46.6)	55,595 (46.5)
Other domestic companies	44,613 (37.2)	41,539 (36.4)	37,930 (34.2)	38,088 (32.5)	38,825 (32.5)
Foreign companies	19,891 (16.6)	20,679 (18.1)	21,346 (19.3)	24,477 (20.9)	25,167 (21.0)
Total	119,811 [2.2]	113,973 [-4.9]	110,843 [-2.7]	117,262 [5.8]	119,587 [2.0]

Note: The figures in parentheses and brackets indicate percentage shares and growth rates, respectively
Source: KIDI, Monthly Insurance Report

Claims paid and operating expenses

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Claims paid	71,683 (7.0)	79,437 (10.8)	86,071 (8.4)	92,069 (7.0)	95,247 (3.5)
Operating expenses	8,317 (3.4)	8,677 (4.3)	9,443 (8.8)	9,626 (1.9)	9,465 (-1.7)

Note: Figures in parentheses indicate annual growth rates
Source: KIDI, Monthly Insurance Report

Management efficiency

(Unit: %)

Classification	2016	2017	2018	2019	2020
Ratio of claims paid	59.8	69.7	77.7	78.5	79.6
Ratio of lapses and surrenders	8.5	8.5	8.8	9.0	8.6
Ratio of operating expenses	12.9	13.5	13.6	13.1	12.9

Source: KIDI, Monthly Insurance Report

Market share by distribution channel (initial premium income)
(initial premium income)

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Direct writers	3,166 (20.5)	2,960 (24.3)	3,709 (34.0)	4,686 (37.8)	5,747 (34.9)
Solicitors	2,532 (16.4)	2,237 (18.4)	1,494 (13.7)	1,379 (11.1)	1,796 (10.9)
Agents	978 (6.3)	873 (7.2)	646 (5.9)	753 (6.1)	917 (5.6)
Brokers	11 (0.1)	14 (0.1)	17 (0.2)	22 (0.2)	21 (0.1)
Bancassurance	8,749 (56.6)	6,061 (49.7)	4,992 (45.8)	5,548 (44.8)	7,974 (48.4)
Others	35 (0.2)	40 (0.3)	45 (0.4)	8 (0.1)	8 (0.0)
Total	15,470 (100.0)	12,185 (100.0)	10,903 (100.0)	12,395 (100.0)	16,461 (100.0)

Note: Figures in parentheses indicate percentage market shares

Source: KIDI, Monthly Insurance Report

Market concentration

(Unit: %)

	Ranking	Company	Market share				
			2016	2017	2018	2019	2020
Life	1	Samsung Life	23.3	23.1	22.7	24.1	22.2
	2	Hanwha Life	12.7	12.1	12.8	12.0	12.4
	3	Kyobo Life	10.2	10.2	11.0	10.6	11.9
	4	Mirea Asset Life	4.9	4.9	5.3	6.2	5.8
	5	Nong Hyup Life	7.9	7.1	6.8	5.7	5.3
	6	Shinhan Life	4.5	4.6	4.6	4.5	4.8
	7	Tong Yang Life	5.6	5.2	4.6	4.7	4.8
		Top 3	46.2	45.4	46.5	46.6	46.5

Non-life insurance industry

Direct premiums written by line

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Fire	301 (-1.0)	297 (-1.5)	275 (-7.2)	272 (-1.2)	276 (1.6)
Marine	608 (-14.3)	644 (5.9)	595 (-7.6)	600 (0.8)	704 (17.4)
Automobile	16,405 (9.4)	16,857 (2.8)	16,720 (-0.8)	17,568 (5.1)	19,613 (11.6)
Guarantee	1,591 (0.6)	1,744 (9.6)	1,954 (12.1)	1,934 (-1.0)	2,030 (5.0)
Casualty	5,468 (5.9)	5,783 (5.8)	6,198 (7.2)	6,517 (5.1)	7,077 (8.6)
Long-term	47,773 (2.6)	49,088 (2.8)	50,574 (3.0)	53,099 (5.0)	55,922 (5.3)
Annuities	3,877 (-3.6)	3,701 (-4.5)	3,516 (-5.0)	3,291 (-6.4)	2,992 (-9.1)
Pension plans[2)]	7,939 (24.7)	9,778 (23.1)	10,778 (10.2)	11,778 (9.3)	13,118 (11.4)
Overseas direct	536 (0.9)	445 (-16.9)	454 (2.1)	528 (16.1)	582 (10.4)
Total	84,497 (5.3)	88,333 (4.5)	91,065 (3.1)	95,586 (5.0)	102,315 (7.0)

Note: 1) The figures in parentheses indicate growth rates 2) Pension plans include retirement insurance
Source: KIDI, Monthly Insurance Report

Incurred losses by line

(Unit: billion KRW)

Classification	2016	2017	2018	2019	2020
Fire	155	122	132	155	187
Marine	220	164	189	198	243
Automobile	12,356	12,661	13,545	14,771	14,853
Guarantee	548	592	666	911	1,021
Casualty	3,210	3,625	4,076	4,402	4,799
Long-term	39,542	39,722	40,273	42,673	44,662
Total[1)]	56,031	56,886	58,880	63,110	65,765

Note: 1) Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded
Source: KIDI, Monthly Insurance Report

Net operating expenses by line

(Unit: billion KRW)

Classification	2016	2017	2018	2019	2020
Fire	119	123	119	113	114
Marine	97	98	105	101	92
Automobile	2,875	2,998	2,868	2,807	2,885
Guarantee	243	262	299	244	261
Casualty	905	1,035	1,098	1,246	1,257
Long-term	9,144	10,169	11,299	12,821	12,989
Total[1]	13,384	14,685	15,788	17,331	17,599

Note: 1) Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded
Source: KIDI, Monthly Insurance Report

Management efficiency

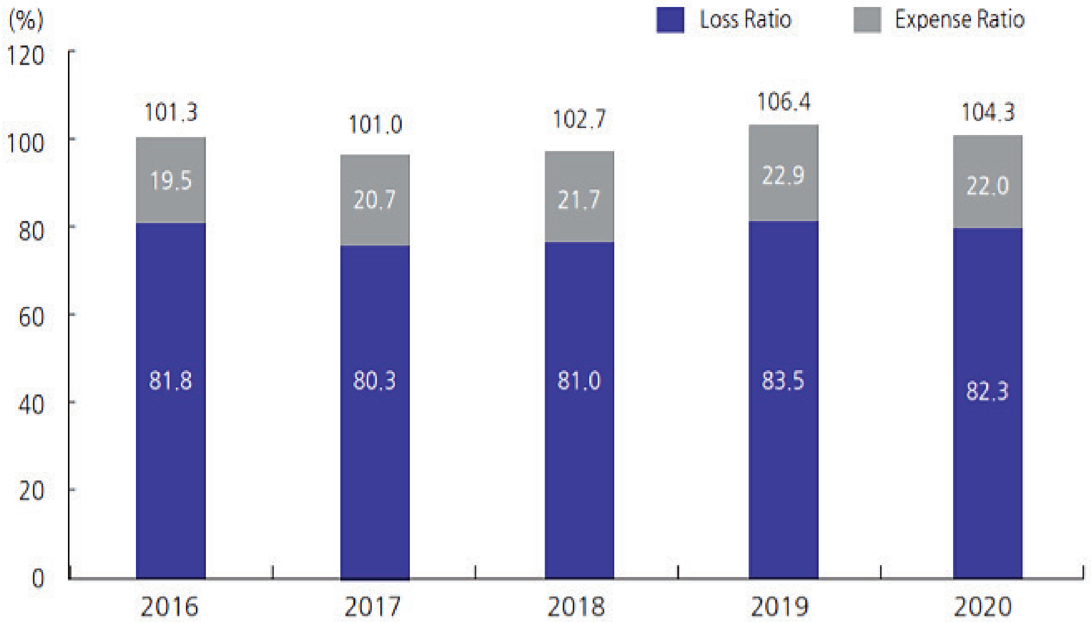
Earned-incurred loss ratio by line

(Unit: %)

Classification	2016	2017	2018	2019	2020
Fire	56.5	48.0	51.0	64.4	82.8
Marine	73.2	55.5	65.6	71.6	82.3
Automobile	83.0	80.9	86.4	92.8	85.6
Guarantee	41.9	44.1	46.6	60.7	67.1
Casualty	67.3	69.7	72.4	73.3	78.6
Long-term	84.3	82.7	81.6	82.7	82.1
Total[1]	81.8	80.3	81.0	83.5	82.3

Note: 1) Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded
Source: KIDI, Monthly Insurance Report

Combined ratios



Note: Overseas direct insurance, reinsurance assumed overseas, annuities and pension plans are excluded
Source: KIDI, Monthly Insurance Report

Market share by distribution channel (total premium income)

(Unit: billion KRW, %)

Classification	2016	2017	2018	2019	2020
Direct writers	16,713 (19.8)	19,495 (22.1)	21,183 (23.3)	23,357 (24.5)	26,693 (26.3)
Solicitors	22,020 (26.1)	23,013 (26.1)	22,320 (24.5)	22,602 (23.7)	22,995 (22.6)
Agents	36,550 (43.3)	37,512 (42.5)	39,919 (43.8)	42,348 (44.3)	44,807 (44.1)
Brokers	805 (1.0)	978 (1.1)	1,127 (1.2)	1,234 (1.3)	1,331 (1.3)
Bancassurance	8,088 (9.6)	7,090 (8.0)	6,299 (6.9)	5,718 (6.0)	5,549 (5.5)
Insurance pool	323 (0.4)	245 (0.3)	216 (0.2)	240 (0.3)	293 (0.3)
Total	84,499 (100.0)	88,335 (100.0)	91,066 (100.0)	95,498 (100.0)	101,667 (100.0)

Note: 1) Figures in parentheses indicate percentage market shares
2) The premium income of pension plans is included
3) Company employees include telemarketing (TM) and computer marketing (CM)

Source: KIDI, Monthly Insurance Report

Market concentration

(Unit: %)

	Ranking	Company	Market 2016	2017	2018	2019	2020
Non-life	1	Samsung Fire & Marine	23.6	25.5	23.7	23.9	23.9
	2	Hyundai Marine & Fire	17.0	16.2	16.7	15.7	16.1
	3	DB Insurance	15.5	14.9	14.7	15.5	15.6
	4	KB Insurance	12.7	12.2	12.4	12.1	12.9
	5	Meritz Fire & Marine	7.1	7.2	7.8	8.4	8.9
	6	Hanwha Non-Life	5.9	6.0	6.2	6.2	5.8
	7	Lotte Non-Life	5.2	5.0	5.7	5.8	4.2
		Top 4	68.7	68.8	67.5	67.2	68.5

Source: KIDI, Monthly Insurance Report

Korean Insurance Market: Global and Regional Position

Total premium volume

(Unit: billion USD, %)

Ranking	Country	Premium volume		Changes, 2019		Share of world market, 2020
		2019	2020 1)	Nominal2)	Inflation-adjusted	
1	United States	2,485	2,531	1.8	0.6	40.3
2	PR China	617	656	6.2	3.6	10.4
3	Japan	428	415	-3.0	-5.4	6.6
4	UK	364	338	-7.0	-8.0	5.4
5	Germany	249	259	3.8	1.2	4.1
6	France	260	231	-11.2	-13.3	3.7
7	Korea	179	194	8.2	5.1	3.1
8	Italy	168	162	-4.0	-5.2	2.6
9	Canada	135	143	6.4	6.8	2.3
10	Taiwan	118	113	-3.8	-7.8	1.8

Note: 1) It is an estimated value 2) Nominal growth rates adjusted for exchange rates and inflation
Source: Swiss Re (2021), Sigma, No 3

The Korean insurance market ranked seventh in total premium volume, with a market share of 3.1% globally.

Insurance penetration

(Unit: %)

	2018			2019			2020		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea	6.1	5.1	11.2	5.8	5.0	10.8	6.4	5.2	11.6
World	3.3	2.8	6.1	3.4	3.9	7.2	3.3	4.1	7.4

Source: Swiss Re (2021), Sigma, No 3

The insurance penetration ratio of Korea was 11.6% in 2020, ranked the sixth in the world.

Insurance density

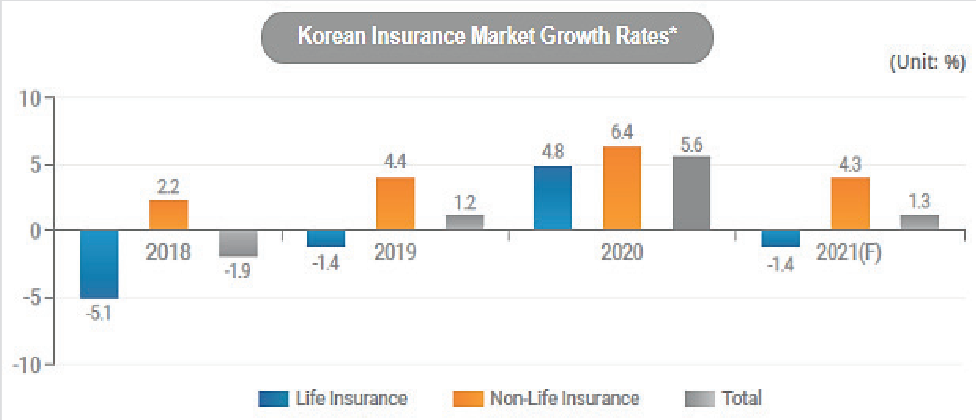
(Unit: USD)

	2018			2019			2020		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
Korea	1,898	1,567	3,465	1,822	1,544	3,366	2,050	1,691	3,741
World	370	312	682	379	439	818	360	449	809

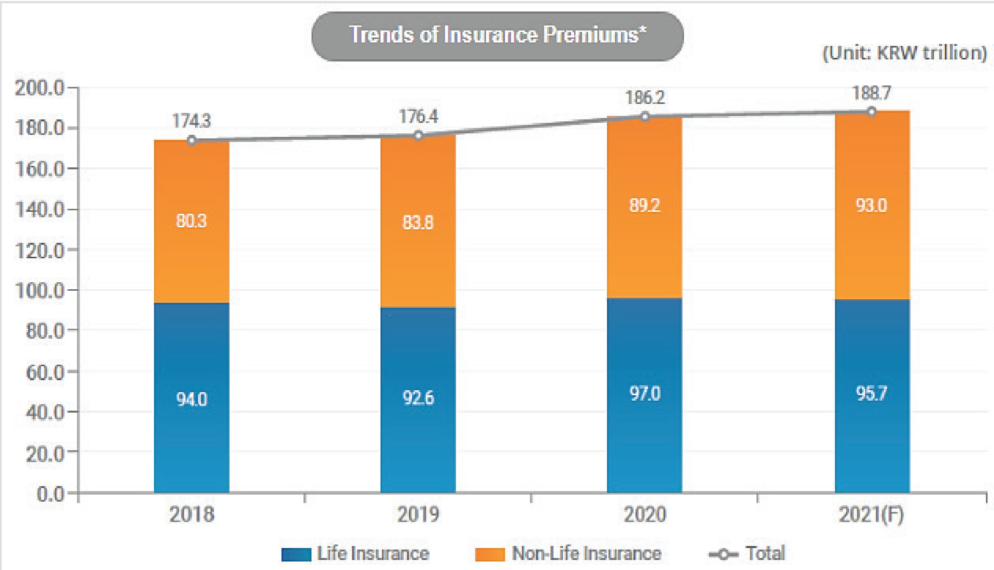
Source: Swiss Re (2021), Sigma, No 3

The insurance density of Korea reached 3,741 USD in 2020, ranked the sixteenth in the world.

Korean Insurance Market:
Revised Insurance Market Outlook for 2021



*The growth rates exclude retirement annuity. (Source: Korea Insurance Research Institute)



*The figures exclude retirement annuity. (Source: Korea Insurance Research Institute)

Insurance Market Growth Outlook

(Unit: KRW trillion)

	2018		2019		2020		2021(F)	
	Premium	Growth Rate(%)	Premium	Growth Rate(%)	Premium	Growth Rate(%)	Premium	Growth Rate(%)
Life	110.8	-2.7	117.3	5.8	119.6	2.0	121.7	1.7
- Excluding retirement annuity	94.0	-5.1	92.6	-1.4	97.0	4.8	95.7	-1.4
Non-Life	91.1	3.1	95.6	5.0	102.3	7.0	107.2	4.8
- Excluding retirement annuity	80.3	2.2	83.8	4.4	89.2	6.4	93.0	4.3
Total	201.9	-0.2	212.8	5.4	221.9	4.3	228.9	3.1
- Excluding retirement annuity	174.3	-1.9	176.4	1.2	186.2	5.6	188.7	1.3

*Individual figures may not add up to the total shown due to rounding. (Source: Korea Insurance Research Institute)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Impacts of COVID-19 on Cybersecurity Insurances in Turkey and Suggestions

BY: Naime Pınar Atay [1]
FAIR Reinsurance Pool, Milli Reasürans T. A. Ş.

Abstract: It has now become inevitable in today's world to face various risks in nearly every area of our lives. In such an era where we live together with technology, any kind of technological device stores material and nonmaterial data of ours, such as our personal data, customer records, contents of applications to name a few. There is no longer a need to have the know-how and the equipment to commit a cybercrime or breach the firewalls of companies. Therefore, both the individuals and the companies are now becoming more vulnerable to cybercrimes. Even though there's an ongoing attempt to take measures against such crimes, cybersecurity applications in Turkey are not enough. The COVID-19 pandemic which broke out in 2020 made it almost obligatory for insurance companies to adopt new cybersecurity applications. In this regard, the first chapter of this article embraces some sorts of cybersecurity crimes unique to electronic networks and their most common incidents in Turkey, whereas the following chapter discusses the necessity of cybersecurity insurances in people's changed ways of living due to the COVID-19 pandemic, and the insurance policies put into effect by various insurance companies.

Keywords: Cybercrime, cybersecurity, COVID-19

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INTRODUCTION

In today's world, adherence to information technologies, internet and technological devices is increasing at an incredible pace. According to the statistics in 2020, 4.57 billion people making up 59% of the global population actively use the internet. Concurrently, internet users spend nearly 7 hours a day on the average to use the internet on various technological devices. Kemp (2021) states that Facebook, one the most popular applications on the internet, has a number of users of about 3.39 billion, making up 44% of the world population. With regards to internet usage tools, statistics from the second quarter of 2020 tell that the number of mobile users has increased, and the use of computers, tablets and other devices has decreased. This data sets forth the fact that more than half of the internet usage is carried out on mobile devices.

As the COVID-19 pandemic has hit the globe, great numbers of people now shop online via mobile applications. Similarly, more people are getting to use online banking on their mobile platforms to pay their rents and bills. Then again, more and more companies now implement telecommuting, changing the work environment of employees from office to home.
For this reason, companies are in need of taking various measures to protect their data privacy and become immune to cyberattacks. Likewise, the protection of telephones, mobile phones, and other technological tools from cyberattacks and keeping the information on companies' data safe is of great importance. Progress in information technologies not only facilitates people's lives, but also causes security threats. To eliminate them, particular knowledge about every kind of cybercrime is needed and necessary precautions must be taken accordingly. The present article mentions what the cyber threats are and how to create a security wall against them, as well as the cybersecurity policies in Turkey.

1. Cybersecurity Crimes Unique to Electronic Networks and Their Most Common Incidents in Turkey

Cybersecurity made itself visible owing to the increasing number of various cyberattacks all across the world, particularly during the COVID-19 pandemic. Besides, Turkey has recorded an increase of 217% in cyberattacks in charge accounts, malwares and fake websites. One convincing explanation to such an increase is that the hackers stayed at home during the pandemic and increased the quantity and the severity of their attacks. Increase in telecommuting facilitated the detection of companies' security gaps and cyberattacks have gotten out of control.

According to Hekim and Başıbüyük (2013:136), there is no correspondence to the term "cyber" in Turkish. However, it can be simply put as a concept regarding computer networks. Sherman (2000:5) states that "cybercrime is difficult to define because it ranges that cannot be committed without a computer or connected device to traditional crimes that are merely facilitated by computers or connected devices". Indeed, cybercrime is regarded as any kind of crime targeting or raiding a network or a device connected to it. Virtually all of these criminal activities are carried out by cybercriminals or hackers wishing to make money. Some cybercrimes are organized

in which various techniques are used. All cybercrimes have individuals or groups of people behind them. It is rare that hackers have personal or political causes rather than aiming for money. The modes of operation and the techniques of cybercriminals are changing owing to the unpredictability caused by the rapidity of technological advancements.

Coburn (2019:193) notes that the concept of cybersecurity is as important as cybercrimes themselves. Cybersecurity refers to the protection of privacy, P2P and/or B2B communication on information systems, and various data on electronic media.

COVID-19 and the ongoing digital transformation increase both an awareness of cyber threats and their probability, thus encouraging the institutions to take more actions towards cyber risk management. The following subheads treat the most common cybercrimes in Turkey and discuss the measures to prevent them.

1.1. Phishing Attacks

As the coronavirus pandemic has affected the global population, a good many business sectors have now been in need of cybersecurity specialists more than ever before. Cybercriminals have surely taken advantage of the pandemic to aggravate their attacks using DOS, namely disk operating systems. Those using them draw on various advanced methods in Turkey.

The examples include sending, on behalf of a renowned person or a company, emails or SMS which seem verisimilar, but are actually fake. These fake messages aim at prompting the receiver to click on a link for a shipping delivery tracking or a refundment. Once the link is clicked on, a malware is downloaded on the computer or the mobile phone, breaching the device's firewall to access personal data including bank accounts. In this regard, various precautions must be taken. Such a suspected link must never be clicked on. Computers and mobile phones must be in protection with up-to-date antivirus programs. Calls trying to get personal information must not be answered and the calling numbers must be blocked and reported.

These kinds of phishing attacks have become widespread in the last quarter of 2021, the main reason of which is the increasing demand in online shopping. Social media has become equally vulnerable to frauds.

Cybercriminals get unauthorized access to people's accounts and contact users' friends or families for information on bank accounts or money demand. Therefore, strong passwords must be created, and personal information must not be shared online.

Another incident is business email compromises carried out by intrusion techniques. B2B communication is especially vulnerable to this kind of fraud, which consists of counterfeiting the interaction between the companies to conduct unauthorized transfers or funds. These kinds of intrusive compromises cause heavy financial loss.

Thus, it is essential that large-scale companies take immediate action against such incidents. Employees must be warned beforehand. In this context, actively operating Milli Re in Turkey provides training for their employees in the matter of business email compromises.

1.2. Distributed Denial of Service Attack (DDoS)

One of the oldest and most common types of cybercrimes is the distributed denial of service attack consisting of hindering and/or cutting off internet services. The attack involves the attacker's use of thousands of different IP addresses to send data in the size of terabits per second. In so far as there is no decisive solution to such type of attack, it is probable to be the subject of one.

The most common incidents in Turkey include e-commerce sites becoming unserviceable or banks halting their online banking services.

As this type of attack might consist of using some particular programs, either the attackers cannot be detected at all, or it takes too long to make an analysis that they cannot be caught. Even though these attacks generally aim at acquiring money, the motivations can also include religious and political reasons.

At the beginning of 2020 when the pandemic broke out in a way to make e-commerce even more widespread, the world's biggest shopping platform, Amazon, was the subject of the most severe denial of service attack of all times. Fortunately, they were quick to take immediate action and repel the attack [(2)].

The head of SODIGEM, a Turkish abbreviation for "Social Media and Digital Security - Education, Application and Research Center", noted that Turkey has been at the centre of cyberattacks in 2020: "According to the statistics of 2018 from security company AKAMAI, Turkey has been the third country to suffer most from social engineering attacks with a cost of 25 million dollars."[(3)] In addition, in the cyberattack map shown on the Parsecure Map on January 20, 2020, the most attacked country was identified as Turkey. It is recorded that the majority of the attacks are from the USA, Holland, China and Russia.

It is thought that one of the main reasons for this is the fact that the sense of benevolence is abused in Turkey.
That is to say that those who carry out cyberattacks demand donations or money by arousing pity for themselves or scaring people with fake scenarios. With the rapid development of technology, internet banking, which enables banks to reach their customers easily, is a new field for cybercriminals.

As a result of the attack carried out with the DDoS method in 2019, the servers of Garanti Bank were overloaded and the bank's infrastructure was rendered inoperable. Furthermore, many customers did not have access to their accounts for a long time.

1.3. Malware

Malware is the term used for any program on electronic devices that performs harmful actions on a computer, smartphone, or other devices via the internet. As in the above-mentioned sections, Rains (2020:101) also mentions that cybercriminals use these malicious softwares in order to prevent the service provided by email and internet fraud.

Viruses are the most well-known of malware. A virus usually comes in the form of an email attachment as part of a malware that carries the virus or performs harmful activity. When the victim opens the file, the device becomes infected. Computer viruses need carrier code snippets to

(2) See references.
(3) We translated the quotation from Gazete Vatan; See references.

survive. That is to say human activity, without which it is impossible for viruses to operate.

Ransomware is one of the most profitable, and therefore the most popular types of malware among cybercrimes. This malware installs on a person's digital device, encrypts their files, and then demands a ransom to return that data to the user.
Trojan malware, on the other hand, masquerades itself as harmless applications by tricking users into downloading and using them. Once up and running, they can steal personal data, crash a device, spy on activities and even launch an attack.

One of the most feared types, spyware, is a program that is installed on a personal computer without the user's knowledge, and that also captures user's personal information or details and habits of surfing on the internet and transmits them to its owner. The spyware allows its users to monitor any type of communication on the targeted device.

They are often used by law enforcement, government agencies, and information security organizations to test and monitor communications in a sensitive environment or investigation.

One of the biggest reasons why companies are exposed to cyber risk is "Zero-day". Zeroday tells about the vulnerabilities that have not been noticed or to which precautions have not been taken yet. In order to eliminate these gaps, it is necessary for companies to give priority to the training of experts working in this field and to establish various infrastructures related to this matter. Otherwise, companies may suffer great losses.

The fact remains that cybercrime cannot be prevented. However, the desired damages can be reduced by various measures. As a result of the cyberattack on the website of Yemek Sepeti, which is popular in Turkey, at the end of November 2021, it was revealed that the user names, addresses and phone numbers that make up a part of the database were stolen. To prove this, hackers published the information of 20 thousand people registered on the site. As a proactive approach, it is absolutely necessary to monitor the software systems of companies against such cyberattacks, to use up-to-date software, to create an in-house security policy, and to provide information and training to the employees regarding the roles and responsibilities within the concept of security.
Thus, the institution will be prevented from being exposed to incorrect use and installations. When viewed from a reactive approach, institutions should be able to secure themselves by purchasing insurances such as commercial security insurance in order to reduce and minimize the risk arising from such attacks. "Cyber protection means having the ability to protect individuals or organizations from both cybercrime and other online crimes and to recover if attacked."

2. Cybersecurity Insurance Policies in Turkey after COVID-19 Pandemic

Anadolu Agency reported as news that according to the research report of the Ministry of Internal Affairs this year, it has been stated that the type of malware infection is the one that the public is most exposed to in terms of cyber risks, which are among the rising risks for Turkey as of 2020. This is a proof of what has been said above. However,

with the emergence of cyber security insurance in Turkey after 2020, it is not possible to expect insurance companies to actively provide great assurances in countries where the number of applications of these insurances is low.

First of all, in order for it to be an insurable risk, the insurance company in question is expected to have sufficient data on a certain risk group in the previous period, that is, to carry out the business within the framework of the law of large numbers.

The biggest disadvantage of countries like Turkey that do not have sufficient data is the lack of experience in that insurance field based on the lack of data.

The best way to overcome the lack of experience would be to ensure the sustainability of these insurances by raising the awareness of individuals and society in the field of cyber risk. In the following section, the definition of cyber security insurance and the cyber risk insurance products implemented in Turkey will be discussed.

2.1. Rise of Cybersecurity Insurance and Innovations

For the first time in Turkey, the Turkish offices of some global insurance companies have started to provide cyber security coverage since 2012. With the increase in cyber attacks and the emerging awareness, it has become clear that there is a need for more comprehensive insurance coverage.

To talk about cyber security insurance, first of all, it is necessary to define cyber security. In these days where we live intertwined with technology and depend on it both in our personal and business lives, we store our personal data, credit card information, or data of material and nonmaterial importance, such as business and customer records, on every electronic device we use, regardless of individual or commercial purposes. In this context, cyber security can be defined as the practice of protection against unauthorized use of all this data and protecting the integrity, availability and confidentiality of information.

We want to secure our reputation and material assets against damages that may arise. Just like earthquake insurance for our homes and workplaces against damages that may occur after an earthquake, individual health insurance against diseases and accidents, or insurance for motor vehicles, cyber security insurance is also necessary to provide economic security in case of damage that may occur related to cyber security.

Despite all the precautions that can be taken, the fact that cyber security does not provide 100% security under any circumstances makes it extremely necessary, especially for small and medium-sized businesses that are the target of cyberattacks.
Cyber protection means that individuals or organizations have the ability to protect themselves from both cybercrime and other online crimes and to recover if attacked.

Considering that threats to cyber security are constantly changing, becoming more and more complex and adapting to new systems, it becomes almost impossible to find all security vulnerabilities of individuals or companies and try to take precautions for all of them. It should be known that there is no fully secure or fully protected company from cyberattacks.

However, with the investments that can be made, the greatest precautions can be taken by raising the awareness of individuals or company employees and by strengthening the firewalls of companies.

Cyber risk is inevitable, but if precautions are taken quickly, the damage can be minimized with cyber security insurance and training. The fact that the insured work together with experts in this field, not on their own, ensures a better management of the process.

According to the Data Breach Research Report in 2019 as a result of a study conducted in Turkey in a way to comprise 86 countries, it is seen that cyberattacks target small and medium-sized enterprises, namely SMEs, at a rate of 43%.

In Turkey, 71% of cyberattacks are carried out against SMEs with less than 100 employees. As Cebebi (2021:9) asserts, the most important reason for cyber attackers to choose SMEs is the lack of cyber security awareness in small and medium-sized businesses and the fact that their systems can be easily seized due to the lack of necessary cyber security measures.

In order to prevent this, the cyber security package insurances carried out jointly by the software company Firewall, which broke new ground in Turkey, and Anadolu Sigorta, one of the strongest insurance companies, set an example to ensure the damages caused by cyber threats. Regardless of whether domestic or foreign, the idea that the software companies and the insurance companies cooperate by carrying out joint projects and joining forces in their own fields, is one of the healthiest and most innovative measures that can be taken against cyberattacks.

However, no matter how individuals or companies are protected, cyber risk insurance is obliged to compensate the insured's losses in cases such as data loss, business interruption, disclosure of stolen data or loss of reputation that may occur as a result of a cyberattack. In this way, both individuals and companies continue to progress in confidence without worrying about the future.

2.2. Cyber Risk Insurance Products and Guarantees Issued in Turkey

Cyber risk insurance products are becoming more and more widespread in Turkey.

When we examine the examples of this, we see that the companies that emerged as the pioneers of these insurances in Turkey are Ak Sigorta and Anadolu Sigorta. Institutions that currently provide cyber insurance services in Turkey are Anadolu Sigorta, Ak Sigorta, Ata Sigorta, Allianz, Phillip Sigorta, Asron Sigorta and Doğa Sigorta.

In Turkey, especially person-based policies have started to become widespread. With the individual cyber security insurance policy, the insured's identity theft, fraudulent or misuse of payment instruments, online shopping disputes, damage to their reputation in the virtual world are prevented.

This includes services such as legal advice. Recently, among cyber risk insurance products, one of

the most important is the guarantee against a personal password theft. After 2020, internet shopping has become extremely widespread in Turkey.

Within the framework of this guarantee, stealing the personal passwords of the insured, which they use to access the online banking services, internet accounts of other financial institutions, credit or debit cards and online banking accounts, learning this information on the phone or on the social media with their consent, with expressions such as “YOU WON!”, and losses that are not covered by the relevant bank or financial institution in cases such as internet shopping to be done using the mentioned passwords or withdrawal of money from the bank account of the insured are compensated per request, within the framework of a certain limit during the policy period.

It is seen that some insurance companies also provide coverage for snatchings near ATMs within the scope of cyber security insurance, especially in reference to the incidents that are very common in the news in Turkey. It is extremely common for individuals above a certain age to not use online banking, but make transactions from ATMs.

For this reason, due to the high number of snatching incidents near ATMs in Turkey, exposure to extortion, snatching and theft of the withdrawn amount within 30 minutes of the withdrawal process and 50 meters of the ATM, are covered up to the maximum limit specified by Ray Sigorta .

Another insurance that is on the agenda is commercial cybersecurity insurance. Today, companies continue their operations and business processes largely depending on technology.

For this reason, the need for cyber risk management and storage of third party data is required. Failure to take precautions may result in brand and reputation damage, data breaches, investigations by public authorities and financial losses.

In the content of this policy, which has just been implemented in Turkey, there are guarantees against cases such as incident response coverage, data protection damage coverage, reinstatement, cyber blackmail, information security and privacy liability, and network security liability.

Within the scope of data protection damage coverage, damages that may occur as a result of the destruction or damage of the insured’s data assets, including computer programs and customer information, due to a cyber security risk, are covered up to the limit specified in the policy.

At the same time, it is seen that additional guarantees such as business interruption and media liability have started to be implemented in the last period. Due to a cyber security breach, the interruption of the insured’s computer systems and business interruption losses can be compensated within the scope of the “Business Interruption” coverage in the policy, within the limit specified in the policy.

The insured who will buy commercial cyber security insurance should be provided with the necessary training and information to back up the data that is critical for business continuity on a weekly basis, and to protect their computer systems from cyber incidents with regularly updated passwords, system configurations, software patches and firewalls.

For this reason, it is extremely important that the insurance company that will issue this policy has sufficient knowledge on these matters.

In the works performed in the FAIR Pool Department, which continues its existence under Milli Reasürans, one of the wordings published by Lloyd's, "Cyber Loss Limited Exclusion (Property Treaty Reinsurance) Clause: LMA5410" is used. The contents of this clause are itemized below:

a. Any loss of, alteration of, or damage to or a reduction in the functionality, availability or operation of a computer system
b. Any loss of use, reduction in functionality, repair, replacement, restoration or reproduction of any data, including any amount pertaining to the value of such data.
c. It also cover physical damage to property insured under the original policies and any time element loss directly resulting therefrom where such physical damage is directly occasioned by any of the following perils: Fire, lightning, explosion, aircraft or vehicle impact, falling objects, windstorm, hail, tornado, cyclone, hurricane, earthquake, volcano, tsunami, flood, freeze or weight of snow.

Thanks to this clause, it is stated that all kinds of losses, damages, liabilities, costs and expenses caused and/or contributed to directly or indirectly due to cyber damage are excluded.

CONCLUSION

As of 2020, a new revolution has started in cyber security insurance, including local insurance companies in Turkey, which is one of the countries most exposed to cyberattacks in the world. Since it is a new field and there are not enough trained people in it, the contents of the policies against cyberattacks and the coverage given to the insured are limited.

It is an indisputable fact that the contents of the policies will be enriched and sufficient experts will be trained on this subject, and the society will also be conscious about these insurances. Providing individuals and commercial enterprises with adequate training against cybercrime, raising awareness of individuals about this issue will also contribute to the development of the aforementioned policies.

The existence of cyberattacks is inevitable. However, it is up to us to minimize the damage. The importance of the necessity of a comprehensive cyber risk insurance coverage should be realized in order to cover the costs incurred due to data loss or financial loss of companies and individuals due to internal and external threats.

It should not be overlooked that due to cyberattacks, there is not only financial loss but also the possibility of loss of reputation.

It should be known that, like the need for cyber security insurance, which has the highest interaction today, there will also be risks with other non-cumulative risks in the future with the advancement of technology.

The most important factor for the formation and development of an insurance cover is to eliminate the lack of experience and to have sufficient knowledge on that subject.

It is vital to raise awareness to be protected against cyber risks in Turkey, strive to increase the number of experts and encourage insurance companies to collaborate with software companies specializing in this field.

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