FAIR Review

Issue No. 191 (1 -- 2022)

Kenya

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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 for 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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• *Global Risks Report 2022*

Published by The World Economic Forum in collaboration with Marsh McLennan

As 2022 begins, COVID-19 and its economic and societal consequences continue to pose a critical threat to the world. Vaccine inequality and a resultant uneven economic recovery risk compounding social fractures and geopolitical tensions. In the poorest 52 countries—home to 20% of the world's people—only 6% of the population had been vaccinated at the time of writing. By 2024, developing economies (excluding China) will have fallen 5.5% below their pre-pandemic expected GDP growth, while advanced economies will have surpassed it by 0.9%—widening the global income gap.

The resulting global divergence will create tensions— within and across borders—that risk worsening the pandemic's cascading impacts and complicating the coordination needed to tackle common challenges including strengthening climate action, enhancing digital safety, restoring livelihoods and societal cohesion and managing competition in space. The Global Risks Report 2022 presents the results of the latest Global Risks Perception Survey (GRPS), followed by an analysis of key risks emanating from current economic, societal, environmental and technological tensions. The report concludes with reflections on enhancing resilience, drawing from the lessons of the last two years of the COVID-19 pandemic. The key findings of the survey and the analysis are summarized below.

Global risks perceptions highlight societal and environmental concerns

Asked to take a view of the past two years, respondents to the

GRPS perceive societal risks—in the form of "social cohesion erosion", "livelihood crises" and "mental health deterioration"—as those that have worsened the most since the pandemic began. Only 16% of respondents feel positive and optimistic about the outlook for the world, and just 11% believe the global recovery will accelerate. Most respondents instead expect the next three years to be characterized by either consistent volatility and multiple surprises or fractured trajectories that will separate relative winners and losers.

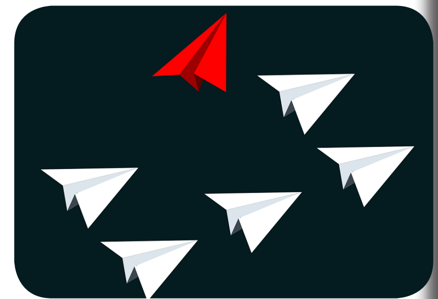
For the next five years, respondents again signal societal and environmental risks as the most concerning. However, over a 10-year horizon, the health of the planet dominates concerns: environmental risks are perceived to be the five most critical long-term threats to the world as well as the most potentially damaging to people and planet, with "climate action failure", "extreme weather", and "biodiversity loss" ranking as the top three most severe risks. Respondents also signalled "debt crises" and "geoeconomic confrontations" as among the most severe risks over the next 10 years.

Technological risks—such as "digital inequality" and "cybersecurity failure"—are other critical short- and medium-term threats to the world according to GRPS respondents, but these fall back in the rankings towards the long term and none appear among the most potentially severe, signalling a possible blind spot in risk perceptions.

The 2021-2022 GRPS included a question on international risk mitigation efforts. "Artificial intelligence", "space exploitation", "cross-border cyberattacks and misinformation" and "migration and refugees" are the areas where most respondents believe the current state of risk mitigation efforts fall short of the challenge—that is, efforts are "not started" or in "early development". Meanwhile, for "trade facilitation", "international crime" and "weapons of mass destruction", large majorities perceived risk mitigation efforts to be "established" or "effective".

A divergent economic recovery threatens collaboration on global challenges

Economic challenges flowing from the pandemic persist. The outlook remains weak: at the time of writing, the global economy was expected to be 2.3% smaller by 2024 than it would have been without the pandemic. Rising commodity prices, inflation and debt are emerging risks. Moreover, with another spike in COVID-19 cases towards the end of 2021, the pandemic continues to stifle countries' ability to facilitate a sustained recovery.



The economic fallout from the pandemic is compounding with labour market imbalances, protectionism, and widening digital, education and skills gaps that risk splitting the world into divergent trajectories. In some countries, rapid vaccine rollout, successful digital transformations and new growth opportunities could mean a return to pre-pandemic trends in the short term and the possibility of a more resilient outlook over a longer horizon. Yet many other countries will be held back by low rates of vaccination, continued acute stress on health systems, digital divides and stagnant job markets. These divergences will complicate the international collaboration needed to address the worsening impacts of climate change, manage

migration flows and combat dangerous cyber-risks.

Short-term domestic pressures will make it harder for governments to focus on long-term priorities and will limit the political capital allocated to global concerns. "Social cohesion erosion" is a top short-term threat in 31 countries—including Argentina, France, Germany, Mexico and South Africa from the G20. Disparities that were already challenging societies are now expected to widen—51 million more people are projected to live in extreme poverty compared to the pre-pandemic trend— at the risk of increasing polarization and resentment within societies. At the same time, domestic pressures risk stronger national interest postures and worsening fractures in the global economy that will come at the expense of foreign aid and cooperation.

A disorderly climate transition will exacerbate inequalities

Respondents to the GRPS rank "climate action failure" as the number one long-term threat to the world and the risk with potentially the most severe impacts over the next decade. Climate change is already manifesting rapidly in the form of droughts, fires, floods, resource scarcity and species loss, among other impacts. In 2020, multiple cities around the world experienced extreme temperatures not seen for years—such as a record high of 42.7°C in Madrid and a 72-year low of -19°C in Dallas, and regions like the Arctic Circle have averaged summer temperatures 10°C higher than in prior years. Governments, businesses and societies are facing increasing pressure to thwart the worst consequences. Yet a disorderly climate transition characterized by divergent trajectories worldwide and across sectors will further drive apart countries and bifurcate societies, creating barriers to cooperation.

Given the complexities of technological, economic and societal change at this scale, and the insufficient nature of current commitments, it is likely that any transition that achieves the net zero goal by 2050 will be disorderly. While COVID-19 lockdowns saw a global dip in greenhouse gas (GHG) emissions, upward trajectories soon resumed: the GHG emission rate rose faster in 2020 than the average over the last decade. Countries continuing down the path of reliance on carbon-intensive sectors risk losing competitive advantage through a higher cost of carbon, reduced resilience, failure to keep up with technological innovation and limited leverage in trade agreements. Yet shifting away from carbon-intense industries, which currently employ millions of workers, will trigger economic volatility, deepen unemployment and increase societal and geopolitical tensions. Adopting hasty environmental policies will also have unintended consequences for nature—there are still many unknown risks from deploying untested biotechnical and geo-engineering technologies—while lack of public support for land use transitions or new pricing schemes will create political complications that further slow action. A transition that fails to account for societal implications will exacerbate inequalities within and between countries, heightening geopolitical frictions.

Growing digital dependency will intensify cyberthreats

Growing dependency on digital systems—intensified by COVID-19—has altered societies. Over the last 18 months, indus-

tries have undergone rapid digitalization, workers have shifted to remote working where possible, and platforms and devices facilitating this change have proliferated. At the same time, cybersecurity threats are growing—in 2020, malware and ransomware attacks increased by 358% and 435% respectively—and are outpacing societies' ability to effectively prevent or respond to them. Lower barriers to entry for cyberthreat actors, more aggressive attack methods, a dearth of cybersecurity professionals and patchwork governance mechanisms are all aggravating the risk.

Attacks on large and strategic systems will carry cascading physical consequences across societies, while prevention will inevitably entail higher costs. Intangible risks—such as disinformation, fraud and lack of digital safety—will also impact public trust in digital systems. Greater cyber threats will also hamper cooperation between states if governments continue to follow unilateral paths to control risks. As attacks become more severe and broadly impactful, already sharp tensions between governments impacted by cybercrime and governments complicit in their commission will rise as cybersecurity becomes another wedge for divergence—rather than cooperation—among nation-states.

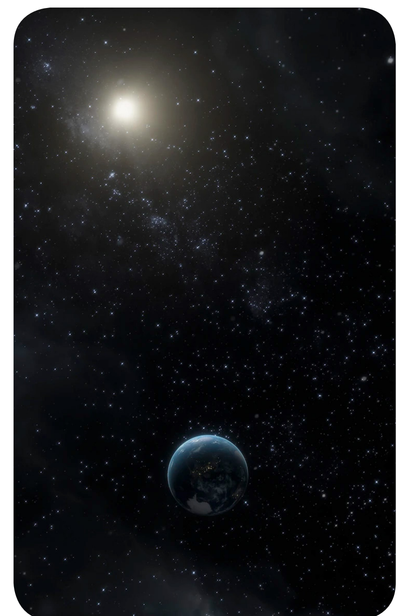
Barriers to mobility risk compounding global insecurity

Growing insecurity resulting from economic hardship, intensifying impacts of climate change and political instability are already forcing millions to leave their homes in search of a better future abroad. "Involuntary migration" is a top long-term concern for GRPS respondents, while 60% of them see "migration and refugees" as an area where international mitigation efforts have "not started" or are in "early development". In 2020, there were over 34 million people displaced abroad globally from conflict alone—a historical high. However, in many countries, the lingering effects of the pandemic, increased economic protectionism and new labour market dynamics are resulting in higher barriers to entry for migrants who might seek opportunity or refuge.

These higher barriers to migration, and their spillover effect on remittances—a critical lifeline for some developing countries—risk precluding a potential pathway to restoring livelihoods, maintaining political stability and closing income and labour gaps. At the time of writing, the United States faced over 11 million unfilled jobs in general and the European Union had a deficit of 400,000 drivers just in the trucking industry. In the most extreme cases, humanitarian crises will worsen since vulnerable groups have no choice but to embark on more dangerous journeys. Migration pressures will also exacerbate international tensions as it is increasingly used as a geopolitical instrument. Destination country governments will have to manage diplomatic relationships and immigrant skepticism among their populations.

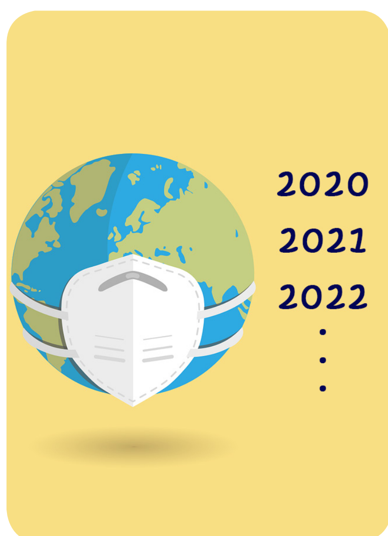
Opportunities in space could be constrained by frictions

While humans have been exploring space for decades, recent years have witnessed increased activity, not only creating new opportunities but also signalling an emerging realm of risk, particularly with growing militarization and weaponization in the arena. New commercial satellite market entrants are disrupting incumbents' traditional influence over the global space commons



in delivering satellite services, notably internet-related communications. A greater number and range of actors operating in space could generate frictions if space exploration and exploitation are not responsibly managed. With limited and outdated global governance in place to regulate space alongside diverging national-level policies, risks are intensifying.

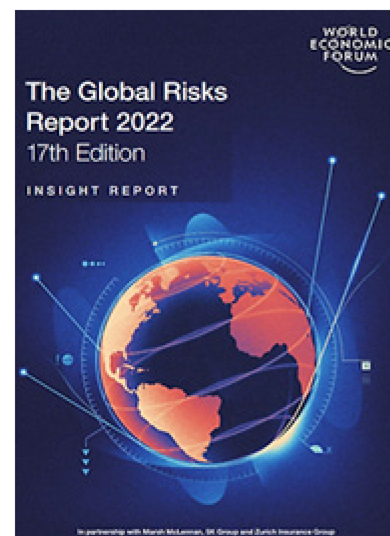
One consequence of accelerated space activity is a higher risk of collisions that could lead to a proliferation of space debris and impact the orbits that host infrastructure for key systems on Earth, damage valuable space equipment or spark international tensions. Limited governance tools increase the likelihood of space activity escalating geopolitical tensions, and recent weapons tests in space underscore such risks. Increased space activity could also lead to unknown environmental impacts or raise costs for public goods such as weather monitoring or climate change surveillance.



Year two of the pandemic yields insights on resilience

In 2021, countries deployed new mechanisms to respond to a public health crisis with shifting characteristics, leading to both successes and failures. Two interlinked factors were critical for effective management of the pandemic: first, the readiness of governments to adjust and modify response strategies according to changing circumstances; and second, their ability to maintain societal trust through principled decisions and effective communication.

Reflecting on the distinct resilience goals of governments, businesses and communities will help ensure that agendas are aligned in achieving a whole of- society approach to tackling critical risks of any nature. For governments, balancing costs, regulating for resilience and adjusting data-sharing arrangements to ensure sharper crisis management are key to galvanizing stronger interaction between public and private sectors. Businesses—recognizing that better national-level preparedness is critical for planning, investing and executing their strategies—can leverage opportunities in areas such as supply chains, codes of conduct within their industry and inclusion of a resilience dimension into workforce benefit offerings. Communities can help local governments to join up with national efforts, improve communication and support grassroots resilience efforts. At an organizational level, strategies such as grounding resilience analyses in key delivery requirements, appreciating systemic vulnerabilities and embracing a diversity of approaches can help leaders build better resilience as well. ■



https://bit.ly/35RBGwj

• Insurance Risk/Reward Index Q2/2022

Developed Markets Insurance Risk/Reward Index

Key View: The Developed Markets' established insurance industries ensure that they have the highest regional averages across all of the components in Fitch Solutions' Risk/Reward Indices, with the UK continuing to lead the index with a score of 84.49. The Covid-19 pandemic also has the potential to affect scores, but the coronavirus' overall impact remains limited for our Insurance RRI as we take long-term market performance and openness into account.

Strong regulatory environments and large-scale offerings are key characteristics for many of the markets in our index, ensuring low risks to the realisation of returns. This is especially true of the top-tier market, the UK, which leads the index with a solid score of 84.49 out of a possible 100. With a well-balanced portfolio, which includes the highest score for Rewards at 81.62, the country's Risk/Reward Index (RRI) performance remains resilient to significant economic challenges posed by both the Covid-19 pandemic and Brexit.

In some markets, such as the UK, US and Canada, the biggest downsides are the modest growth and barriers to entry. The US remains in the second position with a score of 82.45. Switzerland has moved back into the top 10 Developed Markets in our index.

Insurance powerhouses France and Germany continue to perform well in the index due to their sheer scale, openness and sustained growth. Each country resides in the top five alongside Canada, remaining in fifth position this quarter.

Many of the Developed Markets that reside in the lower half of the table are smaller markets, such as the bottom five: Finland, Israel, New Zealand, Malta and Austria (which replaced Iceland this quarter). Together, they have an average RRI score of 67.16, which still surpasses the regional means for our other indices, including Emerging Europe and Asia Pacific.

The Insurance RRI scores objectively measure the current state and long-term potential of the non-life and life segments. They also assess the openness of each segment to new entrants and economic conditions. Collectively, these measures enable an objective assessment of the limits to potential returns across all countries over a period of time. The scores also consider risks to the realisation of returns. The risk assessment is based on our Country Risk Index, embodying a subjective assessment of the impact of the regulatory regime on the development and the competitive landscape of the insurance sector

DEVELOPED MARKETS INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
UK	91,25	85,00	97,50	67,17	81,62	100,00	85,31	91,19	84,49	1
Germany	92,50	92,50	92,50	61,51	80,10	90,00	86,56	87,94	82,45	2
US	91,25	95,00	87,50	62,24	79,64	100,00	79,52	87,71	82,06	3
France	93,75	90,00	97,50	60,51	80,45	90,00	79,83	83,90	81,49	4
Canada	87,50	80,00	95,00	61,07	76,93	100,00	83,97	90,38	80,96	5
Ireland	81,25	72,50	90,00	68,82	76,28	90,00	90,07	90,04	80,41	6
Netherlands	82,50	92,50	72,50	63,70	74,98	100,00	86,39	91,84	80,04	7
Luxembourg	80,00	77,50	82,50	66,97	74,79	95,00	86,60	89,96	79,34	8
Denmark	78,75	72,50	85,00	68,04	74,46	90,00	85,91	87,55	78,39	9
Switzerland	76,25	75,00	77,50	70,41	73,91	90,00	85,91	87,55	78,00	10
Sweden	77,50	65,00	90,00	62,65	71,56	90,00	88,97	89,38	76,91	11
Spain	82,50	85,00	80,00	57,29	72,41	90,00	75,43	81,26	75,07	12
Norway	70,00	62,50	77,50	65,52	68,21	90,00	90,46	90,28	74,83	13
Italy	83,75	72,50	95,00	52,20	71,13	90,00	75,31	81,19	74,15	14
Belgium	75,00	72,50	77,50	60,56	69,22	90,00	80,38	84,23	73,72	15
Australia	71,25	82,50	60,00	61,90	67,51	90,00	84,77	86,86	73,32	16
Japan	76,25	70,00	82,50	55,65	68,01	65,00	81,12	74,67	70,01	17
Liechtenstein	57,50	60,00	55,00	71,00	62,90	80,00	88,00	84,80	69,47	18
Austria	65,00	75,00	55,00	55,08	61,03	90,00	85,26	87,16	68,87	19
Finland	60,00	57,50	62,50	59,40	59,76	90,00	87,45	88,47	68,37	20
Israel	65,00	60,00	70,00	61,47	63,59	80,00	75,49	77,29	67,70	21
Malta	66,25	70,00	62,50	61,04	64,17	70,00	73,83	72,30	66,61	22
New Zealand	47,50	57,50	37,50	67,46	55,48	90,00	81,12	84,67	64,24	23
Iceland	35,00	42,50	27,50	61,18	45,47	85,00	80,29	82,18	56,48	24
Regional average	74,48	73,54	75,42	62,62	69,73	88,96	83,25	85,53	74,47	

Note: Scores out of 100; higher score = lower risk. Source: Fitch Solutions

Asia Pacific Insurance Risk/Reward Index

Key View: Asia Pacific is the second best-performing region in Fitch Solutions' Risk/Reward Indices, behind the Developed Markets, with an average of 52.28 (out of a possible 100). Asia Pacific also performs well in the Rewards component, placing second with an average score of 50.33. For its Risk component, the region now surpasses Latin America & Caribbean and places in second position with a score of 56.85, compared to last quarter's regional average score of 55.87. Although the Covid-19 pandemic has the potential to affect scores in the short term, its impact remains limited for our Insurance RRI as long-term market performance and openness are taken into account.

In Q122 Singapore and Hong Kong remain in first and second place from last quarter with scores of 77.95 and 75.68 respectively.

Hong Kong retains second place in the Rewards component behind Singapore. Overall, East Asia performs well in the index, with South Korea, Taiwan, Japan and China also remaining in the top 10. Mongolia and Macao are exceptions for East Asia, as both markets reside in the lower half of the index.

Conversely, South East Asia's performance is more mixed. Regional outlier Singapore continues to top the Risk/Reward Index (RRI) as well as our Rewards component. Singapore continues to fall in third place, behind Australia and New Zealand, with a Risks score of 84.27, followed by Hong Kong and Japan. Thailand still places in 10th position in the

Risks component with a score of 63.87, and Malaysia remains in the top 10 with a score of 69.12. Indonesia has dropped out of the top 10, while Vietnam and Cambodia still reside in the lower half of the index. The Philippines remains in ninth position scoring 65.72.

At the foot end of the index, Sri Lanka remains in the bottom six owing to a weaker Rewards profile. The country joins Fiji, Pakistan, Mongolia, Bangladesh and Cambodia as the RRI's lowest scorers, which present the most risk to the market and potential investors.

Cambodia retains the lowest score in our RRI and particularly struggles in Industry Rewards Life component, where it continues to score zero. In contrast, Hong Kong heads the component with an unchanged score of 92.50, reflecting its mature life market and strong regulatory practices.

The Insurance RRI considers the current state and long-term potential of the non-life and the life segments. It also assesses how open each segment is to new entrants and economic conditions. Collectively, these measures enable an objective review of the limits to potential returns across all markets, and over a period of time. The scores also focus on the risks to the realisation of returns, which is based on our proprietary Country Risk Index. It also embodies a subjective assessment of the impact of the regulatory regime on the development and competitive landscape of the insurance sector.

ASIA PACIFIC INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
Singapore	77,50	72,50	82,50	71,84	**75,24**	95,00	77,11	**84,27**	77,95	1
Hong Kong	75,00	57,50	92,50	71,55	**73,62**	100,00	67,47	**80,48**	75,68	2
Australia	72,50	82,50	62,50	61,95	**68,28**	90,00	84,77	**86,86**	73,86	3
South Korea	78,75	77,50	80,00	63,32	**72,58**	60,00	79,59	**71,75**	72,33	4
Taiwan	77,50	72,50	82,50	59,87	**70,45**	70,00	74,95	**72,97**	71,21	5
Japan	76,25	70,00	82,50	53,68	**67,22**	65,00	81,12	**74,67**	69,45	6
New Zealand	42,50	52,50	32,50	67,50	**52,50**	90,00	82,45	**85,47**	62,39	7
Malaysia	56,25	50,00	62,50	60,96	**58,14**	75,00	65,20	**69,12**	61,43	8
Thailand	63,75	57,50	70,00	53,62	**59,70**	70,00	59,78	**63,87**	60,95	9
China	72,50	70,00	75,00	43,70	**60,98**	55,00	60,30	**58,18**	60,14	10
India	62,50	55,00	70,00	42,87	**54,65**	45,00	66,98	**58,19**	55,71	11
Indonesia	52,50	45,00	60,00	47,64	**50,56**	55,00	57,12	**56,27**	52,27	12
Philippines	45,00	37,50	52,50	46,47	**45,59**	75,00	59,54	**65,72**	51,63	13
Vietnam	43,75	37,50	50,00	40,60	**42,49**	55,00	50,14	**52,08**	45,37	14
Macao	37,50	25,00	50,00	64,53	**48,31**	65,00	16,00	**35,60**	44,50	15
Sri Lanka	20,00	20,00	20,00	40,02	**28,01**	45,00	51,80	**49,08**	34,33	16
Pakistan	18,75	15,00	22,50	35,52	**25,46**	40,00	35,75	**37,45**	29,06	17
Mongolia	11,25	15,00	7,50	48,85	**26,29**	40,00	27,12	**32,27**	28,08	18
Fiji	20,00	20,00	20,00	42,17	**28,87**	50,00	8,30	**24,98**	27,70	19
Bangladesh	21,25	22,50	20,00	36,96	**27,53**	20,00	11,07	**14,64**	23,67	20
Cambodia	7,50	15,00	0,00	39,76	**20,40**	40,00	6,57	**19,94**	20,27	21
Regional average	**49,17**	**46,19**	**52,14**	**52,07**	**50,33**	**61,90**	**53,48**	**56,85**	**52,28**	

Note: Includes territories and special administrative regions. Scores out of 100; higher score = lower risk. Source: Fitch Solutions

Middle East & North Africa Insurance Risk/Reward Index

Key View: With an average score of 34.33 (out of a possible 100), Middle East and North Africa places fifth in Fitch Solutions' Insurance RRIs. Poor regulatory environments, high political risk and a number of nascent life insurance sectors weigh on Rewards scores, which average 35.11 – the second lowest for this component in our RRIs. The Covid-19 pandemic continues to present economic challenges, but the outbreak's impact remains limited for our Insurance RRI as we take long-term market performance and openness into account.

The UAE remains a regional outperformer, staying in first place with a 3.12 lead ahead of Bahrain, thanks to its stability and well developed non-life market. In contrast, Yemen and Libya's ranks continue to be affected by war, limiting Rewards and creating risks to the realisation of these. Despite a ceasefire being reached in 2020 for Libya's civil war, the country still places at the bottom of the MENA insurance Risk/Reward Index (RRI) with a score of 12.52. Libya particularly struggles in Industry Rewards Life, where it continues to score 2.50. Fellow North African markets Algeria and Tunisia round out the bottom five with Yemen and Iran. US sanctions and Covid-19 continue to impact Iran's economy. US-Iran tensions present downside risks to our outlook for the Iranian economy, as does the possibility that the pandemic could last for longer expected, with economic disruption going into 2022-2023.

At the top of the index, Gulf Cooperation Council (GCC) states (particularly the UAE) present ample opportunities in terms of market growth, openness and stability, but they only stand out on a regional scale. GCC members populate the top five positions, showing the importance of membership for our index. Morocco is back in sixth position in Q222 and remains North Africa's best-performing market.

The Insurance RRI considers the current state and long-term potential of the non-life and life segments. It also assesses how open each segment is to new entrants and economic conditions. Collectively, these measures enable an objective review of the limits to potential returns across all countries, and over a period of time. The score also focuses on the risks to the realisation of returns, which is based on our proprietary Country Risk Index. It embodies a subjective assessment of the impact of the regulatory regime on the development and competitive landscape of the insurance sector.

MIDDLE EAST AND NORTH AFRICA INSURANCE RISK/REWARD INDEX

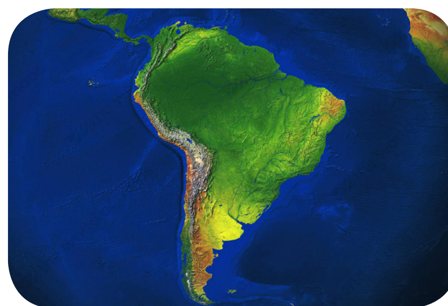
	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
UAE	45,00	52,50	37,50	64,28	52,71	70,00	19,46	39,67	48,80	1
Bahrain	28,75	35,00	22,50	70,36	45,39	85,00	20,60	46,36	45,68	2
Saudi Arabia	33,75	52,50	15,00	65,73	46,54	60,00	13,96	32,37	42,29	3
Qatar	25,63	46,25	5,00	70,21	43,46	55,00	21,00	34,60	40,80	4
Kuwait	26,25	25,00	27,50	67,84	42,89	50,00	24,18	34,51	40,37	5
Morocco	37,50	40,00	35,00	46,10	40,94	70,00	18,23	38,94	40,34	6
Oman	27,50	37,50	17,50	62,50	41,50	65,00	19,00	37,40	40,27	7
Jordan	22,50	27,50	17,50	54,88	35,45	70,00	21,57	40,94	37,10	8
Lebanon	25,00	30,00	20,00	49,90	34,96	65,00	12,72	33,63	34,56	9
Egypt	26,25	30,00	22,50	44,37	33,50	60,00	12,83	31,70	32,96	10
Tunisia	17,50	22,50	12,50	44,03	28,11	55,00	13,97	30,38	28,79	11
Yemen	15,00	17,50	12,50	35,73	23,29	60,00	6,06	27,64	24,59	12
Iran	25,00	32,50	17,50	35,34	29,14	20,00	6,10	11,66	23,89	13
Algeria	16,25	25,00	7,50	26,94	20,53	50,00	9,11	25,47	22,01	14
Libya	3,75	5,00	2,50	32,07	15,08	15,00	0,94	6,56	12,52	15
Regional average	25,04	31,92	18,17	51,35	35,57	56,67	14,65	31,45	34,33	

Note: Scores out of 100; higher score = lower risk. Source: Fitch Solutions

Latin America & the Caribbean Insurance Risk/Reward Index

Key View: Asia Pacific is the second best-performing region in Fitch Solutions' Risk/Reward Indices, behind the Developed Markets, with an average of 52.28 (out of a possible 100). Asia Pacific also performs well in the Rewards component, placing second with an average score of 50.33. For its Risk component, the region now surpasses Latin America & Caribbean and places in second position with a score of 56.85, compared to last quarter's regional average score of 55.87. Although the Covid-19 pandemic has the potential to affect scores in the short term, its impact remains limited for our Insurance RRI as long-term market performance and openness are taken into account.

Top performers Bermuda and Brazil remain the regional outliers for Rewards, maintaining above-average scores of 80.10 and 60.85 respectively. The latter also retains a sizeable 5.49 lead over Venezuela, which which moved into fifth position, replacing Barbados this quarter. Mexico also retains its place in third with a Rewards score of 57.01. In Risks, Bermuda, the Bahamas, Barbados, Chile and the Cayman Islands populate the top five, scoring well above their peers with an average score of 77.74. Chile, remains in fifth position with a 0.41 lead against Brazil in sixth position.



The top 10 remains largely unchanged in Q222, except for the Cayman Islands replacing Brazil in second place. Conversely, with

the exception of Jamaica and the Dominican Republic in the Caribbean, the lower half of the index is dominated by Central American and South American countries. Brazil, Chile, Colombia and Peru are exceptions for the latter, with each nation securing a position in the 10 leading markets. Bolivia, Nicaragua, Bolivia, Honduras, El Salvador and Guatemala round out the bottom five.

The Insurance RRI considers the current state and long-term potential of the non-life and the life segments. It also assesses how open each segment is to new entrants and economic conditions. Collectively, these measures enable an objective review of the limits to potential returns across all countries, and over a period of time. The score also focuses on the risks to the realisation of returns, which is based on our proprietary Country Risk Index. It also embodies a subjective assessment of the impact of the regulatory regime on the development and competitive landscape of the insurance sector.

LATIN AMERICA AND THE CARIBBEAN INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
Bermuda	97,50	100,00	95,00	54,00	80,10	95,00	73,33	82,00	80,67	1
Cayman Islands	57,50	85,00	30,00	54,00	56,10	90,00	74,00	80,40	63,39	2
Brazil	73,75	82,50	65,00	41,50	60,85	70,00	65,45	67,27	62,78	3
Barbados	46,25	52,50	40,00	66,19	54,23	95,00	66,67	78,00	61,36	4
Bahamas	47,50	47,50	47,50	54,94	50,48	95,00	71,01	80,61	59,52	5
Mexico	63,75	65,00	62,50	46,91	57,01	75,00	54,66	62,80	58,75	6
Chile	50,00	52,50	47,50	58,69	53,47	70,00	66,13	67,68	57,74	7
Colombia	48,75	55,00	42,50	44,53	47,06	70,00	53,75	60,25	51,02	8
Argentina	47,50	57,50	37,50	40,95	44,88	70,00	55,91	61,55	49,88	9
Trinidad & Tobago	28,75	27,50	30,00	60,65	41,51	65,00	67,81	66,69	49,06	10
Venezuela	75,00	75,00	75,00	25,90	55,36	45,00	26,53	33,92	48,93	11
Peru	33,75	37,50	30,00	48,11	39,50	65,00	57,67	60,60	45,83	12
Panama	28,75	40,00	17,50	41,66	33,91	65,00	59,34	61,61	42,22	13
Costa Rica	16,25	27,50	5,00	49,79	29,67	70,00	63,50	66,10	40,60	14
Ecuador	36,25	45,00	27,50	32,66	34,81	70,00	41,94	53,16	40,32	15
Jamaica	25,00	20,00	30,00	35,67	29,27	70,00	57,26	62,36	39,19	16
Uruguay	32,50	35,00	30,00	42,47	36,49	55,00	31,49	40,89	37,81	17
Dominican Republic	15,00	25,00	5,00	41,14	25,46	75,00	54,76	62,86	36,68	18
Paraguay	20,00	25,00	15,00	42,89	29,16	55,00	50,18	52,11	36,04	19
Guatemala	23,75	32,50	15,00	37,01	29,05	55,00	50,25	52,15	35,98	20
El Salvador	21,25	25,00	17,50	40,80	29,07	45,00	48,30	46,98	34,44	21
Honduras	17,50	17,50	17,50	35,55	24,72	50,00	43,17	45,90	31,08	22
Bolivia	17,50	17,50	17,50	28,46	21,88	40,00	36,50	37,90	26,69	23
Nicaragua	13,75	17,50	10,00	33,83	21,78	35,00	38,90	37,34	26,45	24
Regional average	**39,06**	**44,38**	**33,75**	**44,10**	**41,08**	**66,25**	**54,52**	**59,21**	**46,52**	

Note: Scores out of 100; higher score = lower risk. Source: Fitch Solutions

Sub-Saharan Africa Insurance Risk/Reward Index

Key View: SSA occupies the last position in Fitch Solutions' Insurance RRIs with an average score of 26.64 out of a possible 100, slightly higher than last quarter's 24.31. The growth of the region's insurance sector continues to be suppressed by a number of factors, including underdeveloped life and non-life segments, political risk, low life expectancy and poverty. As a result, SSA's scores remain low in all components, especially Industry Rewards Life, where it garners just 14.11. Covid-19 also has the potential to impact scores further in the short term, but the pandemic's overall impact remains limited for our Insurance RRI as we take long-term market performance and openness into account.

South Africa's well-developed market is a regional outlier, topping our index with a score of 64.24, slightly up from the previous quarter. The country has a stronger insurance sector compared with most countries in SSA, as evidenced by its 16.19 lead over offshore financial hub Mauritius in Rewards. The country also performs well in our Risks component, moving into the top position with a respectable score of 66.24, replacing Mauritius with a score of 52.35.

South Africa's well-balanced profile has enabled a number of its key domestic players to expand operations into other Sub-Saharan Africa (SSA) markets and beyond, including Hollard, Sanlam, Old Mutual and Liberty Holdings.

The majority of the states in our index have remained in their position this quarter, except for Senegal moving into the top 10. East African Community member Kenya and remain unchanged in seventh position, while Uganda falls away from the top 10 in Q222.

Botswana has seen a slight rise in its Risk component again and now scores 63.78 in the component. Ghana, meanwhile, continues to be West Africa's outperformer with an Risk/Reward Index (RRI) score of 38.84. Fellow West African markets Senegal and Côte d'Ivoire remains in 11th and 14th position respectively.

Guinea, the Central African Republic, Chad and the DRC continue to populate the foot of the index along with Congo-Brazzaville that replaced Burundi in the bottom five. Together, the table's five lowest scorers have an average RRI score of 14.53, slightly higher than last quarter.

The Insurance RRI considers the current state and long-term potential of the non-life and life segments. It also assesses how open each segment is to new entrants and economic conditions. Collectively, these measures enable an objective review of the limits to potential returns across all countries, and over a period of time. The score also focuses on the risks to the realisation of returns, which is based on our proprietary Country Risk Index. It embodies a subjective assessment of the impact of the regulatory regime on the development and competitive landscape of the insurance sector.

SUB-SAHARAN AFRICA INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/Reward Score	Rank
South Africa	67,50	62,50	72,50	56,77	63,21	65,00	67,73	66,64	64,24	1
Mauritius	37,50	37,50	37,50	61,30	47,02	60,00	67,98	64,79	52,35	2
Botswana	23,75	20,00	27,50	53,15	35,51	60,00	66,30	63,78	43,99	3
Ghana	23,75	25,00	22,50	42,13	31,10	50,00	61,51	56,91	38,84	4
Namibia	28,75	20,00	37,50	42,41	34,21	40,00	53,75	48,25	38,43	5
Zimbabwe	52,50	65,00	40,00	29,19	43,18	20,00	23,13	21,88	36,79	6
Kenya	25,00	30,00	20,00	35,88	29,35	45,00	43,59	44,15	33,79	7
Nigeria	22,50	20,00	25,00	41,63	30,15	25,00	46,42	37,85	32,46	8
Senegal	18,75	20,00	17,50	30,80	23,57	30,00	45,62	39,37	28,31	9
Tanzania	12,50	17,50	7,50	29,57	19,33	40,00	50,68	46,41	27,45	10
Malawi	12,50	12,50	12,50	33,39	20,85	40,00	43,09	41,85	27,15	11
Gabon	8,75	12,50	5,00	38,98	20,84	30,00	48,26	40,96	26,88	12
Uganda	13,75	15,00	12,50	31,23	20,74	40,00	41,29	40,77	26,75	13
Cote d Ivoire	17,50	20,00	15,00	31,70	23,18	40,00	29,56	33,74	26,35	14
Zambia	11,25	12,50	10,00	40,66	23,01	15,00	44,30	32,58	25,88	15
Angola	11,25	15,00	7,50	32,05	19,57	40,00	35,60	37,36	24,91	16
Cameroon	16,25	20,00	12,50	25,02	19,76	30,00	40,08	36,05	24,64	17
Burkina Faso	11,25	15,00	7,50	26,42	17,32	30,00	40,91	36,55	23,09	18
Benin	7,50	7,50	7,50	25,45	14,68	30,00	41,94	37,17	21,43	19
Mali	6,25	10,00	2,50	27,97	14,94	20,00	42,76	33,65	20,55	20
Togo	10,00	10,00	10,00	26,66	16,66	20,00	32,53	27,52	19,92	21
Rwanda	5,00	7,50	2,50	32,62	16,05	10,00	39,59	27,75	19,56	22
Congo-Brazzaville	7,50	10,00	5,00	23,12	13,75	20,00	38,97	31,38	19,04	23
Madagascar	3,75	5,00	2,50	27,17	13,09	10,00	38,64	27,18	17,92	24
Ethiopia	2,50	2,50	2,50	29,59	13,33	10,00	32,79	23,68	16,44	25
Niger	3,75	5,00	2,50	25,99	12,65	15,00	30,79	24,47	16,19	26
Burundi	5,00	5,00	2,50	24,66	12,84	20,00	27,06	24,23	16,02	27
Guinea	2,50	2,50	2,50	21,05	9,92	20,00	35,08	29,05	15,66	28
Central African Republic	3,75	5,00	2,50	24,38	12,00	20,00	21,67	21,00	14,70	29
Chad	3,75	5,00	2,50	24,25	11,95	20,00	15,22	17,13	13,50	30
DRC	3,75	5,00	2,50	17,53	9,26	10,00	28,14	20,89	12,75	31
Regional average	**15,48**	**16,77**	**14,11**	**32,67**	**22,36**	**29,84**	**41,13**	**36,61**	**26,64**	

Note: Scores out of 100; higher score = lower risk. Source: Fitch Solutions

• SECTOR RISKS BAROMETER - Q4 2021

REGIONAL SECTOR RISK ASSESSMENTS

	Asia-Pacific	Central & Eastern Europe	Latin America	Middle East & Turkey	North America	Western Europe
Agri-food	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk
Chemical	Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk	Medium Risk
Construction	Very High Risk ↗ High Risk	High Risk	High Risk	Very High Risk	Medium Risk	Medium Risk
Energy	High Risk	Medium Risk	High Risk	High Risk	High Risk	High Risk
ICT*	Medium Risk	Medium Risk	High Risk	High Risk	Medium Risk	Medium Risk
Metals	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk
Paper	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Pharmaceuticals	Low Risk	Low Risk	Medium Risk	Medium Risk	Medium Risk	Low Risk
Retail	High Risk	Medium Risk	High Risk	High Risk	High Risk	Medium Risk
Textile-Clothing	High Risk	Very High Risk	Very High Risk	High Risk	Very High Risk	Very High Risk
Transport	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk
Wood	High Risk	High Risk ↗ Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk

*Information and Communication Technologies
Source: Coface

ASIA-PACIFIC

	Asia-Pacific	Australia	China	India	Japan	South Korea
Agri-food	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk	Very High Risk	High Risk	High Risk
Chemical	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	Low Risk
Construction	Very High Risk ↗ High Risk	High Risk ↗ Medium Risk	Very High Risk	Very High Risk	Medium Risk	High Risk
Energy	High Risk	Medium Risk	High Risk	High Risk	High Risk	High Risk
ICT*	Medium Risk	Medium Risk	Medium Risk	High Risk	Low Risk	Low Risk
Metals	Medium Risk	Medium Risk	Medium Risk	High Risk	Medium Risk	Medium Risk
Paper	Medium Risk	High Risk	Medium Risk	High Risk	High Risk	Medium Risk
Pharmaceuticals	Low Risk	Medium Risk	Low Risk	Low Risk	Low Risk	Low Risk
Retail	High Risk	High Risk	High Risk	Very High Risk ↗ High Risk	High Risk	Medium Risk
Textile-Clothing	High Risk	High Risk	High Risk	Very High Risk ↗ High Risk	High Risk	High Risk
Transport	High Risk	High Risk	High Risk	High Risk	High Risk	High Risk
Wood	High Risk	High Risk	High Risk	High Risk	Medium Risk	Medium Risk

*Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

CENTRAL & EASTERN EUROPE

	Central & Eastern Europe	Czechia	Poland	Romania
Agri-food	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk	High Risk
Chemical	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Construction	High Risk	High Risk	High Risk	High Risk
Energy	Medium Risk	Medium Risk ↘ High Risk	Medium Risk	High Risk
ICT*	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Metals	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Paper	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Pharmaceuticals	Low Risk	Low Risk	Low Risk	Medium Risk
Retail	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	Very High Risk
Transport	High Risk	High Risk	High Risk	High Risk
Wood	High Risk ↗ Medium Risk	High Risk	High Risk ↗ Medium Risk	High Risk

*Information and Communication Technologies
Source: Coface

LATIN AMERICA

BUSINESS DEFAULT RISK

- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

	Latin America	Argentina	Brazil	Chile	Mexico
Agri-food	Medium Risk	High Risk	Medium Risk	High Risk	Medium Risk
Automotive	High Risk	Very High Risk	High Risk	High Risk	Very High Risk
Chemical	High Risk	High Risk	Medium Risk	High Risk	Very High Risk
Construction	High Risk	Very High Risk ↗ High Risk	High Risk	High Risk	Very High Risk
Energy	High Risk	High Risk	High Risk	Medium Risk	Very High Risk
ICT*	High Risk	Very High Risk	High Risk	Medium Risk	Medium Risk
Metals	Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk
Paper	Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk
Pharmaceuticals	Medium Risk	Medium Risk	Medium Risk	Low Risk	Medium Risk
Retail	High Risk	Very High Risk	Medium Risk	Medium Risk	High Risk
Textile-Clothing	Very High Risk	Very High Risk	Very High Risk	High Risk	High Risk
Transport	High Risk	High Risk	High Risk	High Risk	High Risk
Wood	Medium Risk	High Risk	Medium Risk	Medium Risk	High Risk

*Information and Communication Technologies
Source: Coface

MIDDLE EAST & TURKEY

	M. East & Turkey	Israel	Saudi Arabia	Turkey	UAE
Agri-food	High Risk	High Risk	High Risk	High Risk	Medium Risk
Automotive	High Risk	High Risk	High Risk	High Risk	High Risk
Chemical	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Construction	Very High Risk	High Risk	Very High Risk	Very High Risk	Very High Risk
Energy	High Risk	High Risk	High Risk ↗ Medium Risk	Very High Risk	High Risk
ICT*	High Risk	Medium Risk	High Risk	High Risk	High Risk
Metals	High Risk	High Risk	High Risk	Medium Risk	High Risk
Paper	Medium Risk	Medium Risk	High Risk	Medium Risk	High Risk
Pharmaceuticals	Medium Risk	Medium Risk	Medium Risk	Medium Risk	Medium Risk
Retail	High Risk	Medium Risk	High Risk	High Risk	Medium Risk
Textile-Clothing	High Risk	High Risk	High Risk	High Risk	High Risk
Transport	High Risk	High Risk	High Risk	High Risk	High Risk
Wood	High Risk	High Risk	High Risk	High Risk	High Risk

*Information and Communication Technologies
Source: Coface

NORTH AMERICA

	North America	Canada	United States
Agri-food	Medium	Medium	Medium
Automotive	High	High	High
Chemical	Medium	High	Medium
Construction	Medium	Medium	Medium
Energy	High	High	High
ICT*	Medium	Medium	Medium
Metals	Medium	Medium	Medium
Paper	Medium	Medium	Medium
Pharmaceuticals	Medium	Low	Medium
Retail	High	High	High
Textile-Clothing	Very High	Very High	Very High
Transport	High	High	High
Wood	Medium	Medium	Medium

*Information and Communication Technologies
Source: Coface

BUSINESS DEFAULT RISK
- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

WESTERN EUROPE

	Western Europe	Austria	France	Germany	Italy	Netherlands (the)	Spain	Switzerland	United Kingdom
Agri-food	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium
Automotive	High	High	High	High	Very High	High	High	High	Very High
Chemical	Medium	Medium	Medium	Low	Medium	Low	Medium	Low	Medium
Construction	Medium	Medium	Medium	Medium	High ↗ Medium	Low	Medium	Medium	Medium ↘ High
Energy	High	Medium	High ↗ Medium	Medium ↘ High	High	Medium ↘ High	High	Medium	High
ICT*	Medium	Medium	Medium	Medium	Medium ↗ Low	Medium	Medium	Medium	Medium
Metals	Medium	Medium	Medium	Medium	High	Medium	Medium	Medium	Medium
Paper	Medium	Medium	Medium	Medium	High ↗ Medium	Medium	Medium	High	High
Pharmaceuticals	Low	Low	Low	Low	Low	Low	Low	Low	Low
Retail	Medium	Medium	Medium	High	Medium	Medium	Medium	Medium	Medium ↘ High
Textile-Clothing	Very High	High	Very High	Very High	Very High	High	Very High	Very High	Very High
Transport	High	High	High	High	High	High	Very High	High	Very High
Wood	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium

*Information and Communication Technologies
Source: Coface

OTHER COUNTRIES

	Russia	South Africa
Agri-food	Medium	Medium
Automotive	High	High
Chemical	Medium	Medium
Construction	High	Very High
Energy	High	High
ICT*	Medium	Medium
Metals	Medium	Medium
Paper	Medium	High ↗ Medium
Pharmaceuticals	Low	Medium
Retail	Medium	High
Textile-Clothing	High	Very High
Transport	High	High
Wood	High ↗ Medium	High

BUSINESS DEFAULT RISK
- Low Risk
- Medium Risk
- High Risk
- Very High Risk
- ↗ Upgrade
- ↘ Downgrade

*Information and Communication Technologies
Source: Coface

Source: *COFACE Country and Sector Risks Barometer Q4 2021, Feb 2022* | Link: https://bit.ly/3HNp9H6

• Blockchain in Banking and Financial Services

The global blockchain in banking and financial services market size is expected to grow from **$1.17 billion in 2021 to $1.89 billion in 2022** at a compound annual growth rate (CAGR) of 61.9%. The blockchain in banking and financial services market growth is mainly due to the companies resuming their operations and adapting to the new normal while recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is expected to reach $12.39 billion in 2026 at a CAGR of 60%.

The increasing adoption of blockchain in banking and the rising use of cryptocurrency will propel the growth of the blockchain in banking and financial services market during the forecast period. The advantages, like capital optimization, reduction in operational costs for banks, increased transparency, and an increase in financial solutions, have led to a rise in blockchain in banking and financial services market trends. Blockchain in cryptocurrency aids es market are Microsoft Corporation, IBM, Infosys, Amazon Web Services, Hewlett Packard Enterprise, R3, Intel, Oracle Corporation, SAP SE, Accenture plc, JPMorgan Chase & Co., Bitfury Group Limited, Auxesis Services & Technologies (P) Ltd., ConsenSys, Akamai Technologies Inc., and AlphaPoint.

The global blockchain in banking and financial services market overview is segmented by type into public blockchain, private blockchain, others; by application into fund transaction management, real time loan funding, liquidity management, others.

In 2021, North America was the largest region in the market as per TBRC's blockchain in banking and financial services market analysis. Asia-Pacific is expected to be the fastest-growing region in the forecast period. The regions covered in the blockchain in financial and banking services market report are Asia-Pacific, Western Europe, Eastern Europe, North America, South America, the Middle East, and Africa. ■

NASDAQ OMX's News Release Distribution Channel, 24 Feb 2022

• *Illuminating the dark world of ransomware*

As the new year begins, many businesses are fortifying cyber security plans, with ransomware, more than espionage, the word on everybody's lips. This malware, which encrypts user data and blocks access until payment of a ransom, has escalated during the past decade and looks set to dominate the landscape in 2022. Last year, AIG predicted that ransomware payment could amount to $20 billion USD - up from $315,000 six years before.

In May 2021, ransomware attacks underscored the vulnerability of critical infrastructure by causing fuel shortages on the United States' East Coast served by the Colonial pipeline, disruption to the Irish health service and shutdowns for meat processing giant JBS from Canada to Australia. These attacks bolstered the argument that ransomware has transitioned from a minor commercial menace into a national security threat.

The proliferation of attacks is supported by increasingly sophisticated business models used among hackers. DarkSide, the ransomware group that became a household name after the Colonial attack, operated a profit-sharing model with a suite of services offered to would-be hackers alongside terms and conditions. In addition, adoption of a model similar to the McMafia criminal franchise is growing in ransomware circles.

The increasing inclusion of user-friendly interfaces and customer service in Ransomware-as-a-Service (RaaS) packages lowers the barriers to entry for less technically sophisticated franchisees.

Perhaps inexperience and complacency have an upside: In an unusual outcome, the FBI was able to recover a large chunk of the Colonial ransom after acquiring the private key to the hackers' Bitcoin wallet. Yet the influx of so many attackers is a troubling development – and one that presents a quandary for governments, businesses, and the insurance industry.

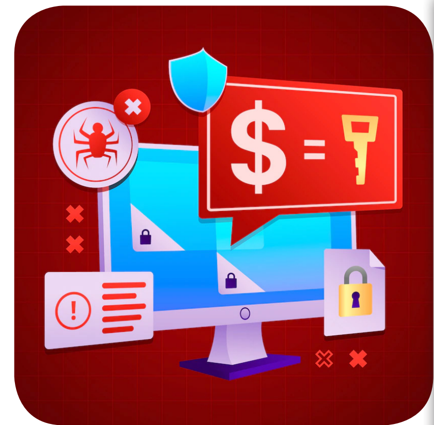
To Pay or Not to Pay

At the heart of the multifaceted dilemma facing government and business victims is whether to pay a ransom.

The U.S. and U.K. governments both advise against paying ransoms, further noting that companies have no guarantee of getting their data back. Statistics back up this stance: According to cybersecurity companies Kaspersky and Sophos, only 29 per cent of people who paid the ransom recovered all their files, and just 8 per cent got all their data back.

There are many estimates of the exact percentage of victims who pay the ransom, but any figures are prone to wide margins of error, as those who do pay quickly are unlikely to report a breach to markets or authorities.

This raises the other side of the dilemma: While governments may not like it, paying the ransom can make business sense, at least in the short run. Insurers and businesses know that paying the fee is likely to be less damaging and expensive than the cost of treating the attack as a hardware issue and starting from scratch, improving security architecture as part of a rebuild.



However, when an organisation chooses to go down the no-negotiations route, things can get very expensive quickly. Famously, the city of Atlanta decided to rebuild from scratch rather than pay a $51,000 ransom to unlock municipal computers, at a cost estimated at $17 million.

For some companies, the cost of the ransom plus the cost of a shutdown can threaten their very existence. In anticipation of such circumstances, transferring the risk of covering the ransom to an insurer seems to be a logical and reasonable solution.

The Role of Cyber Insurance

The recent spate of attacks has brought insurers under fire for complicity in the escalation of cybercrime. The thinking is that, by offering cyber insurance, insurers are legitimising cybercrime and perhaps even indirectly encouraging cybercriminals.

Ciaran Martin, former head of the U.K.'s National Cyber Security Centre, has called for changes to the current law, making payment of ransoms illegal, or at least for an extensive industry consultation over the practice. Martin's efforts underscore the complexity of, and concern around the current situation.

The fear of a cascading cyber risk event evokes caution among reinsurers, while the increasing prevalence of internet-connected technology means vulnerability is only continuing to grow. This situation prompted Swiss Re's chief executive officer Christian Mumenthaler to call the problem "so big it's not insurable."

There's evidence that ransomware groups target companies they know to have cyber insurance, and it's hard to rule out insurance payments as part of an increasingly vicious cycle. Yet underpinning the situation is something beyond the supply and demand of the cyber risk market: problems at the political level.

The Effects of Geopolitics on Cybercrime

States generally lack the regulation to deal with this new threat. Plus, while governments may find paying ransoms distasteful, any attempt to outlaw it will likely chase the practice further underground. Moreover, it criminalises the victim, who may end up garnering public support and determining that the consequences of not complying with the law are worthwhile- if a $1 million ransom attracts a $100,000 fine, that represents less of a deterrent then it does a 10 percent tax on data recovery.

International affairs become crucial because few cybercriminals are based in the West. FBI Director Christopher Wray has specifically singled out Russia, and a list of the top earners from ransomware is a who's who of the Russian cyber underground.

The targets, however, are mostly in the West. While that can be partially attributed to some of the largest companies being located there, ample evidence suggests that the criminal groups intentionally seek to avoid targets in Russian-speaking areas.

The groups enjoy the benign neglect of local security services by acting as a thorn in the side of geopolitical rivals and being careful not to upset anyone closer to home. Again, nothing is new here; tolerating outlaws who annoy your enemies is a phenomenon older than the modern na-

tion-state.

With Russia joined by countries such as China, North Korea, and Iran in refusing to cooperate with western law enforcement, attackers are operating in a high-reward, low-risk environment that pays enormous dividends for skilled ransomware writers.

The problem has finally grown large enough to enter the geopolitical sphere in its own right, especially given recent attacks on major infrastructure. Hackers seem to be aware of this fact; DarkSide issued an apology for the colonial disruption and implied that a RaaS customer has been responsible for the inappropriate target selection.

The United States has made clear that it's willing to respond with its own disruptive measures. As of this writing, the effect of this threat remains uncertain. But simple economics suggests that unless countries cooperate to make it too risky to pursue expected payouts, the entrepreneurial will continue to gravitate towards cybercrime.

The Central Role of Insurance

Being asked to step into a legal void on the morality of paying ransoms is probably beyond the remit of insurers, whose domain is risk transfer, not political philosophy.

A Deloitte report suggests that insurers could benefit from applying more robust scrutiny to cyber insurance applicants to align more closely with major commercial property insurance products. As the market tightens and prices rise, scrutiny is sharply increasing, a correction that may well be positive. As criminals get greedier, insurers may reconsider the cost-benefit analysis of paying ransoms, a trend that could eventually be fatal to the practice of ransomware attacks.

It's unlikely that the problem will ever be resolved without progress within and among states regarding approaching the root causes of cybercrime.

In the meantime, cooperation between governments and industry to improve incentives for firms to upgrade their security architecture is likely key to bringing cyber risk back under control.

Governments are critically positioned to facilitate information sharing and to legislate, cajole, and subsidise businesses in the direction of improved cybersecurity. They should also provide clear legislation and guidelines on what they expect insurers and other companies to do to help with this task.

Insurers should continue to work with the government to increase risk awareness and bridge the data gap, sharing information and finding ways to encourage cyberattack reporting that will help the sector price risk better. But they can't tackle the problem alone. As the American Property Casualty Insurance Association (APCIA) 's new ransomware guiding principles point out, insurance is only one aspect of national cyber resiliency.

Ransomware has developed in the space created by geopolitical standoffs and thrived amid the unique circumstances of the COVID-19 pandemic. It is a societal malaise that will require a societal effort to control.■

Ref: THOUGHT LEADERSHIP (AXCO) – 24 Jan 2022

• *War and Office of Foreign Assets Control Exclusions: Insurance Policy Language Matters*

by Robert Jacques , Kevin King and Heidi Lawson

Robert Jacques

Kevin King

Heidi Lawson

Nearly two weeks into the Russian invasion of Ukraine, numerous companies are focused on how the war might impact their business, including their insurance coverage. This advisory provides a high-level overview of two types of insurance exclusions that may be implicated: war exclusions and OFAC exclusions.

War exclusions

In numerous insurance policies over the past century, "war" exclusions have become a standard coverage term that often goes unnoticed. With a hardened insurance market and in the face of novel risks in the modern world, the industry has reassessed legacy language to add expanded "war" exclusions in insurance policies. For example, at the end of 2021, the Lloyd's Market Association released four model clauses to specifically exclude coverage for "cyber war" from cyber insurance policies. However, consideration of the definition of "war" certainly doesn't stop with cyber insurance.

What is meant by "war" has been the subject of case law and interpretation for decades in both insurance and non-insurance contexts. The seminal decision in the insurance context is Pan American World Airways, Inc. v. Aetna Cas. & Sur. Co., 505 F.2d 989 (2d Cir. 1974), which rejected the application of a war exclusion to a terrorist group's hijacking and destruction of a plane. Referring to existing precedent, as well as international law, the court held "that war is a course of hostility engaged in by entities that have at least significant attributes of sovereignty." Indeed, "cases dealing with the insurance meaning of 'war' have defined it in accordance with the ancient international law definition" - that is, "war refers to and includes only hostilities carried on by entities that constitute governments at least de facto in character." Various subsequent authorities rely on Pan American'sdefinition of "war," including recently the Ninth Circuit's decision in Universal Cable Productions, LLC v. Atlantic Specialty Ins. Co., 929 F.3d 1143, 1147, 1155 (9th Cir. 2019) ("war" has a "specialized meaning in the insurance context," requiring "hostilities between de jure or de facto sovereigns" and "employment of force between governments or entities essentially like governments," with war being "the method by which a nation prosecutes its right by force").

But certain war exclusions reach events broader than formally declared, all-out "war" per se, including those issued by the Insurance Services Office, which drafts policy forms for the insurance industry that provide that the insurer will "not pay for loss or damage caused directly orindirectly" by "War And Military Action," including "undeclared" wars and "[w]arlike action by a military force" (ISO Form CP 10 20 10 12, § B.1.f.). The issue for insureds is the risk that insurers invoke a "war" exclusion - some of which may incorporate vague concepts such as "hostile or warlike action" or "warlike operations" - to reserve rights on or deny coverage for an otherwise meritorious claim.

OFAC exclusions

In addition to war exclusions, many policies, including directors and officers (D&O) insurance policies, have Office of Foreign Assets Control exclusions. The US Department of the Treasury has issued strict guidelines for insurance companies when it comes to coverage, including having insurers add "an explicit exclusion for risks that would violate U.S. sanctions law. For example, the following standard exclusion clause is often used in open marine cargo policies to avoid OFAC compliance problems: 'whenever coverage provided by this policy would be in violation of any U.S. economic or trade sanctions, such coverage shall be null and void.' The legal effect of this exclusion is to prevent the extension of a prohibited service (insurance or risk assumption) to sanctioned countries, entities or individuals."

Like war exclusions, not all OFAC exclusions are created equal. Although the sample exclusion above is somewhat narrow, some OFAC exclusions are broader, arguably reaching beyond the scope of the sanctions issued. The issue is that, in some cases, a carrier may invoke these exclusions to negate coverage, despite a policyholder's expectations for coverage in a given scenario.

So, what should companies do? Check your policy language to better understand where there might be gaps in coverage. If the exclusions are overly broad, think about what your exposures might be - and potentially assess whether the exclusions can be narrowed or clarified at renewal. In some cases, companies we have spoken to are already making decisions to alter or limit certain parts of their business, not because they will be in violation of OFAC regulations, but because the exclusions that they have are so broad, they are at risk of insurers denying (possibly unjustifiably) coverage when a loss occurs. And that risk is too great.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances. ■

Ref: Mondaq - 9 March 2022

• *Infrastructure projects and the need for environmental insurance*

By John Heft

John Heft

The good news is infrastructure in the U.S. has improved over the past several years. The bad news is that it still isn't very good.

The 2021 Report Card for America's Infrastructure recently released by the American Society of Civil Engineers (ASCE) found the nation's infrastructure averaged a "C-," which was the country's highest grade in the past 20 years. This is an upgrade from the "D+" the ASCE reported in 2017, according to the Council on Foreign Relations.

Historic spending shortfall

The problems lie not only with the nation's aging infrastructure system but also with the decades-old lack of spending, which in many instances lags well behind the investments of other industrialized nations. According to the World Economic Forum's 2019 Global Competitiveness Report, which is "a broad measure of infrastructure quality," the United States now ranks 13th in the world, a significant drop from the 5th place status it held in 2002, the Council on Foreign Relations reports.

Subsequently, President Joe Biden's $1.2 trillion infrastructure plan has taken a step in the right direction by planning "to spend hundreds of billions of dollars on infrastructure projects, building roads, bridges and highways and (to help) stimulate the economy" over the next eight years, Reuters reports.

The road ahead

Developers, municipalities and project owners should start preparing for this influx of federal funds and the anticipated insurance requirements that will come along with it.

Many will look to fortify their best interests with the most advanced and sophisticated risk management strategies available in today's marketplace. This includes employing comprehensive solutions designed specifically to protect stakeholders from the catastrophic environmental risks associated with the design, build and repair of hard infrastructure projects like roads, bridges, airports, rail lines and ports.

Coverage solution

One specific example involves the Infrastructure Pollution Policy (IPP) written by an environmental insurance carrier experienced with this type of coverage and offered exclusively from RT Specialty's Environmental and Construction Professional Practice (RT ECP). This first-of-its-kind policy form was developed to cover the cleanup, damages and claims expenses of developers, owners, general/prime contractors and additional insureds like subcontractors and governmental entities.

In the past, the traditional approach to insuring these types of projects typically involved writing two or more pollution liability policies or balancing the limits between separate policies, and possibly with different carriers, creating a really cumbersome approach to risk management. The IPP eliminates these complexities by combining insurance agreements into one policy form that is designed to seamlessly cover all of the involved stakeholders. In addition, the IPP supplements the environmental due diligence by using a third-party environmental consulting firm that will underscore the numerous exposures that typically challenge infrastructure projects.

As for the policy itself, the IPP's key coverage areas include four insuring agreements:

Coverage A: Contracting Services Pollution Liability Coverage. This occurrence-based coverage part covers the cleanup, damage, claims and emergency response expenses in excess of the deductible, in addition to the amount insureds are legally obligated to pay due to pollution-related conditions. Insured are the performance or failure to perform the agreed-upon contracting services provided by or on behalf of the named insured as well as the transport of jobsite materials. Of course, this is only if the pollution condition commenced on or

after the policy's inception date, occurred during the policy period and was reported to the appropriate entities within seven days of being discovered. Other conditions stipulate that the condition must occur on, at, under or originate from the covered jobsite.

Coverage B: Covered Location Pollution Liability Coverage. This claims-made coverage part covers the cleanup costs, damages and claims expenses in excess of the deductible. This includes the amount the insured is legally obligated to pay to cover the pollution conditions claimed against or discovered by the insured and reported in writing to the carrier during the policy period or extended reporting period, if applicable. It also provides full sudden/accidental and gradual pollution coverage for third-party bodily injuries, property damage (including natural resource damages), emergency response costs and defense.

Coverage C: Non-Owned Location Pollution Liability Coverage. Covered are the cleanup costs, damages and claims expenses in excess of the deductible, which the insured is legally responsible to pay due to a pollution claim first made against the insured and reported in writing to the Underwriters during the policy period, or within the extended reporting period. The caveat is that the condition must have occurred on, at, under or migrated from a non-owned location and on or after the retroactive date and before the end of the policy period.

Coverage D: Crisis & Reputation Management Expenses Coverage. This coverage part is designed to pay the named insured's crisis management and/or reputation management expenses in excess of the deductible when a pollution condition occurs on, at, under or migrates from a covered location or jobsite. Covered are the adverse regional or national news media that reflects negatively on the named insured and the crisis and/or reputation management expenses that are reported to the carrier during the policy period.

Additional IPP policy benefits include a desktop environmental summary of existing due diligence as well as available supplemental environmental database information, which are prepared by a third-party environmental consultant.

The right insurance and risk management solution for the forthcoming influx of infrastructure products nationwide will solve construction-related professional liability and environmental liability challenges by offering insured a customized solution.

John J. Heft (John.Heft@rtspecialty.com) is a Senior Vice President in RT Specialty's Environmental and Construction Professional Practice (RT ECP).

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Source: Property & Casualty 360; New York - Mar 3, 2022

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الرقم الضريبي : 200-022-296

Africa News

• Russia-Ukraine war rears economic, social and geo-political concerns on the continent

Russia's war with Ukraine could further push oil prices up and increase inflation in Africa, making livelihood more difficult for millions on the continent, and affect politics.

Commenting on Russia's invasion of Ukraine, Professor Abdul-Ganiyu Garba of the Department of Economics at Ahmadu Bello University Zaria in Nigeria, told the German media organisation DW, "We know it will directly impact the price of crude oil. The revenue may increase, but since we have shifted oil investments to multinational companies, they are more likely to reap greater revenues than the country itself."

"If there is an increase in crude oil prices, it means inflation will grow globally, the cost of most of our imports will also rise, which will transfer to a domestic crisis," Prof Garba said.

Africa's trade with Russia and Ukraine

The Russian invasion of Ukraine also threatens trade. In 2020, African countries imported agricultural products worth $4bn from Russia. Wheat accounted for approximately 90% of these imports. Egypt was the largest importer, followed by Sudan, Nigeria, Tanzania, Algeria, Kenya, and South Africa.

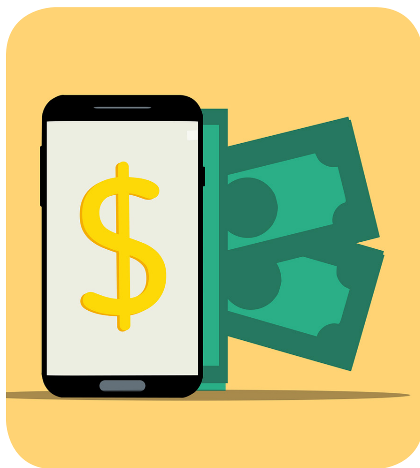
Similarly, Ukraine exported agricultural products worth $2.9bn to Africa in 2020. Wheat accounted for roughly 48% of this, maize 31%, and sunflower oil, barley, and soybeans accounted for the remainder.

The ongoing war could affect supply chains and raise the cost of imports. Sanctions imposed by the US and its allies on Russia will also affect Africa-Russia trade.

In addition, Congolese poet and writer Sinzo Aanza told DW that he was worried that Russia's invasion of Ukraine could also affect politics in African countries.

"This is very bad news for Africa in general because we are on a continent that has always been affected by external influences," he said. ■

Middle East Insurance Review – 28 Feb 2022



• *Are e-money taxes an effective solution for African nations seeking to expand their fiscal reach?*

- Digital transactions expanded rapidly in sub-Saharan Africa due to Covid-19
- Governments have sought to tax e-money to make up for fiscal shortfalls
- Levies on digital transactions have been met with criticism and protests
- Such levies could hinder the growth of e-commerce and financial inclusion

A number of sub-Saharan African countries have sought to introduce taxes on electronic transactions, in response to a sustained uptake prompted by the pandemic. While such moves have been met with criticism, they represent an opportunity to significantly boost tax revenue.

Covid-19 and its knock-on effects gave rise to a sharp increase in electronic payments across the African continent – a trend that is set to continue.

In parallel to this, public finances in the region have taken a significant hit, as revenue from tax and exports was eroded by the global economic crisis of the last two years.

Many governments are consequently looking to the e-finance boom to help plug their respective tax gaps, as well as to expand their fiscal reach in the informal economy.

Developments in digital taxes

A timely example is Ghana, which was due to introduce a 1.75% tax on electronic transactions of more than GHS100 ($14.25) in February, though its official rollout has yet to take place. If enacted, the levy would apply to everything from mobile money to inward remittances.

Announcing the planned measure, Ken Ofori-Atta, the minister of finance, said it would help to widen the tax net, and increase the country's tax-to-GDP ratio from 11% to 16%.

Last year the World Bank announced that Ghana's mobile money sector was the fastest growing in Africa, with the Bank of Ghana recording a 143% year-on-year (y-o-y) increase in transaction value in the first quarter of 2021, alongside a 64% y-o-y increase in transaction volume.

These figures suggest there is much untapped fiscal potential in the space. Nevertheless, the new levy has given rise to considerable controversy, to the extent that scuffles broke out in the Parliament during a vote on the bill.

Critics have expressed concern that it will stymie the development of e-commerce in Ghana, not least by driving people back to cash transactions.

Furthermore, it is thought that the levy could disproportionately affect the rural poor, who have limited payment options and often depend on remittances. On a similar note, many argue that the levy will limit financial inclusion.

These concerns echo recommendations made by the World Bank to Malawi, which in 2019 moved to impose a similar tax, which the

bank said would have a negative impact on the country's financial inclusion and digitalisation agendas. Ultimately, Malawi's government decided not to institute the tax.

If it goes ahead with the levy, Ghana would join a growing list of African nations that have introduced similar taxes in the wake of the pandemic, often giving rise to critiques along similar lines.

On January 1 Cameroon unveiled a new 0.2% tax on mobile money transactions, which was met with a campaign of opposition. Tanzania, meanwhile, imposed a 0.1% minimum tax in July 2021, only for the government to cut this by 30% after protests and a dramatic drop-off in usage.

Pre-pandemic forerunners

Even prior to the pandemic, various countries had imposed taxes on digital transactions, with mixed results.

For example, in Uganda a 1% levy on all mobile money transactions was introduced in July 2018, but this was quickly cut to 0.5% following public opposition and a 24% drop in transaction values.

A recent study by the UN Capital Development Fund found that the tax provoked wealthier and more urban Ugandans to switch to agent banking. In other words, the levy did indeed disproportionately impact lower-income people, as well as having a regressive effect on the formalisation of the Ugandan economy.

Côte d'Ivoire, meanwhile, attempted to introduce a 0.5% mobile money transaction tax in 2018, but this was swiftly withdrawn and replaced in 2019 with a tax on providers' total revenue, rather than the transactions themselves.

The government insisted that providers not pass this extra cost on to their users, which led companies to cut back on operational and infrastructure spending. This outcome would seem to confirm another of the fears of critics of such taxes, namely that they stand to limit the growth of the sector itself.

Lastly, Zimbabwe established a 2% intermediated money transfer tax in 2019. While this tax has proven equally unpopular, it has achieved the desired effect of boosting government tax revenue.

By the end of 2021 the tax accounted for nearly half the contribution of corporate tax, which is second only to value-added tax in Zimbabwe's fiscal mix.

As such, while the government has promised to review the tax, it has also said that it is too lucrative for any review to take place in the short to medium term.

The example of Zimbabwe highlights how, despite the possible negative side effects of such taxes, the income they generate makes them appealing to many governments.

In this light, it would seem reasonable to expect additional such taxes to be imposed in sub-Saharan Africa going forwards. It is up to governments to ensure that they do not represent a step backwards in digitalisation and financial inclusion. ■

Ref: Oxford Business Group - 9 Mar 2022

CHAD

• Insurance Market Fact Sheet

Key Highlights:

- The Chadian insurance industry is regulated by the CRCA at the regional level and by the DEFO at the national level
- Composite insurance is not permitted in Chad.
- 100% FDI is permitted in the Chadian insurance industry.
- Insurance companies from CIMA member states are permitted to operate in Chad without a license.
- Key classes of compulsory insurance include motor third-party liability insurance and professional indemnity insurance for insurance intermediaries.

Reerences:
- Chad Insurance Industry - by GlobalData; June 2021
- UNCTAD Database
- Atlas Magazine – 25 Feb 2022

Population
16.426 Millions

Land area[1]
(n) 1 259 200 km²

Economic Indicators 2020 *(million US$)*

GDP, current	11 074
GDP per capita, current US$	674
Real GDP growth, y-on-y, %	-0.74
Current account balance, % of GDP	(e) -7.27
Exchange rate (/US$)	575.586

Source: UNCTADstat, 05 January 2022

The chadian insurance market: main indicators

	2019
Turnover	23.769 millions USD
Penetration rate	0.21%
Insurance Density	1.49 USD

Structure of the chadian insurance market

Insurance companies	
Non life companies	2
Life companies	1
Total	3
Supervisory authority	
Ministry of Finance and Budget Insurance Division	www.finances.gouv.td
Professional body	
Association des Sociétés d'Assurances du Tchad (ASAT)	-

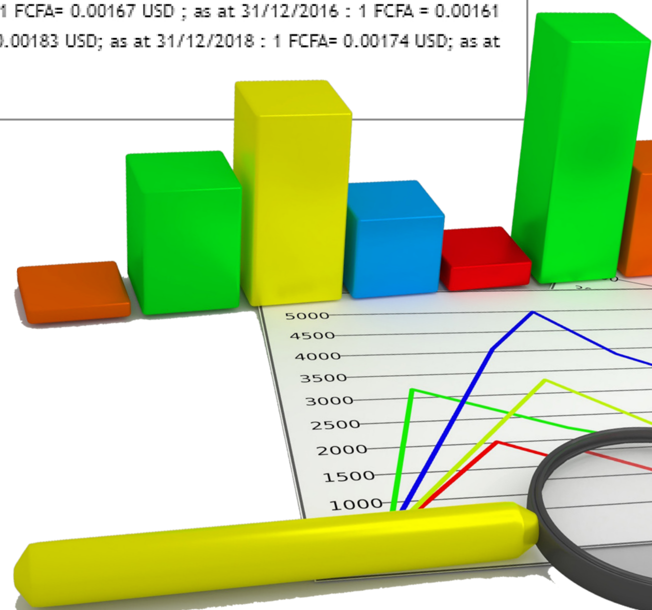
The chadian insurance market: evolution of premiums

Figures in million USD

Activities	2015	2016	2017	2018	2019
Non life	22.044	18.515	20.496	20.358	21.375
Life	2.004	1.449	1.647	1.392	2.394
Total	24.048	19.964	22.143	21.750	23.769

Source : FANAF

Exchange rate as at 31/12/2015 : 1 FCFA= 0.00167 USD ; as at 31/12/2016 : 1 FCFA = 0.00161 USD ; as at 31/12/2017 : 1 FCFA= 0.00183 USD; as at 31/12/2018 : 1 FCFA= 0.00174 USD; as at 31/12/2019: 1 FCFA = 0.00171 USD



THE CENTRAL AFRICAN REPUBLIC

• Insurance Market Fact Sheet

Key Highlights:

- The CAR's insurance industry is regulated by the CRCA at the regional level and by the DSC at the national level.
- Composite insurance is not permitted in the CAR.
- 100% FDI is permitted in the CAR's insurance industry.
- Insurance companies from CIMA member states are permitted to operate in the CAR without a license.
- Key classes of compulsory insurance include motor third-party liability insurance, marine cargo insurance on imports and professional indemnity insurance for insurance intermediaries.

Reerences:
- Central African Republic Insurance Industry- by GlobalData; June 2021
- Atlas Magazine – 22 Feb 2022

Population : 4 745 000 inhabitants
GDP : 2.22 billions USD
GDP per inhabitant : 468 USD
GDP growth rate : 3%
Inflation rate :2.7%

Data as of 31/12/2019, Source : World Bank

The insurance market: main indicators

	2019
Turnover	9.576 millions USD
Penetration rate	0.43%
Insurance Density	2 USD

Data as of 31/12/2019, Source : FANAF

Structure of the insurance market

Insurance companies	
Non life companies	1

Data as of 31/12/2019, Source: FANAF

Supervisory authority

Ministry of Finance and Budget www.finances.gouv.cf
Department of Financial, Monetary, Insurance and Microfinance Affairs

The insurance market: evolution of premiums

Figures in million USD

Activities	2015	2016	2017	2018	2019
Non life	5.177	7.084	8.418	8.874	9.234
Life	-	0.322	-	0.348	0.342
Total	5.177	7.406	8.418	9.222	9.576

Exchange rate as at
31/12/2015 : 1 FCFA= 0.00167 USD ; as at 31/12/2016 : 1 FCFA = 0.00161 USD ; 31/12/2017 : 1 FCFA= 0.00183 USD; as at 31/12/2018 : 1 FCFA= 0.00174 USD; 31/12/2019: 1 FCFA = 0.00171 USD

EGYPT

• Fintech law to expand customer base of non-banking activities: FRA

Dr. Mohamed Omran

The law facilitates access to the largest possible base of customers wishing to benefit from non-banking financial activities, raises their efficiency, and reduces costs. This creates a qualitative leap by providing a license for the practice of four electronic applications, specifically, electronic applications for financial adviser programmes that analyse clients' data, their current financial status, and future financial goals to provide them with technical advice.

Dr.Mohamed Omran, the Chairman of the Financial Regulatory Authority (FRA), said that the authority's board of directors is keen on quickly issuing the necessary executive decisions to implement the law regulating the use of financial technology (fintech) in non-banking financial activities.

He said that the law regulating the use of fintech in non-banking financial activities is part of the FRA's ambitious programme to develop the non-banking financial sector.

The law facilitates access to the largest possible base of customers wishing to benefit from non-banking financial activities, raises their efficiency, and reduces costs. This creates a qualitative leap by providing a license for the practice of four electronic applications, specifically, electronic applications for financial adviser programmes that analyse clients' data, their current financial status, and future financial goals to provide them with technical advice.

Additionally, there are electronic applications for microfinance, insurance, and consumer financing after the authority monitored the accelerating global trend and countries started racing to employ the technology of these applications in the non-banking financial sector and fintech.

The eighth article of the law authorised the FRA's Board of Directors to adopt other electronic applications as long as it has the authority to perform the tasks of non-banking financial activities and have systems to protect customer data from electronic intrusion and cyberattacks and complies with the authority's controls on verifying digital identities and digital contracts in implementing non-banking financial activities and anti-money laundering controls.

Dr. Omran revealed that the practitioners of non-banking financial activities using digital financial technology will be divided into two categories. The first represents companies wishing to engage in non-banking financial activities through digital financial technologies. These companies will fully conduct their activities using digital technology after they are established and licensed by the authority in accordance with the provisions of the law.

The second category represents companies and entities currently licensed by the FRA to engage in any non-banking financial activities. The law permitted this category to obtain the authority's approval to engage in these activities by using modern tech-

nological means — either by themselves or through a third party — chosen by the FRA to undertake some tasks or activities on their behalf in accordance with an outsourcing agreement concluded between them in this regard.

Dr. Omran explained that the law "regulating and developing the use of financial technology in non-banking financial activities" stipulated in its second article that the FRA is the only administrative authority that can apply the provisions of the law in order to achieve its objectives.

The authority also supervises and controls companies and entities subject to the provisions of the law regulating and developing the use of financial technology in non-banking financial activities and receives the complaints submitted. The authority is obligated to respond to these complaints within one month from the date of completing the documents specified.

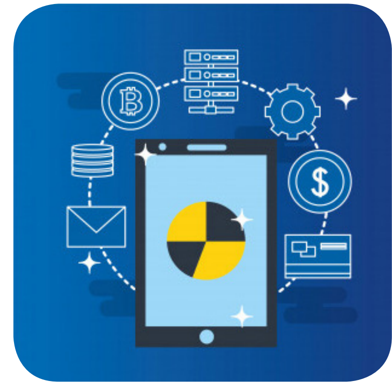
Furthermore, the FRA has provided fintech start-ups with a temporary license for a period of two years to support innovative start-ups in the field of financial technology to support non-banking financial activities and products in accordance with the terms, controls, and licensing procedures set by the authority's Board of Directors. The minimum issued capital of these start-ups must not be less than EGP 250,000, and they will be exempted from licensing fees.

Dr. Omran noted that the law will also facilitate the authority's oversight role in terms of ensuring standards of transparency and governance are adhered to as well as protecting dealers in non-banking financial markets by using modern, innovative technological applications.

Additionally, artificial intelligence mechanisms and other digital forms will be used to reveal violations of the law and suspected money laundering attempts.

Moreover, the FRA will provide early warning of risks related to liquidity, financing, or other financial stability matters in a way that reflects the Egyptian state's adoption of a policy of an efficient remote work environment based primarily on the safe exchange of information, especially with the generous spending on information technology in the Middle East and North Africa, which is expected to reach $200bn, according to the latest forecasts issued by consulting and research institutions. ■

Daily News Egypt – 16 Feb 2022



• *FRA issues directive requiring its approval to conduct due diligence examinations*

Two additional committees were formed to settle disputes in securities, non-banking financing activities: FRA Chairperson

Dr. Mohamed Omran, the Chairman of the Financial Regulatory Authority (FRA), issued Regulatory Decision No. 25 of 2022, which obliges companies to seek its prior approval before conducting due diligence examinations.

The decision adds a new paragraph to the text of Article 8 of the licensing controls and the rules for owning shares of companies operating in non-banking financial activities.

It stipulates that it the FRA's prior approval is required to to conduct due diligence examinations

for any of the companies operating in non-banking financial activities, and before reviewing the internal data and information of those companies to take a final investment decision.

This came after the FRA's Board of Directors held a meeting on Sunday in which they approved the amendment to Resolution No. 53 of 2018 regarding the controls for granting a license.

The authority's Board of Directors agreed to extend the scope of settling disputes that arise between companies and their clients. Two new Dispute Resolution Committees were formed in the non-banking financial sector in the field of securities.

The first is concerned with looking into the complaints the FRA handles in the field of securities and clients. The second is concerned with looking into complaints and issues raised between companies working in the field of non-banking financing and clients. This includes real estate financing activities; financial leasing; factoring; financing micro-, small-, and medium-sized enterprises; as well as consumer financing in accordance with Resolution No. 27 of 2022.

Dr. Omran said that the FRA's Board of Directors — in accordance with Law No. 10 of 2009 — is the supreme authority in charge of managing its affairs and setting and implementing the necessary policies to achieve its objectives.

Since one of the authority's objectives is to work on the safety and stability of non-banking financial markets as well as their regulation, development, and balances, the board considered expanding the scope of the mechanism for managing disputes that arise between companies operating in the field of non-banking financial activities and their clients.

This would achieve stability within the activities subject to the supervision and control of the authority.

Furthermore, Dr. Omran stated that the follow-up of the performance of the Dispute Resolution Committee has resulted in the speedy settlement of insurance disputes and ensuring that beneficiaries of insurance contracts obtain their rights without any delay and with justice and objectivity.

This also highlighted the important role of the great practical experience enjoyed by the members of the Dispute Resolution Committee and their ability to end disputes without resorting to courts in a way that saves expenses, effort, and time.

According to Dr. Omran, the two new committees will look into complaints and disputes referred to them by the authority. The committees must then issue a decision regarding a dispute within a month from the date it was presented to them.

The disputing parties must be informed of the committee's decision five to 10 working days from the decision's issuance date. ■

Daily News Egypt – 21 Feb 2022

LIBYA

• *Insurance Market Forecast:*

Fitch Solutions Report

** Libya Life Premiums Forecast

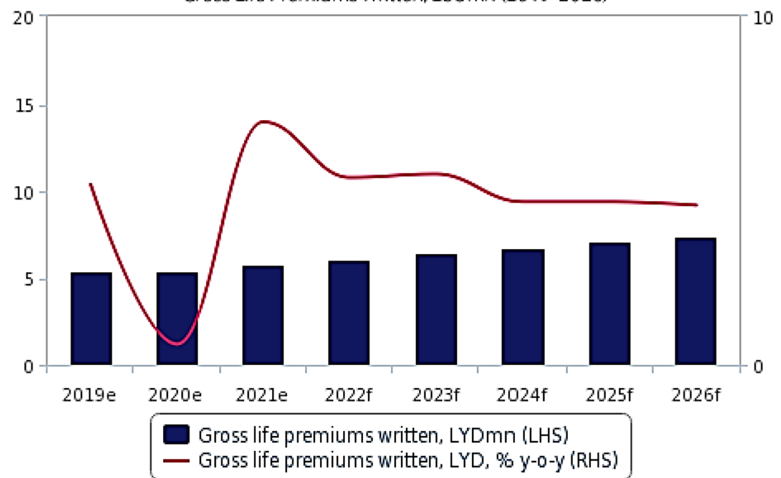
Libya's life market is extremely underdeveloped and will remain so through to the end of our forecast period in 2026, with the US dollar value of premiums expected to total a low USD1.7mn, up from USD1.4mn in 2022. This reflects the damage wrought by nearly a decade of civil chaos, militia rule and attacks by Islamic extremists, including Islamic State, which has meant that foreign oil companies have restricted the operation and deployment of staff to offshore, rather than onshore, facilities. With skilled workers in the oil industry the main source of potential demand for life insurance and the security situation showing little sign of stabilising sustainably, the outlook for the trajectory of life insurance premiums remains uninspiring.

Latest Updates:

- We expect that life premiums will grow by 5.4% in local currency terms after contracting by 57.2% in US dollar terms in 2021, to LYD6.1mn and USD1.4mn respectively.
- We see premiums rising by an average of 5% per annum in local currency terms during the remainder of the forecast period, taking the value of premiums to LYD-7.4mn. These nominal gains will be more than offset by the high rate of inflation.
- In US dollar terms, we forecast that premiums will grow by an average 5.5% from 2022 to 2026 to reach USD1.7mn in 2026.

Structural Trends:

The small size of Libya's life segment is testament to a variety of structural challenges. Even in the absence of the political and social turmoil that has plagued the country since early 2011, constraints such as low levels of household incomes among the vast majority of the population (despite the country's huge oil wealth), a lack of understanding of the benefits of life insurance and a lack of trust in institutions would keep premiums at a very low level. These challenges are expected to prevail beyond the end of our five year forecast period.



Life Insurance Premiums: Little to No Demand:

Libya's life segment hardly exists. Life density has been running at less than USD1 per capita for years. There remain enormous structural constraints to the development of the industry. Such constraints include the low income levels of the population, the underdevelopment of Libya's financial markets, the lack of access of insurance companies to capital and the lack of understanding of life insurance on the part of potential customers. We see no reason why this would change during the forecast period. We believe that life insurance will remain virtually non-existent in 2026, with written premiums reaching only LYD7.4mn (USD1.7mn) – an increase from an expected level of LYD6.1mn

(USD1.4mn) in 2022. Given the seriousness of the challenges facing the segment, we believe that this will remain the case for some years. There have, however, been attempts to improve the segment, starting in 2005 when it was opened to newcomers as part of a liberalisation drive in the last few years of Muammar Gaddafi's rule.

Social upheaval, a difficult business environment and a lack of trust in institutions have prevented the development of organized savings in general and life insurance. For the population as a whole, life expectancy is around 72 years and is increasing slowly. The percentage of the population aged 65 years or older is less than 5%, but this figure is rising gradually. In the event that the security situation in Libya normalises, breadwinners may turn to life insurance policies as a fallback for their families and as savings vehicles.

The country has significant potential given its huge oil reserves, which would under normal circumstances make its citizens among the richest in the developing world. Over the very long term, this provides significant potential for Libya's life insurance market.

However, the fragility of the security situation - even accounting for Islamic State being pushed out of the coastal city of Sirte in late 2015 - means that it is highly unlikely that insurance markets will gain significant traction on a five-year view, as various powerful militias continue to vie for control of key urban centres and the internationally recognised Government of National Accord (GNA) remains unable even to exert authority in Tripoli.

Potential downside risks to our already subdued growth forecasts include a worsening of the domestic security environment, which would scupper even the current low growth prospects should Libya see a return to a full-blown civil war. Even if a top-level agreement satisfying both the GNA and General Khalifa Haftar's eastern-based militia is eventually reached, the process of establishing support for it on the ground will take time given the highly fragmented nature of the conflict. A lack of institutional capacity will also hamper reconstruction efforts, and the economy's growth potential will depend on three key variables: the speed and scale of oil production, the state of the underlying security environment, and the state of the utilities sector (particularly a stable supply of electricity).

LIFE PREMIUMS (LIBYA 2019-2026)

Indicator	019e	2020e	2021e	2022f	2023f	2024f	2025f	2026f
Gross life premiums written, LYDmn	5.4	5.4	5.8	6.1	6.5	6.8	7.1	7.4
Gross life premiums written, LYD, % y-o-y	5.2	0.6	7.0	5.4	5.5	4.7	4.7	4.6
Gross life premiums written, % of gross premiums written	2.9	2.9	3.0	3.0	3.0	3.0	3.0	3.0
Gross life premiums written, USDmn	3.9	3.0	1.3	1.4	1.4	1.5	1.6	1.7
Gross life premiums written, USD, % y-o-y	2.7	-21.9	-57.2	5.4	5.5	4.7	4.7	4.6
Gross life premiums written, % of GDP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

Claims: Small Claims Costs:

The embryonic level of development of the life segment is reflected in the small size of claims and benefits that have been paid out over past years, according to the limited data that are available. Claims have fluctuated wildly in percentage terms over the years for which data are available, an indication of the low absolute data base, poor claims control processes and the high-risk operating environment. Claims and benefits are unlikely to rise significantly and sustainably during the forecast period in light of the limited growth expected in terms of total premiums written in the nascent life sector.

LIFE CLAIMS (LIBYA 2004-2011)

	2004	2005	2006	2007	2008	2009	2010	2011*
Life insurance claims, LYDbn	0.003	0.002	0.002	0.003	0.004	0.004	0.009	0.001
Life insurance claims, LYD, % change y-o-y	-34.1	-16.7	10.3	13.9	33.2	14.6	123.3	-84.3
Life insurance gross loss ratio	85.7	61.6	67.1	77.6	63.2	65.0	145.0	40.0
Life insurance claims, USDbn	0.002	0.002	0.002	0.002	0.003	0.003	0.007	0.001
Life insurance claims, USD, % change y-o-y	-36.2	-16.9	10.3	18.5	37.5	11.7	121.2	-83.7

Latest data available. Source: National sources, Fitch Solutions

** Libya Non-Life Premiums Forecast

Non-life premium growth will be moderate in nominal terms. The prospects for the full five-year period indicate that growth in the real value of premiums will be very modest, even as inflation falls back into the single digits. As with the life sector, the market will be undermined by the continued lack of security and continued localised rule (and periods of military confrontation) by competing militias.

Latest Updates:

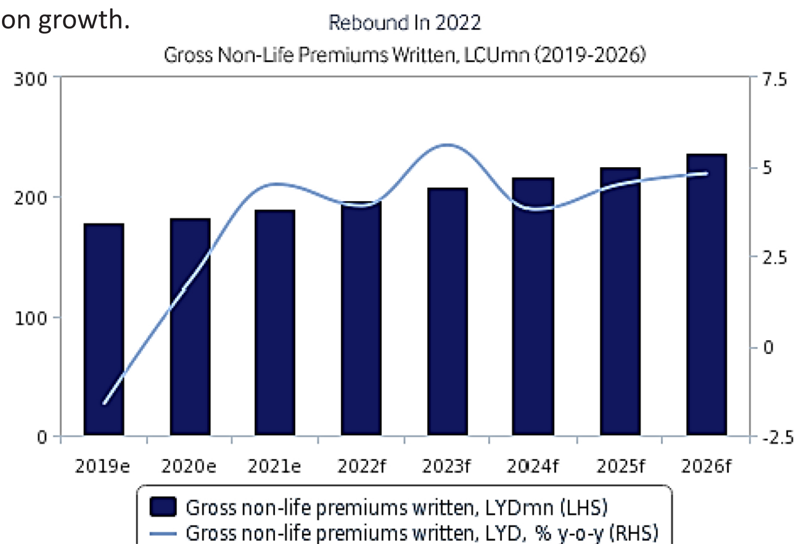
- In 2022, we forecast that premiums will grow by 3.9% in local currency terms to LYD198mn. We will see the value of premiums in US dollar terms increase by 3.9% to USD44mn.
- Over the forecast period, we forecast premiums to rise by an annual average of 4.5% in nominal dinar terms, taking the value of premiums to LYD237mn (USD53mn) in 2026.

Structural Trends:

The very difficult social and political conditions in Libya mean that the non-life insurance sector has essentially contracted to the irreducible minimum, with only basic motor, property and other lines being covered by indigenous insurers. For now we see no reason why non-life penetration would rise through the forecast period. Long-term premium growth in real terms, in so far as it occurs, will be driven by the two interrelated variables of a gradual normalisation of the highly fragmented security situation and a recovery in real economic activity. Additionally, trends in production and prices of hydrocarbons will exert a significant influence on growth.

Rebound In 2022

Gross Non-Life Premiums Written, LCUmn (2019-2026)



Non-Life Insurance Premiums: Generally Grim Outlook:

Libya's non-life segment is and will remain at an embryonic level of development for the remainder of the forecast period. We estimate that non-life premiums will grow by a 3.9% to LYD198mn. The conflict in the country and the general weakness of the economy mean that private sector demand for insurance covers will be minimal. Premiums in US dollar terms will remain considerably below pre-security crisis levels at the end of our forecast period in 2026.

As with the life sector, the primary risk to our current forecasts for growth in the Libyan non-life insurance market stems from the potential for domestic instability to escalate. At present, our Country Risk team expects to see sustained GDP growth in Libya, based primarily on an expected increased oil production. However, should violent clashes between various rebel groups and militias escalate, the current growth trajectory could well be derailed, which would in turn result in a downward revision of our current premium growth forecasts, with affordability and relevance of insurance premiums in such a highly insecure environment coming under further sustained pressure. For now, we forecast non-life penetration to be 0.5% of GDP in 2022 and during the course of our forecast period, as any partial recovery in the insurance market will lag the wider economy.

NON-LIFE PREMIUMS (LIBYA 2019-2026)

Indicator	2019e	2020e	2021e	2022f	2023f	2024f	2025f	2026f
Gross non-life premiums written, LYDmn	179.0	182.2	190.3	197.8	208.8	216.7	226.4	237.2
Gross non-life premiums written, LYD, % y-o-y	-1.6	1.8	4.5	3.9	5.6	3.8	4.5	4.8
Gross non-life premiums written, % of GDP	0.4	0.6	0.5	0.5	0.4	0.4	0.4	0.4
Gross non-life premiums written, % of gross premiums written	97.1	97.1	97.0	97.0	97.0	97.0	97.0	97.0
Gross non-life premiums written, USDmn	128.0	101.2	42.3	44.0	46.4	48.2	50.3	52.7
Gross non-life premiums written, USD, % y-o-y	-3.9	-20.9	-58.2	3.9	5.6	3.8	4.5	4.8

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

Claims: Small with the Potential To Rise:

The limited data that are available in relation to non-life claims indicate that claims were growing strongly prior to 2011. We attribute this to the general development of non-life insurance from a very low base. The gross loss ratio surged in 2010 but was previously between 30% and 40%, which suggests that the leading insurers had some control over costs. The collapse in economic activity in the wake of the uprising against Colonel Muammar Gaddafi in early 2011 resulted in a dramatic contraction in business for insurers, and more than five years later the industry has yet to recover. There was a corresponding reduction in claims. We expect that claims will grow only slowly during the forecast period given the likely trajectory of premiums and accounting for the possibility of further problems. The relevance of insurance policies for potential consumers within the context of recent civil war - and the possibility that such a scenario may reignite - is highly questionable given that insurance firms exclude paying out for damages in any way related to acts of war..

NON-LIFE CLAIMS (LIBYA 2004-2011)

	2004	2005	2006	2007	2008	2009	2010	2011*
Non-life insurance claims, LYDbn	0.08	0.06	0.07	0.08	0.11	0.12	0.27	0.04
Non-life insurance claims, LYD, % change y-o-y	-34.1	-16.7	10.3	13.9	33.2	14.6	123.3	-84.3
Non-life gross loss ratio	47.0	33.8	36.8	42.5	39.6	33.7	72.3	21.9
Non-life insurance claims, USDbn	0.06	0.05	0.05	0.06	0.09	0.10	0.22	0.04
Non-life insurance claims, USD, % change y-o-y	-36.2	-16.9	10.3	18.5	37.5	11.7	121.2	-83.7

**Latest data available. Source: National sources, Fitch Solutions*

NON-LIFE INSURANCE PREMIUMS BY PRODUCT LINE (LIBYA 2019-2026)

Indicator	2019e	2020e	2021e	2022f	2023f	2024f	2025f	2026f
Motor vehicle insurance, LYDmn	33.4	34.4	36.6	37.8	39.7	41.1	42.8	44.8
Motor vehicle insurance, LYD, % y-o-y	-1.7	2.9	6.5	3.2	5.1	3.5	4.3	4.6
Motor vehicle insurance, % of non-life insurance	18.7	18.9	19.2	19.1	19.0	18.9	18.9	18.9
Property insurance, LYDmn	80.4	79.0	82.7	86.3	91.3	95.4	100.2	105.5
Property insurance, LYD, % y-o-y	-1.5	-1.7	4.7	4.4	5.8	4.4	5.0	5.3
Property insurance, % of non-life insurance	44.9	43.3	43.4	43.6	43.7	44.0	44.2	44.5
Transport insurance, LYDmn	29.6	29.8	30.6	32.2	34.4	35.6	37.2	38.9
Transport insurance, LYD, % y-o-y	-1.8	0.5	2.8	5.1	7.0	3.5	4.3	4.6
Transport insurance, % of non-life insurance	16.6	16.3	16.1	16.3	16.5	16.4	16.4	16.4
Other insurance, LYDmn	18.9	20.6	21.6	22.1	22.9	23.4	24.2	25.0
Other insurance, LYD, % y-o-y	-1.3	9.2	4.5	2.3	3.6	2.5	3.1	3.4
Other insurance, % of non-life insurance	10.6	11.3	11.3	11.2	11.0	10.8	10.7	10.5

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

MOROCCO

• Bancassurance channel predicted to grow from strength to strength

Faiçal Zahlane

The bancassurance market in Morocco has huge growth potential, says Mr Faical Zahlane, deputy CEO of La Marocaine Vie which is a subsidiary of Societe General Morocco.

This distribution channel has contributed two-thirds of the life insurance market in Morocco for many years, driven mainly by savings business.

Reviewing the bancassurance market in Morocco of the past two years, Mr Zahlane says that activity in this distribution channel, hit by the COVID-19 pandemic, slowed in 2020 after nearly two decades of double-digit growth, recording a slight increase of 0.4%.

"We do not yet have the 2021 figures, so it is difficult to comment precisely on the situation in the sector," he said in an interview with Le Matin.

He added, "However, as bancassurance activity is mainly driven by life insurance, we can refer to the life market statistics as of 31 December 2021 published by ACAPS (Insurance and Social Welfare Supervisory Authority) to deduce a trend. Turnover in life insurance posted growth of 11.7% in 2021 compared to 2020, with an even more marked increase in unit-linked savings, whose turnover recorded a growth of almost 20% compared to 2020."

For La Marocaine Vie, 2021 showed a growth rate of around 10% in premiums. Of this, premiums from bancassurance rose by 6% in 2021 compared to 2020, and also higher than in 2019, the year of all records for the company.

Mr Zahlane says that La Marocaine Vie is training teams of customer advisers in order for them to offer expertise in banking and insurance.

Bancassurance products

Among the range of bancassurance products, savings plans — including investment-linked products —) are becoming increasingly popular and thus generate the most turnover for insurers. Planned premium policies are also very popular, mainly with the younger generation who wish to set aside money for retirement or to finance the education of their children.

Protection and health insurance plans are also appealing, especially to professionals and the self-employed.

Mr Zahlane added, "At the same time, a certain enthusiasm is beginning to be observed for retirement savings products distributed via the banking network, among managers and employees of companies who are no doubt increasingly sensitive to the significant tax advantages and the payouts these plans offer, making it possible to compensate for the shortcomings of basic schemes which cannot cover the needs of the Moroccan middle and wealthy classes." ■

Ref: Middle East Insurance Review – 11 Mar 2022

NIGERIA

• Cyberinsurance: The State Of Nimbleness in Nigeria

by Victory Oaikhena (Marcus-Okoko & Co)

ABSTRACT

Cyberspace is a virtual global domain used by all but owned by no one. It is open to attacks or failures from anyone. The size and enormity of this space, often unimaginable. Over the years, it became better appreciated as more people all over the world joined the cyberspace and started making use of it. As we all enjoy the speed, convenience, efficiency of adopting innovative digital solutions in our personal and business lives, our world becomes even more converged on the cloud and through servers that we suppose are secured. How best we can secure our personal lives, business and transactions up in this space are now at the forefront of global recognition. In this light came the discovery of cyber-insurance which according to Fitch Rating has its global worth estimated to increase to over US$28 billion before 2026(1).

Are Nigerian industry players well-positioned to tap into this avenue as cyber-attacks continue to target data especially with the increase of tech start-ups and establishments in the nation? Well, we would find out from this study. The crux of this article is to introduce cyber-insurance as a medium needed to cover business liability on data breaches. It also addresses why companies/ businesses need cyber-insurance cover, what is covers, costs, benefits, limitations of its introduction in Nigeria, what corporate entities can do in the main time, the role of government in cyber insurance policies and the role of lawyers in cyber insurance practice.

INTRODUCTION

Interestingly, Cyber Insurance as a product line in insurance has been available for almost 25years and exists today as packaged coverage. It is designed to cover all costs and expenses related to breaches when an organization has been hacked or from theft and loss of client/employee information. Today the cyber insurance market value is over US$7.4billion and will grow to US$28 billion by 2026 and Nigeria loses over ₦127 Billion annually(2) to cyber-fraud(about 10% of our GDP) with cyber-insurance covering none of that cost. Similarly, the Global Threat Impact Index 2017 listed Nigeria (and four other African countries) amongst the world's highest risk countries for cyber-attacks.

The Federal Government had its fair share of cybercrimes in 2011 when an anonymous Internet hacker group known as "Naija-CyberHacktivists" hacked the websites of the National Poverty Eradication Programme and the Niger Delta Development Commission; the website of the Economic and Financial Crimes Commission was also attacked in 2013. In the Nigerian Electronic Fraud Forum Annual Report 2016, 19,531 fraud cases were documented in Nigerian banks, the traditional channels recorded the lowest number. It also indicated that N2.19bn is lost to electronic payment fraud annually.

You may now want to ask, what is Cyber-Insurance? Cyber insurance essentially entails a contract between an insurer and an individual or company to protect

(1) Fitch Cyber-Insurance Rating, 2019
(2) The Former Minister of Technology, Adebayo Shittu during a Cyber-security Conference in 2017

against losses that are related to computer or network-based incidents. It is also an insurance policy that helps protect organizations from fallouts from cyber-attacks and hacking threats. Cyber insurance generally covers your business's liability for a data breach involving sensitive customer information.

According to Oellrich, Cyber insurance (also referred to as e-business or network intrusion insurance) is a social scheme that is confronted with the task of protecting companies against losses resulting from failures in computer networks as a result of; Data & Software theft, External hacking, First-and third-party risks Internal sabotage and theft, Computer malfunction, Web content liability, Viruses that impair or damage data, Network outages, Network congestion, Business interruption, E-business extortion, Copyright infringement, Loss of reputation and other areas related to technology.

Having a cyber-insurance policy helps minimize business disruption during a cyber-incident and its aftermath, as well as potentially covering the financial cost of some elements of dealing with the attack and recovering from it. It can be an important risk management tool for strengthening information technology security and liability to Tech companies and Nigerian banks.

CYBER-INSURANCE LEGAL FRAMEWORK IN NIGERIA

In Nigeria, there is no operational insurance company that offers policies to protect organizations from information technology-related risks. The lack of growth in Nigeria can be attributed to either lack of understanding and awareness of the product or a lack of incentive for insurance providers to offer cyber insurance products for the Nigerian market.

Also, it is not expressly provided for under the Insurance Act, 2004 but a close reading of the law does not expressly prohibit the creation of such policy. Section 2 (5) of the Act[3] provides that an insurer "may be authorized to transact any new category of miscellaneous insurance business if he shows evidence of adequate reinsurance arrangement in respect of that category of insurance business and requisite capital where necessary and other conditions as may be required from time to time." Section 16 of the Act[4] similarly provides a framework for approval of a new product.

Similarly, the Central Bank of Nigeria Risk-Based Cybersecurity Framework[5] provided that cyber-insurance coverage should be considered as part of the security assurance program for Payment Service Providers. Major Fintech Companies are demanding cyber insurance cover over online theft.

The Head, Enterprise Risk Management and Compliance, FBN Insurance Limited, Mr. Raymond Akalonu, noted that the cyber-insurance policy being offered in the country was underwritten by international brokers. According to him, re-insurance backing will be required to domesticate cyber-insurance in the country. The Assistant Executive Secretary, Nigerian Council of Registered Insurance Brokers, Mr. Temitope

(3) Insurance Act, Cap C20, Laws of the Federation of Nigeria 2004
(4) Insurance Act, Cap C20, Laws of the Federation of Nigeria. 2004
(5) Appendix III (9) of the Central Bank of Nigeria June Risk-Based Cybersecurity Framework and guidelines for Payment Service Providers

Adaramola stated that less than 10 percent of underwriters were providing cyber-insurance policies through international brokers. This deficit requires prompt stakeholder and regulatory actions to provide cyber-insurance products and engender a facilitative regulatory framework to grow its operations in Nigeria.

WHY DO YOU NEED CYBER INSURANCE?

Any business with an online component or one that sends or stores electronic data can benefit from cyber insurance. Also, any organization that relies on technology to conduct its operations, especially Tech companies need cyber-insurance. Cyber-attacks will continue to grow over the years and a weak or vulnerable area in an operational entity is all that is needed to suffer damaging exposure to data privacy and information. Aima Higo, Unit Head Reinsurance at Allianz Nigeria Insurance Plc. Said, "Although there is no 100% security in the cyber domain, dangers can only be reduced to an acceptable level by implementing a set of actions and by getting cyber insurance."[6]

Private personal data such as contact details of customers or staff, intellectual property, or sensitive financial data are all potentially very lucrative to cybercriminals who could attempt to break into the network and steal it. There's also the potential for hackers to cripple a network with ransom ware. A cyber insurance policy that covers ransom ware could go a long way to helping organizations that fall victim to attacks find a way out of their predicament. Cyber insurance claims can be triggered by many sorts of incidents, but right now the most common is ransom ware, fund-transfer fraud attacks, and business email compromise scams.

WHAT DOES CYBER INSURANCE COVER?

It covers the following;

- **Media Liability** – Companies involved in media and entertainment activities with significant marketing activities like advertising your services can experience copyright infringement, plagiarism, defamation, disparagement, and other unauthorized use of material, names, or trademarks. Cyber-insurance covers these consequences with Media liability insurance policies tailored to the needs of the insured party. However, a media liability insurance policy will only cover specific types of intellectual property claims arising out of the insured party's business, which is defined in the policy.

- **Network Security** – With information and privacy risks abound, you need to keep your business covered against network security failure. It includes malware infection, business email compromise, cyber extortion demand, and ransom ware.

If you have cyber insurance, you can recover first-party costs related to:

- IT forensics,
- Data restoration,
- Legal expenses,
- Notifying your customers of the breach,
- Public relations,
- Identity restoration.

Errors and Omissions – If a cyber-attack hits you, you could find

(6) Allianz Nigeria Webinar on the "Increasing Impact of Cyber Attacks: A case for Cyber Insurance." Retrieved from; https://www.allianz.ng/media-center/blog/thought-leadership-on-cyber-insurance.html

yourself no longer able to fulfill your contractual obligations and this may affect the whole operations of the company. Once there is a cyber-incident, time and resources are channeled towards addressing the repercussions and minimizing the damage.

The customers may not understand, thus, the proactive measure will be to protect you by investing in cyber insurance.

Network Business Interruption – Businesses these days tend to rely on advanced technology to remain operational. In the event of an incident, some form of interruption is imminent. For instance, where your provider's network goes down, you can recover expenses incurred and not lose profits as well. Think of system failures, unstable system patches, security failures, human error, and more.

Privacy Liability – When a breach happens, it can expose the sensitive data of your customers that lies on your servers. As a result, your business could face unnecessary litigations resulting in wastage of finances. Regulatory fines resulting from data breaches can also be another threat and could bring your company to its knees. Without insurance, you could find yourself closing down the doors for good.

As comprehensive as it may be, do bear in mind that cyber insurance does not cover everything. Cyber insurance is still kind of limited compared to the true amount of risk. So do not think that all forms of cyber risk are covered by insurance. The financial damage caused by loss of intellectual property is not covered by cyber insurance and neither the reputational costs that can be incurred following a cyber-attack. It does not cover the loss of potential profits in the future and it also does not allow you to improve your existing internal technology systems or amass the funds to make security upgrades. For example, cyber insurance could payout for the costs associated with dealing with the direct aftermath of a cyber-attack, but in the longer run, the company may lose business due to public perception of having poor cyber-security.

A cyber insurance policy will not cover the cost of losing customers due to the bad reputation it picks up as a result of a cyber-attack.

One may now want to ask, how much does cyber insurance cost? The cost of a cyber-insurance policy will depend on some different factors including the size of the business and the annual revenue. Other factors may include the industry the business operates in, the type of data that the business typically deals with, as well as the overall security of the network. An organization that is deemed to have poor cyber-security or has a previous history of falling victim to hackers or a data breach would likely get charged more for a cyber-insurance policy than one that has a good reputation for keeping itself secure.

BENEFITS OF CYBER INSURANCE

Cyber-insurance policies are created to suit your needs and offer many important benefits, which may include the following[7] :

1. Business cover – If your organization experiences an IT failure or cyber-attack that disrupts your business operations, your insurer may cov-

(7) Neil McFarlane, "Benefits of Cyber-Insurance" 14th November 2017. Retrieved from: https://www.linkedin.com/pulse/benefits-cyber-insurance-neil-mcfarlane

er your loss of income during the interruption, increased costs to your business operations in the aftermath of a cyber-attack may also be covered.

2. Privacy breach costs – In developed countries, cyber-insurance policies will either have a single clause or be split into two separate clauses: breach costs and privacy liability. A breach costs clause provides cover for costs that arise from dealing with a security breach, such as notifying customers. A privacy liability clause provides cover for privacy infringement claims and associated legal costs in the event of a breach, which is critical for all organizations that handle or store personal information.
3. Cyber-extortion cover– A cyber-insurance policy may cover you if your organization is infected by ransomware or any other malicious software that attempts to seize control of, and withhold access to, your operational or personal data until a fee is paid.
4. Digital asset replacement expenses – If your organization's digital assets are lost, corrupted, or altered in any way by a cyber-criminal, a cyber-insurance policy may cover the costs.
5. Forensic support – This provides your organization with near-immediate 24/7 support from cyber-specialists following a hack or data breach.
6. Management liability cover – In this era of increased executive accountability and transparency, a cyber-insurance policy may cover costs associated with defending senior management from cyber-attack fallout.
7. Improved standard of security – The work done by insurance companies could improve and redefine security standards.

Finally, cyber-insurance allows cyber-security risks to be distributed fairly, with higher premiums for companies whose expected loss from such risks is greater. This avoids potentially dangerous concentration of risk while also preventing freeriding.

LIMITATIONS OF CYBER-INSURANCE IN NIGERIA

Cyber-insurance is still a nascent phenomenon that is yet to find its footing in Nigeria. This is because of lack of awareness and underwriting experience, dearth of industry data on cybercrime and related losses, cyber risks unpredictability, and high correlation of one type of cyber risk with another could be some of the debilitating factors.[8]

As digital eruption is gradually taking over manual services in every sector, including government parastatals in Nigeria, cyber insurance-related work could also be a goldmine for professional service providers to the insurance industry. Nigerian insurance brokers could leverage these opportunities by partnering with foreign insurance firms with vast experience in cyber insurance to provide various products.

WHAT ARE THE MEASURES COMPANIES SHOULD TAKE IN THE MEAN TIME?

It is pertinent to note that there is no one-size-fits-all solution in Cyber-Insurance. Thus, one must protect his business on multiple fronts.

1. Practice Cyber Resilience –

(8) Gabriel Fatokunbo, "Opportunity setting; Telescoping Potentials of Cyber-insurance in Nigeria" 25th June 2020. Retrieved from; https://www.mondaq.com/nigeria/insurance-laws-and-products/958258/opportunity-spotting-telescoping-potentials-for-cyber-insurance-in-nigeria

This entails a fusion of information security and business continuity strategies. An organization can withstand attacks or failures and in such instanceS re-establish itself quickly back to operational mode. To achieve this, a seven-fold approach which includes being strategic, building capacity, strengthening the process, automating inform and transform, measure and monitor, cyber insurance and collaboration will serve as a human firewall for companies and organizations to curb unprecedented cyber risks.

2. Update often – As soon as developers discover a program or OS vulnerability, they rush to release a security update for it. But if you do not take the time to install it, it may not help you in time.

3. Invest in cyber-security solutions – For starters, you should protect your systems against malware infection by using antivirus software. Other soft wares such as firewalls, VPNs, monitoring programs, and so on, can also be of help.

4. Educate yourself and your employees – For organizations, it is important to educate your staff on how to protect your business against digital threats. For instance, by knowing what a VPN is and how to use it, employees can protect sensitive data from being intercepted by hackers.

WHAT ROLE CAN AND SHOULD GOVERNMENT PLAY IN FOSTERING CYBER-INSURANCE IN NIGERIA?

The potential for cyber insurance coverage to contribute to risk reduction and the management of cyber losses will only be achieved if the market can meet the most important needs of commercial and individual policyholders.

The Nigerian Government can potentially play a role in supporting the development of the market and maximizing the contribution it makes to manage this fast-evolving risk by examining ways to address the main impediments to the cyber-insurance market development, particularly across the following priorities:

- Understand impediments and gaps of the market – As losses from cyber incidents increase, the benefits of and interest in having insurance coverage for this risk are increasing.
  However, for coverage to become widely available and responsive to demand, there are several impediments and gaps in the market.
  The National Assembly is encouraged to work further in this direction, to publish a policy report that could propose policy recommendations that address the impediments to market development and the availability

of cyber insurance.
This report, which will be provided to G7 countries, will contribute to their discussion on possible actions that can be taken going forward.

- Improving the data available for quantifying exposures – More comprehensive data on the frequency and impact of cyber incidents (and the related claims payments) would provide more confidence in the underwriting of insurance coverage for cyber risk – and therefore should support availability and affordability.
  The development of a more comprehensive data set on cyber incidents would likely require:

  (i) A common classification of cyber incidents and types of losses;
  (ii) A trusted party (e.g. government agency) to collect and report the data; and
  (iii) Incentives (or requirements) for reporting by companies affected by cyber incidents and insurance companies that have paid related claims

- Improving public policies to manage cyber risk – The Nigerian government has adopted national cyber-security or digital security strategies.
  However, while these strategies aim at improving awareness about cyber risk, they do not address cyber-insurance as an economic and social risk management avenue for business in the wake of the rise of tech businesses and Startups. A national strategy could include incentives for businesses to measure and manage their exposure to cyber risk.
  In particular, corporate governance practices can provide an avenue to foster the integration of cyber risk into the broader enterprise risk management framework. Another national strategy could also consider the benefit of further cooperation and coordination between government bodies in charge of cyber security, which should include insurance brokers.

Finally, governments can play a role in ensuring that clarity is provided on the extent of coverage for cyber risk included in standalone and traditional policies by encouraging the insurance brokers and policyholder communities to develop a common understanding about the appropriate place for cyber coverage and/ or establishing requirements for insurers to provide greater transparency on the coverage provided (and losses that are excluded[9].

This would be particularly important for SMEs and individuals.

(9) For example, the UK Prudential Regulation Authority recently published a consultation paper recommending that insurers explicitly indicate (and charge premiums for) coverage provided for cyber security incidents in traditional policies. In France, an exercise led by IRT System X has resulted in the development of a matrix showing the areas of coverage of cyber risk provided by stand-alone cyber and various traditional policies in the French market.

WHAT WILL BE THE ROLE OF LAWYERS IN CYBER-INSURANCE PRACTICE?

Most of our engagements will be areas that are confidential, which includes:

1. Representing a client that manages loyalty programs to recover insurance proceeds for losses and liabilities due to fraudulent exfiltration via a spear-phishing attack followed by installation of suspected malware.

2. Assist with structuring and negotiating insurance programs for government to protect against cyber loss across a wide range of industries including banking, education, health care, technology, media and entertainment, energy, and manufacturing.

3. Assist policyholders in evaluating, negotiating, and enforcing their cyber liability insurance policies.

4. Help organizations ensure that each type of insurance policy they have is well-coordinated with the other types of insurance plan they have already purchased to help avoid gaps in coverage, eliminate duplicate coverage and potentially reduce insurance cost.

5. Advice numerous Fintech companies and financial institutions on data breach issues.

6. Represent insurers at all stages from policy drafting and negotiation, through claim analysis and monitoring, to coverage litigation or alternative dispute resolution.

7. First-party coverage under cyber policies for privacy counsel, forensic investigations, notification costs, credit monitoring, etc.

8. Data security-related claims associated with investigations by federal and state regulatory authorities.

9. Claims by banks, financial institutions, fintech companies, and businesses involving large-scale data security breaches involving sensitive health or financial information.

10. Represent insurers under cyber and other professional liability policies in connection with large-scale breaches of payment cards and other sensitive information.

11. Advice insurers in drafting key policy terms under cyber form and in negotiating requested changes through endorsements with key broker representatives.

12. Advice insurers in connection with multiple breaches suffered during consecutive policy periods and tender under multiple policy periods.

13. Represent cyber insurers in connection with multi-faceted and sophisticated cyber-attack perpetrated by a foreign nation-state.

14. Represented trade associations in connection with filing amicus curiae briefs in support of industry on insurance coverage for data security exposures.

CONCLUSION

As the frequency of cyber-attacks continues to increase and cybercriminals get more brazen with campaigns, cyber insurance remains an important consideration for everyone.

The more a company depends on technology, the greater is its role. Risk assessment lies on the shoulders of the Company.

A data breach can damage more than just your small-business computer system – it can also damage your reputation and put your customers and/or employees at risk. That is why cyber insurance can be a smart precaution for any business.[10]

We must start to take a more proactive approach to cyber-security now that cyber insurance brokers and lawyers start to serve as risk advisors and a partner for your business operations. ■

(10) Danny Palmer, "What is cyber insurance? Everything you need to know about what it covers and how it works" 5th March 2021 Retrieve from; https://www.zdnet.com/article/what-is-cyber-insurance-everything-you-need-to-know-about-what-it-covers-and-how-it-works/

• *African Reinsurers in 2020*

Ranking According to Turnover 2020

Figures In thousands *US$*

Rank 2020	Rank 2019	African Reinsurer	Country	Turnover 2020	Turnover 2019	2019-2020 Evolution	Share capital	Shareholder's Equity	Net Result	ROE
1	1	**Munich Reinsurance of Africa**	South Africa	980120	852765	14.93%	37180	234485	26329	11.23%
2	2	**Africa Re**	Nigeria	804774	844786	-4.74%	286861	1017106	55709	5.48%
3	3	**Swiss Re Africa**	South Africa	417335	412992	1.05%	136	33248	-16746	-50.37%
4	9	**Société Centrale de Réassurance**	Morocco	295737	210282	40.64%	168448	290931	35684	12.27%
5	5	**General Re. Africa**	South Africa	254864	249105	2.31%	273	149951	-11299	-7.54%
6	4	**Compagnie Centrale de Réassurance**	Algeria	254487	269863	-5.70%	189216	266768	31443	11.79%
7	7	**Hannover Life Reassurance Africa**	South Africa	227160	217226	4.57%	11087	70092	9250	13.20%
8	8	**RGA Re** (*)	South Africa	216826	216826	-	67705	95255	9993	10.49%
9	10	**Zep Re (PTA Re)**	Kenya	208160	207110	0.51%	57984	275752	17260	6.26%
10	6	Hannover Reinsurance Africa	South Africa	194861	237052	-17.80%	4966	77611	2664	3.43%
11	13	**Kenya Re**	Kenya	168671	171359	-1.57%	63695	313016	26781	8.56%
12	15	**CICA Re** (**)	Togo	158254	115996	36.43%	90909	141798	10441	7.36%
13	12	**African Reinsurance Corporation**	South Africa	144697	183541	-21.16%	5479	61475	5779	9.40%
14	14	**Continental Re**	Nigeria	140305	131766	6.48%	16450	98529	8965	9.10%
15	17	**WAICA Re**	Sierra Leone	102604	70340	45.87%	49083	98160	13136	13.38%
16	16	**SCOR Africa**	South Africa	101350	91372	10.92%	23519	34586	4653	13.45%
17	19	**Tan Re**	Tanzania	60475	60800	-0.53%	17524	34404	3077	8.94%
18	11	**GIC RE** (2)	South Africa	59480	202028	-70.56%	63659	75321	7634	10.14%
19	20	**Tunis Re**	Tunisia	58516	59946	-2.39%	36973	78390	4523	5.77%
20	22	**Ghana Re**	Ghana	52968	44332	19.48%	21251	65922	7130	10.82%
21	18	**Africa Retakaful**	Egypt	43680	64410	-32.18%	12000	ND	154	ND
22	30	**NamibRe** (**)	Namibia	41515	21012	97.58%	1115	14168	1538	10.86%
23	21	**East Africa Re**	Kenya	36431	45623	-20.15%	13650	48878	3734	7.64%
24	25	**Sen Re**	Senegal	36083	31703	13.82%	17257	19972	975	4.88%
25	23	**NCA Re**	Côte d'Ivoire	34092	32348	5.39%	19835	24052	1109	4.61%
26	24	**Continental Re Kenya**	Kenya	33188	33379	-0.57%	13650	20737	3497	16.86%
27	28	**Ethiopian Re** (***)	Ethiopia	25299	23785	6.37%	22778	ND	5392	
28	27	**SCG-Ré**	Gabon	23547	24177	-2.61%	8575	16067	2410	15.00%
29	29	**Globus Re**	Burkina Faso	22741	21636	5.11%	7103	8912	825	9.26%
30	31	**Uganda Re**	Uganda	16574	13644	21.47%	3842	10990	1783	16.22%
31	33	**Grand Re**	Zimbabwe	11754	7060	66.49%	71	2377	1619	68.11%
32	35	**ZB Re**	Zimbabwe	10632	6577	61.65%	31	6417	5237	81.61%
33	36	**Tropical Re**	Zimbabwe	9549	5980	59.68%	5	3844	3561	92.64%
34	37	**Zep Reinsurance**	Zimbabwe	8157	5605	45.53%	-	8615	6573	76.30%
35	40	**Emeritus General Re**	Zimbabwe	7882	4394	79.38%	402	2149	903	42.02%
36	34	**Ghana Re Kenya**	Kenya	7449	5913	25.98%	9100	11472	1168	10.18%
37	39	**FBC Re**	Zimbabwe	7414	4399	68.54%	533	5874	4537	77.24%
38	43	**Waica Re Zimbabwe**	Zimbabwe	6623	1752	278.03%	75	2873	2070	72.05%
39	38	**Waica Re Kenya**	Kenya	6556	3343	96.11%	10033	10472	915	8.74%
40	41	**First Mutual Re**	Zimbabwe	2799	3873	-27.73%	890	2501	1341	53.62%
41	42	**Zambia Re**	Zambia	2395	3111	-23.02%	2126	4223	318	7.53%
42	44	**Emeritus Re (Life)**	Zimbabwe	1156	742	55.80%	404	1105	NA	NA
43	45	**FBC Re Life**	Zimbabwe	374	251	49.00%	334	-	NA	NA
44	46	**First Mutual Re (Life & Health)**	Zimbabwe	176	193	-8.81%	136	613	NA	NA
45	47	**Zep Re Life**	Zimbabwe	166	135	22.96%	NA	61	NA	NA

Asia News

• *Insurers' earnings expected to fluctuate in the wake of Russia-Ukraine war*

The Russia-Ukraine conflict will likely have a modest direct hit on Asia-Pacific insurers' financial performance. Regional insurers' bond and equity investments in Russia, Ukraine, and Belarus are a small part of their total assets, according to a report released yesterday by S&P Global Ratings (S&P).

That said, should the event trigger significant market volatility in the region, institutions may feel the effects more directly. This could also test insurers with a high allocation to foreign-currency investments, says Ms Eunice Tan, an analyst at S&P.

Spillover effects on asset valuations could heighten volatility

Japan and Taiwan insurers have large holdings of overseas investments compared with regional peers. Taiwan's life insurance sector is most exposed to turbulence from this event. Ms Tan said, "We believe this exposure is manageable, given the sector has sufficient capital buffer to absorb any hits from the conflict. Russia-based investments account for about 4% of the total-adjusted capital (TAC) of Taiwan insurers, by our estimate. Individual life insurers' investment exposure in Russia to TAC ranges between 2% and 12%."

However, prolonged market fluctuation would strain insurers' investment incomes. A likely gradual rise in interest rate differential in the coming year could hike hedging costs. It should also prompt insurers with large holding of overseas investments to revisit their hedging strategies. Greater inflation could also reveal pricing inadequacy for some long-tail business.

Liability risks are insignificant

"The effects on insurance liability are insignificant by our estimates, given most market participants remain domestically focused. While reinsurers and some large insurance groups have gradually expanded their international footprints in recent years, the direct exposure to risk underwritten in Russia and Ukraine likely remains small," Ms Tan said.

Any property exposure in affected areas may be subject to war-exclusion language in policies, and therefore not subject to major claim payouts. The termination of coverage of Russian-owned exposures in other countries could entail a small premium loss but no liability hit. ■

Ref: Asia Insurance Review - 10 Mar 2022

HONG KONG

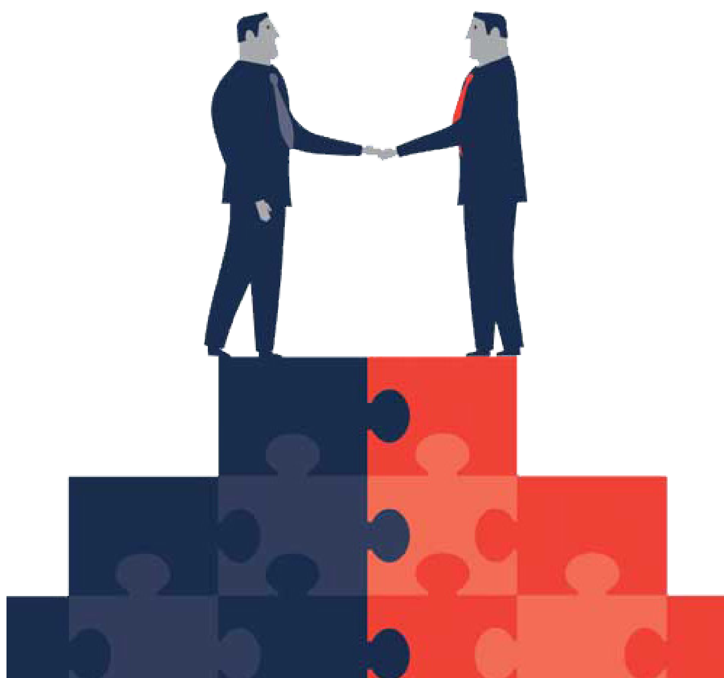
• AIA acquires Blue Cross for US$278m

Pan-Asia insurer AIA Group has agreed to acquire 100% of the shares in Blue Cross (Asia-Pacific) Insurance and 80% of the shares in Blue Care JV (BVI) Holdings from The Bank of East Asia (BEA).

AIA will pay a total consideration of $278m for the transaction. The transaction is subject to regulatory approvals and other closing conditions.

Blue Cross is a well-established insurer in Hong Kong focused on providing health insurance products. Blue Care operates medical centres with a large medical network in Hong Kong, says AIA in a statement.

AIA and BEA have also agreed to extend the scope of their existing exclusive bancassurance partnership. Through the acquisition of Blue Cross, their partnership will include a 15-year agreement covering personal lines general insurance products. This will provide a comprehensive suite of AIA's insurance solutions, including health insurance, to BEA's personal banking customers in Hong Kong.



This transaction significantly accelerates AIA's health and wellness strategy in Hong Kong, deepens the distribution partnership with BEA and brings new product expertise to support AIA's distribution channels.

Mr Jacky Chan, AIA's regional CEO, said, "This investment builds on our long history in Hong Kong and underscores our confidence in its future." He added, "This new agreement deepens our exclusive relationship with one of the leading domestic banks in Hong Kong. This transaction also strengthens our position as a leading health insurer."

Adrian Li and Brian Li, co-CEOs of BEA, said, "The bancassurance partnership between BEA and AIA, which officially commenced in July last year, has enjoyed a promising start. We are delighted to announce yet another milestone in this partnership by extending our cooperation into the general insurance arena."

AIA currently provides health insurance coverage to close to 1.7m individuals and more than 450,000 members of corporate schemes in Hong Kong. Blue Cross brings extensive operating experience and specialist expertise in health insurance. ■

Ref: Asia Insurance Review – 7 Mar 2022

INDIA

• IRDAI issues guidelines on surety insurance product: Key things to know

Insurance Regulatory and Development Authority of India (IRDAI) has released final guidelines to ensure orderly development of surety insurance business in India. The IRDAI (Surety Insurance Contracts) Guidelines, 2022 will come into effect from April 1, 2022, the regulator said in a notification.

What is a Surety Bond?

A surety bond is a mechanism to transfer risk for businesses. It assures the project owner (typically a government entity) that the assigned contractor will perform the task as per the contract clause. The surety company pays the project owner the promised amount (as per the contract) in the event of a default. The company charges a fee to the contractor to write the surety bond.

What is the benefit to a contractor, infra player?

By issuing the surety bond, the contractor does not have to furnish a hefty bank guarantee. The bank guarantee blocks a huge amount. Surety bonds create a level playing field, empower the small and medium contracts to bid for a project at par with a large contractor with financial muscle.

Vikash Khandelwal, CEO, Eqaro Guarantees, a surety solutions provider, said, "The issuance of final guidelines for surety insurance by the IRDA is a landmark event that will herald a new era in the underwriting of construction-related risks and provide much-needed relief to the infrastructure sector. The norms will help regulate/develop Surety as a business in India which otherwise is an accepted norm in the western countries."

The final guidelines are on expected lines focusing on the overall risk management framework for the insurers. Allowing the surety insurers to work alongside the Banks and other financial institutions to share risk-related information & technical expertise will help foster a robust ecosystem and prevent contagion.

"However, it would have been ideal if the final norms had also provided for a specialist surety insurance company. There is also a 10% cap subject to a limit of Rs.500 crores on the quantum of surety business that an insurer can write. The guidelines are also silent on the right of recourse available to a surety insurance company in the event of a default by the contractor. These are critical and may impede the creation of surety-related expertise and capacities and eventually deter insurers from writing this class of business," said Khandelwal.

According to the regulator, here are the types and definitions of Surety Contracts.

Advance Payment Bond: It is a promise by the Surety provider to pay the outstanding balance of the advance payment in case the contractor fails to complete the contract as per specifications or fails to adhere to the scope of the contract.

Bid Bond: It is an obligation undertaken by a bidder promising that the bidder will, if awarded

the contract, furnish the prescribed performance guarantee and enter into contract agreement within a specified period of time. It provides financial protection to an obligee if a bidder is awarded a contract pursuant to the bid documents, but fails to sign the contract and provide any required performance and payment bonds, as per the Irdia press release.

Contract Bond: It provides assurance to the public entity, developers, subcontractors and suppliers that the contractor will fulfil its contractual obligation when undertaking the project. Contract bonds may include: Bid Bonds, Performance Bonds, Advance Payment Bonds and Retention Money.

Customs and Court Bond: This is a type of guarantee where the obligee is a public office such as tax office, customs administration or the court, and it guarantees the payment of a public receivable incurred from opening a court case,clearing goods from customs or losses due to incorrect customs procedures.

Performance Bond: It provides assurance that the obligee will be protected if the principal or contractor fails to perform the bonded contract. If the obligee declares the principal or contractor as being in default and terminates the contract, it can call on the Surety to meet the Surety's obligations under the bond. ■

Retention Money: It is a part of the amount payable to the contractor, which is retained and payable at the end after successful completion of the contract, as per the Irdia press release. ■

Ref: Mint; New Delhi - 4 Jan 2022

• Government reforms to strengthen Indian insurers: Moody's

by Matt Sheehan

Analysts at Moody's have reported that rising premium growth and government reforms are expected to strengthen Indian insurers' profitability.

The rating agency says growth prospects are favorable in the months ahead, supported by strong GDP expansion in India and demand for health insurance.

Specifically, the government's plans to recapitalize India's dominant state-owned insurers and list the country's biggest insurer, Life Insurance Corporation of India (LIC), on the stock market are expected to bolster insurers, according to Moody's.

Analysts believe these moves will encourage a more disciplined approach to underwriting in the respective general and life insurance sectors, while paving the way for price increases across the market, further supporting insurers' profitability.

Additionally, it's thought that India's post-pandemic recovery will sustain growth in insurance premiums, improving profitability amid favorable government reforms to the state-owned insurance sector.

"The Indian insurance industry's growth prospects are favorable, underpinned by an expected 9.3% GDP expansion in fiscal 2021, which ends March 2022, and by strong demand for health insurance in the wake of the pandemic," said Mohammed Ali Londe, a Moody's Vice President and Senior Analyst.

Total premiums grew 9% in the first nine months of fiscal 2021, slightly ahead of the 8.6% increase in fiscal 2020, with general insurance premiums (including health) up 11% and life new business premiums rising 7%.

Robust premium growth is positive for Indian insurers' profitability, which is currently weak because of persistently low prices and the rising cost of claims.

Moody's notes that rising premiums and prices, in turn, will help insurers absorb higher claims, which pushed the average net loss ratio for general insurers to 95% in the first three months of fiscal 2021 from 81% in the previous year.

In anticipation of profitable growth opportunities, 20 of India's 34 general insurers and four of its 24 life insurers raised capital in fiscal 2020, and analysts expect insurers will continue such transactions in the coming months, which will further improve the Indian insurance sector's capital adequacy and financial flexibility.

Earlier this week, India's insurance and reinsurance industry regulator, the Insurance Regulatory and Development Authority of India (IRDAI), has announced plans to lower the country's obligatory reinsurance cession rate by 1% for the 2022 to 2023 financial year. ■

Ref: Reinsurance (www.reinsurancene.ws) - 24 January 2022

PHILIPPINES

• *Non-life insurance segment shows signs of recovery*

AM Best is maintaining a stable market segment outlook for the Philippine non-life insurance segment, citing signs of recovery in 2021 regarding premium growth and improved investment conditions.

In its new Best's Market Segment Report, "Market Segment Outlook: Philippines Non-Life Insurance", AM Best also notes the strong growth experienced in microinsurance, improving the affordability of insurance products and insurance penetration, as underpinning the stable outlook.

Gross and net premiums written by Philippine non-life insurers for the nine-month period to 30 September 2021 increased by 11.9% and 7.6%, respectively to PHP64.3bn ($1.2bn) and PHP38.1bn, compared with the same period in the previous year.

In addition, the government's "Build, Build, Build" programme, which consists of more than 20,000 infrastructure projects nationwide, has resumed and is expected to drive the Philippines' economic recovery. It is also likely to act as a catalyst to the long-term growth of the property, construction and engineering insurance segments.

COVID-19

There is still some uncertainty surrounding the pandemic, which will remain a challenge for Philippine non-life insurers. Nevertheless, non-life insurers have made progress in adapting to the current environment by bolstering their infrastructure and enhancing digital capabilities to be able to operate in a remote manner.

Investments

Additionally, according to the report, as part of pandemic-fuelled fiscal stimulus measures in the Philippines, the country maintains a historically low interest rate, which constrain insurers' investment results. However, interest rates are expected to rise in the coming year, and unrealised losses from the rising bond yields could impact insurers' economic capital, depending on the companies' asset-liability matching positions.

AM Best notes that investment assets are highly concentrated in local currency fixed income and term deposits, and rate increases over a longer period could increase investment incomes generated from interest payments, with a positive effect on the profitability of the Philippine non-life insurers.

Nat CAT

The Philippines are one of the most exposed countries to natural catastrophes, and the non-life segment faces another year of high exposure to catastrophe events. In April 2021, the Insurance Commission, under the Department of Finance in the Philippines, announced the creation of the Philippine Catastrophe Insurance Facility, the first private-sector disaster risk financing initiative of scale in the country, allowing all insurers to pool disaster risks within the Philippines.

AM Best is of the view that the facility should support domestic insurers to diversify catastrophe risks on top of their existing ceding to international reinsurers. However, higher risk retention in the country poses the danger of greater losses in the event of a major catastrophe. Hence, as the pool grows, proper risk management will be crucial to ensure that the facility functions as intended.■

Ref: Asia Insurance Review - 11 Mar 2022

SINGAPORE

• Insurance Market Key Financial Indicators 2016 - 2020

INSURANCE DEVELOPMENT DATA	2000	2010	2016	2017	2018	2019	2020
Total Industry Assets* ($m)	45,409.8	149,335.3	225,060.3	254,625.4	272,006.8	347,303.7	**407,124.3**
Insurance Development :							
Per Capita Expenditure ($)							
- Life Insurance	2,615.5	3,791.5	5,777.2	7,059.1	7,904.0	7,787.9	**10,029.0**
- General Insurance	521.0	856.5	1,009.7	997.6	1,022.0	1,081.7	**1,079.2**
As % of GDP							
- Domestic Life Sums Insured	158.0	195.3	275.2	272.5	267.7	280.2	**330.4**
- Domestic Life Premiums	5.3	4.4	5.5	6.3	6.4	6.2	**8.6**
- Domestic General Premiums	1.1	1.0	1.0	0.9	0.8	0.9	**0.9**
- Domestic Life Fund Assets	21.7	36.6	42.4	45.7	42.8	50.7	**64.4**
- Domestic General Fund Assets	2.6	2.6	2.7	2.4	2.2	2.2	**2.5**

* Comprise assets of Singapore Insurance Fund, Offshore Insurance Fund and Shareholders' funds of local companies.

GENERAL INSURANCE DATA	2000	2010	2016	2017	2018	2019	2020
SINGAPORE INSURANCE FUND [1]							
	$m	$m	$m	$m	$m	$m	$m
Gross Premiums [2]	1,700.2	3,230.6	3,971.6	3,956.3	4,082.1	4,355.2	**4,364.6**
Net Premiums	1,276.6	2,518.1	2,669.2	2,503.4	2,611.3	2,756.5	**2,674.2**
Retention Ratio (%)	75.1	77.9	67.2	63.3	64.0	63.3	**61.3**
Incurred Loss Ratios (%)	64.6	55.1	52.4	51.6	54.3	59.9	**54.0**
Underwriting Results	8.1	276.3	185.4	129.2	77.2	-36.9	**211.9**
Total Assets	4,173.3	8,363.9	11,140.7	10,841.2	10,884.8	11,244.0	**11,512.7**
OFFSHORE INSURANCE FUND							
Gross Premiums	1,705.3	5,349.4	8,865.6	8,730.6	12,750.2	14,503.5	**12,977.4**
Net Premiums	1,375.1	3,670.8	5,284.2	5,383.5	8,032.1	9,373.8	**8,366.8**
Retention Ratio (%)	80.6	68.6	59.6	61.7	63.0	64.6	**64.5**
Incurred Loss Ratios (%)	66.4	64.4	64.8	44.4	82.5	77.5	**65.2**
Underwriting Results	-135.0	19.0	176.0	806.1	-1,168.4	-954.3	**-68.1**
Total Assets	3,793.2	11,197.0	22,190.3	21,362.0	26,753.4	29,717.9	**30,781.9**

1 Includes both direct insurers and reinsurers.
2 For direct insurers only.

LIFE INSURANCE DATA	2000	2010	2016	2017	2018	2019	2020
SINGAPORE INSURANCE FUND							
	$m	$m	$m	$m	$m	$m	$m
Total New Business[1]:							
No. of Policies[4]	617,204	1,064,968	1,149,865	1,276,882	1,292,825	1,293,369	**1,461,665**
Sum Insured	41,293	91,616	251,397	212,062	221,310	233,596	**266,744**
Annual Premiums	706	1,451	2,916	3,346	3,534	4,100	**3,479**
Total Business in Force[1]:							
No. of Policies[4]	4,009,071	11,763,706	13,833,228	14,284,458	14,786,714	15,280,886	**15,902,624**
Sum Insured	252,591	629,475	1,129,068	1,218,725	1,314,982	1,422,400	**1,549,758**
Annual Premiums	5,072	9,213	16,983	18,353	19,825	22,011	**23,691**
New Annuity Business							
No. of Policies[4]	5,144	2,186	394	346	448	2,286	**1,502**
Considerations	266	152	21	25	38	7	**5**
Annuity Business in Force:							
No. of Policies[4]	22,866	72,286	67,593	66,478	65,589	66,577	**66,830**
Annual Payment[3]	104	588	534	504	486	507	**563**
Net Premium:							
Direct Insurers	8,535	14,300	22,721	27,992	31,571	31,356	**40,559**
Professional Reinsurers		143	306	495	133	313	**328**
Benefit Payment	2,009	10,082	14,616	16,229	16,546	18,097	**22,475**
Total Assets[2]:	34,761	118,013	173,945	204,260	210,336	257,291	**301,872**
	%	%	%	%	%	%	%
Surrender Rate:	2.4	2.3	2.3	2.2	1.9	2.0	**1.6**
Average 2-year Persistency Rate:	93.8	93.7	95.2	96.1	95.8	96.1	**NA**
OFFSHORE INSURANCE FUND							
	$m	$m	$m	$m	$m	$m	$m
Net Premium:							
Direct Insurers	4.2	1,535	522	-219	892	1,024	**945**
Professional Reinsurers	207.4	2,103	4,084	3,092	6,690	626	**8,122**

1 Total business excludes annuities.
2 Includes both direct insurers and reinsurers.
3 "Annual Payment" under annuity business in force include deferred annuity payments whereas benefit payments for annuity relate to the amount of annuities actually paid during the year.
4 “No. of Policies” denotes the actual number of policies.

Source: Monetary Authority of Singapore (MAS)

SOUTH KOREA

• Tesla's battery replacement policy creates dilemma for insurance sector

A number of insurance companies are locked in a dispute with US electric vehicle (EV) manufacturer Tesla over the latter's policy of collecting old batteries when replacing them with new ones for their EV models.

In South Korea, insurance companies claim ownership of old, replaced parts when their insurance plans cover their replacement with new ones, reported Korea Bizwire. EV batteries are costly even when they are used and old.

This is at odds with Tesla's corporate policy to collect old batteries when replacing them with new ones. If an insurance company claims ownership of old batteries, Tesla asks the company to pay around $5,000.

The Korea Insurance Development Institute's Korea Automobile Insurance Repair Research and Training Centre sent a letter of inquiry to Tesla Korea last month regarding the legality of the company's battery replacement policy.
In response to the inquiry, Tesla Korea has asked a professional law firm to conduct a legal review into the company's battery replacement policy.

Tesla's policy has created a dilemma. "Currently, Tesla offers a very competitive price for battery replacement. If insurance companies begin to claim ownership of the old batteries, Tesla will have to raise prices on par with other competitors," an industry source said.

"It is unclear how this will affect consumers and insurance companies. It is something that we need to approach with utmost caution." ■

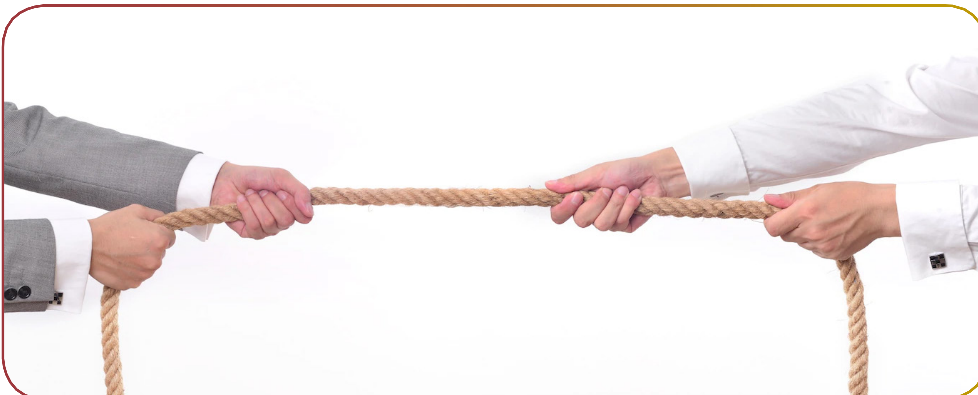
Ref: Asia Insurance Review - 4 Mar 2022

• Biggest non-life insurer posts over 40% increase in net profit in 2021

Samsung Fire & Marine Insurance, South Korea's top non-life insurer, Co announced 21 Feb 2022 that its earnings soared more than 42% in 2021 from a year earlier on the motor insurance division's switch to profit.

On the other hand, Samsung Fire & Marine Insurance has announced that it will lower its auto insurance premiums by an average 1.2% in April on falling loss rates. ■

Ref: Asia Insurance Review – 22 Feb 2022



TAWAN

• Impact of any Russian bond default on life insurers seen as limited

Cathay Financial Holdings, among the biggest financial services companies in Taiwan, has reported a limited impact on its bottom line for the January-February period despite the Russia-Ukraine conflict.

Due to sanctions imposed by the US and several other countries, Cathay Financial has set aside NT$2.6bn ($92.20m) as a provision for likely losses from its investments in Russia. The company posted NT$5.23bn in net profit for February, reported Central News Agency.

The NT$2.6bn provision accounted for 13% of Cathay Financial's total investment in bonds in the Russian market and possible losses in Russia should remain manageable, the company said.

Cathay Financial has said its total exposure to Russia stood at about NT$20bn, focusing on government bonds and accounting for only 0.3% of its total exposure. About 99% of its investments in Russia were denominated in the US dollar at a time when the Russian rouble has tumbled after the imposition of sanctions, the company said.

The investments in the Russian market were made before Russia waged a full invasion of Ukraine.

Russian bonds

Meanwhile, the Financial Supervisory Commission (FSC) has said that life insurers would have to dispose of Russian bonds within six months should their ratings fall below investment grade, reported The Taipei Times.

Several international agencies have cut the credit ratings of Russian assets to below investment grade, citing default risks amid Russia's invasion of Ukraine.

Local life insurers are exposed to Russia through government bonds, as well as corporate bonds, which have in general seen their ratings slip less.

If life insurers find it difficult to sell the bonds at a price they deem satisfactory, they must submit a plan to the FSC regarding how they are planning to dispose of them, Insurance Bureau chief secretary Tsai Huo-yen told a news conference.

"As it is the first time that local life insurers have to sell bonds because of credit rating cuts amid sanctions on a single country, we will regulate their disposal [of Russian bonds] with some flexibility — we will not fine the insurance companies if they fail to sell the bonds in time," Mr Tsai said. "However, we will not allow them to increase investment in those bonds either."

Local life insurers at the end of January held NT$138.2bn of Russian bonds, FSC data show. In the worst-case scenario of total Russian default, the expected losses would not lead to any Taiwanese life insurer's equity-to-assets ratio falling below the regulatory minimum of 3%, Mr Tsai said, adding that the sector's exposure to Russia accounts for only 0.46% of all insurance assets. ■

Ref: Asia Insurance Review - 8 Mar 2022

THAILAND

• Thai insurers under COVID claims pressure: AM Best

Author: Matt Sheehan

Operating losses relating to medical insurance products covering COVID-19 infections have put considerable strain on the operating performance and balance sheets of several Thailand insurers, according to analysts at AM Best.

The rating agency notes that most of the COVID-19 claims in the country have come from a short-term policy that pays a sizable lump sum when a policyholder contracts COVID-19.

This payment is fixed and does not relate to medical costs incurred by the policyholder, and, although the market stopped writing these policies in June 2021, a high volume of risks remains in force through the first half of 2022.

Total losses in 2021 related to the lump-sum policies have been estimated at THB 34 billion (USD 1.1 billion), or approximately 19% of the capital and surplus of the industry as of September 2021.

The mounting claims have forced four companies to cease operating, and more recently, Thai Insurance and Southeast Insurance—one of the country's top 10 insurers—applied for regulatory approval to be liquidated in early 2022.

"Some insurers have managed to mitigate COVID-19 exposures through reinsurance; however, the lump-sum policies have had a severe negative impact on the industry and pushed it to an underwriting loss," said Trung Tran, senior financial analyst, AM Best.

AM Best reports that the combined ratio of health and personal accidents insurance segments surged to 183% during 2021, from 66% during the same first nine months of 2020.

At the same time, the market's net profit fell to a net loss of THB 3.5 billion from THB 11.0 billion.

Going forward, analysts expect COVID-19 claims to continue placing pressure on the credit quality of the Thailand insurers that are exposed to the lump-sum policies.

Companies with strong balance sheets and other profitable insurance and investment activities will be better insulated against these losses, but some some other companies may face liquidity or solvency pressure that could result in the need for capital raising or other corrective measures. ■

Ref: Reinsurance News (www.reinsurancne.ws) - 9 Mar 2022

THAILAND

• Thailand offering a range of incentives to boost the industry

As demand for environmentally sustainable transport grows, a number of emerging markets are ramping up their efforts to incentivise the sale and production of electric vehicles (EVs).

One of the latest to attempt to stimulate growth in the sector is Thailand, which last month approved a package of incentives designed to establish itself as a regional leader in the field.

As part of a plan to encourage the purchase of EVs, the measures include a 40% reduction in import duty on completely built EVs costing up to BT2m ($60,500), and a 20% reduction on EVs valued between BT2m and BT7m ($60,500-$212,000).

In addition, the government announced that it will cut excise tax on imported EVs from 8% to 2%, which is expected to add 7000 EVs to the country's fleet within a year.

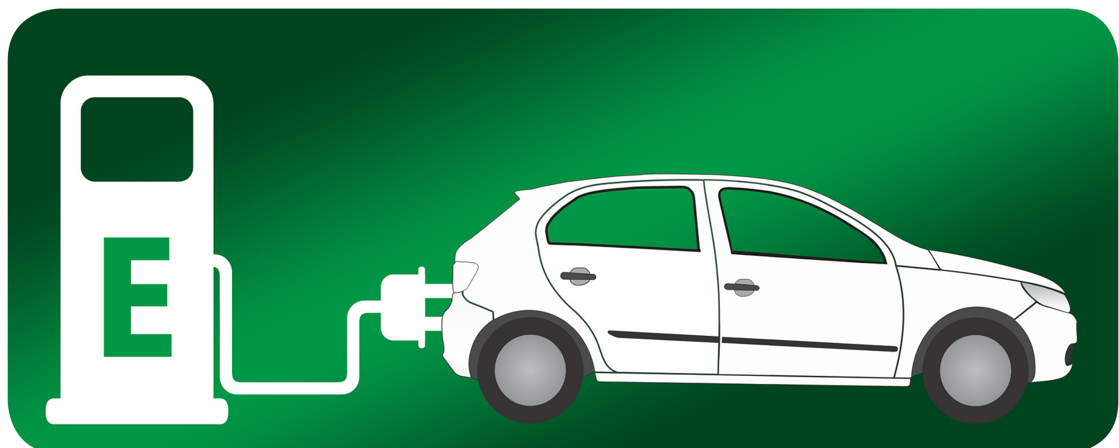
Meanwhile, in a bid to bolster EV production in the country, eligible car manufacturers will receive subsidies of between BT70,000 and BT150,000 ($2120-$4540) for each car produced, and BT18,000 ($545) for each electric motorcycle.

The incentives support the country's strategic plan, which aims to ensure that EVs will account for 30% of all vehicles produced in Thailand by 2030.

The most recent measures come on the back of previous incentives designed to accelerate the growth of the EV industry. In November 2020 Thailand's Board of Investment introduced excise duty reductions and corporate income tax holidays for those investing in the space.

As one of South-east Asia's leading industrial producers and carmakers, with annual vehicle production figures of around 2m, Thailand is well positioned to capitalise on the shift towards electric mobility. ■

Ref: Oxford Business Group- 10 Mar 2022



YEMEN

2020 Turnover per class of business

In USD

	2020 turnover	2020 shares
Health	56 829 000	47.50%
Motor	12 801 480	10.70%
Marine	11 282 052	9.43%
Fire	9 200 316	7.69%
Engineering	1 746 744	1.46%
Workmen's compensation	478 560	0.40%
Third party liability	382 848	0.32%
Miscellaneous risks	20 901 108	17.47%
Total non life	**113 622 108**	**94.97%**
Life	**6 017 892**	**5.03%**
Grand total	**119 640 000**	**100%**

Insurance Companies: 2020 Ranking

In USD

	2020 turnover	2019 turnover	Evolution 2019-2020	2020 shares
United	57 910 000	39 360 000	47.13%	48.40%
CAC	23 450 000	18 800 000	24.73%	19.60%
MIS	11 870 000	13 400 000	-11.42%	9.92%
Yemen General	5 970 000	5 020 000	18.92%	4.99%
Aman	4 530 000	4 140 000	9.42%	3.79%
Jazeera	4 230 000	2 290 000	84.72%	3.54%
Islamic	2 920 000	3 030 000	-3.63%	2.44%
Mareb	2 360 000	2 370 000	-0.42%	1.97%
Yemeni Qatari	1 860 000	1 900 000	-2.11%	1.56%
Watania	1 480 000	1 190 000	24.37%	1.24%
Trust	1 310 000	1 210 000	8.26%	1.09%
Yemen Insurance	1 260 000	1 050 000	20.00%	1.05%
Saba'	490 000	540 000	-9.26%	0.41%
Total	**119 640 000**	**94 300 000**	**23.69%**	**100%**

Source: Al Bayan

Ref: Atlas Magazine - 14 Feb 2022 ■

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Country Profile

KENYA

Insurance Market Report

by Hussein Elsayed

Official Name: The Republic of Kenya
Surface Area: 580,367 km²
Capital: Nairobi
Population: 53,771,300
Religion: Mostly Christianity
Official Language: English | Swahili
Currency: Kenyan shilling
Exchange Rate: *as at 31/12/2019:* 1 KES = 0.00978 US$; *at 31/12/2020:* 1 KES = 0.00910 US$

With its large population, diverse economy and an insurance penetration rate of less than 3% of GDP in 2020, compared to a global average of more than 7%, Kenya holds significant promise as an insurance arena. Recent years have seen the government and the industry regulator attempt to realize this potential by developing a micro-insurance framework, increased training for insurance agents and the promotion of technology in transacting insurance business. In the shorter term solid growth forecasts for the Kenyan economy bode well for the prospects of continued premium growth in the sector.

The Kenyan insurance industry recorded GWP of KES 235.31 Billion compared to KES 231.30 Billion in 2019. Despite this growth, insurance penetration has declined to 2.30% in 2020 from 2.37% in 019.
Developing new non-traditional insurance products that suit customer demands to help expand market reach especially among low income earners and those in less accessible areas could lead to higher penetration numbers.

GWP for life insurance business stood at KES 102.61 Billion compared to KES 97.85 Billion in 2019, while for non-life business stood at KES 132.70 Billion compared to KES 133.45 Billion in 2019. Non-life insurance continues to dominate at 56.39% of total GWP while life insurance is at 43.61%.

Profits after tax stood at KES 3.99 Billion compared to KES 12.71 Billion in 2019.

According to Fitch Solution key view (Kenya Insurance Report Q2_2022), There is solid growth potential on offer in Kenya's insurance industry in the short-term. The country's economy has recovered well from the disruption caused by the onset of the Covid-19 pandemic. Despite high case numbers in early 2022 the government has ruled out a new lockdown which will help to protect the economy over the coming quarters. This backdrop of healthy economic growth is expected to translate to greater consumer spending power which will spur demand for key products such as motor insurance, while higher employment rates will also increase uptake of life insurance and, to a lesser extent, personal accident insurance. Health insurance will remain the priority, however, for those households which can afford cover.

Country Socio-Economic

Country Economic Forecast

Long-term economic & social development

	1990	2000	2010	2020*
GDP per capita (US$)	504.6	517.9	1,080.3	1,880.3
Inflation (%)	15.6	9.9	4.1	5.4
Population (mn)	23.7	32.0	42.0	53.8
Urban population (% of total)	16.8	19.9	23.6	28.0
Life expectancy (years)	57.4	50.9	61.0	66.7

Source : Oxford Economics & World Bank

* 2020 or latest available year

Structure of GDP by output

	2020
Agriculture	21.3%
Industry	19.8%
Services	58.9%

Source : Oxford Economics

Long-term sovereign credit ratings & outlook

	Foreign currency	Local currency
Fitch	B+ (Negative)	B+ (Negative)
Moody's	B2 (Negative)	B2 (Negative)
S&P	B (Stable)	B (Stable)

Corruption perceptions index 2020

	Score
Developed economies (average)	74.3
Emerging economies (average)	38.6
Kenya	31.0
Africa	32.5

Source: Transparency International
Scoring system 100 = highly clean, 0 = highly corrupt

Structural economic indicators

	1990	2000	2010	2020*
Current account (US$ million)	530.0	-250.4	-2,300.9	-4,602
Trade balance (US$ million)	997.6	-1,266.0	-5,810.7	-8,428
FDI (US$ million)	57.5	110.9	1,116.5	245.0
Debt service (US$ million)	790.9	592.9	401.9	2,142.5
Debt service (% of exports)	35.6	21.4	4.5	21.9
External debt (% of GDP)	58.9	37.1	19.5	37.8
Oil production (000 bpd)	0.0	0.0	0.0	0.0
Oil consumption (000 bpd)	41.9	46.2	62.5	119.6

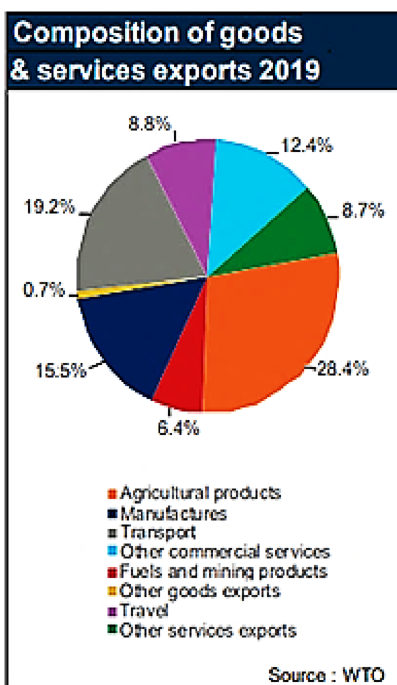
Source : Oxford Economics / World Bank / EIA

Destination of goods' exports 2020

European Union	16.0%
Uganda	11.5%
Pakistan	8.8%
United Kingdom	8.0%
Other	55.7%

Source : IMF DOTS

Composition of goods & services exports 2019



Source : WTO

Factors affecting risk scores: Kenya

Overall risk: 6.7/10

	2019	2020	2021	2022	2023	2024
Market demand rating: 7.9/10						
Domestic demand, % y/y	5.3	-1.1	5.7	4.6	4.2	4.5
Government balance, % of GDP	-7.1	-8.7	-8.4	-6.9	-6.2	-5.6
Gross government debt, % of GDP	62.7	67.7	69.8	71.2	73.0	73.5
Policy interest rate, %	8.9	7.1	7.0	7.6	8.1	8.5
Domestic credit, % of GDP	32.4	32.7	33.1	33.4	33.7	34.1
Fixed investment, % of GDP	18.7	19.4	19.6	19.5	19.4	19.3
Output gap, % of GDP	0.1	-2.0	-1.9	-0.5	-0.5	-0.4
Real GDP per capita, 2010 US$	1,600.5	1,560.2	1,617.5	1,651.1	1,687.2	1,726.9
Market cost rating: 6.9/10						
Nominal unit wage costs, 2008=100	233.3	231.0	235.1	252.0	269.6	287.2
Real fuel imports % total imports	11.8	12.8	11.6	11.5	11.6	11.6
Energy use per unit of GDPPPP	129.4	128.1	126.7	125.4	124.1	122.8
Exchange rate, average, LCU per US$	102.0	106.5	109.5	113.9	118.8	125.1
Output gap, % of GDP	0.1	-2.0	-1.9	-0.5	-0.5	-0.4
Unemployment rate, %	23.6	26.7	27.2	26.6	26.1	25.8
Real GDP per capita, 2010 US$	1,600.5	1,560.2	1,617.5	1,651.1	1,687.2	1,726.9
Exchange rate rating: 6.0/10						
Exchange rate, average, LCU per US$	102.0	106.5	109.5	113.9	118.8	125.1
Exchange rate, avg, PPP, LCU per US$	42.0	43.7	43.4	45.9	47.3	49.2
Current account of BOP, % of GDP	-5.0	-4.5	-5.4	-5.1	-4.4	-4.2
External debt, % of GDP	34.7	37.8	40.8	41.9	43.5	44.9
Policy interest rate, %	8.9	7.1	7.0	7.6	8.1	8.5
FX reserves, months of imports	6.5	7.4	5.9	5.7	5.6	5.6
Sovereign credit rating: 5.8/10						
GDP, real, % y/y	5.0	-0.3	6.1	4.4	4.4	4.6
GDP per capita, PPP, US$	4,021.3	3,920.0	4,063.8	4,148.3	4,239.1	4,338.9
Government balance, % of GDP	-7.1	-8.7	-8.4	-6.9	-6.2	-5.6
Gross government debt % of GDP	62.7	67.7	69.8	71.2	73.0	73.5
Trade credit rating: 7.0/10						
GDP, real, % y/y	5.0	-0.3	6.1	4.4	4.4	4.6
External debt, % of GDP	34.7	37.8	40.8	41.9	43.5	44.9
GDP per capita, PPP, US$	4,021.3	3,920.0	4,063.8	4,148.3	4,239.1	4,338.9

Source: Country Economic Forecast – by Oxford Economics, 1 March 2022

Natural Hazards

Earthquake and Other Geological Hazards: The incidence of damaging earthquakes in Kenya has for many years been relatively low. The area with the highest earthquake potential is the Great Rift Valley.
Many earthquakes are felt in Kenya with origins outside its borders, mainly from Northern Tanzania, but also from the Indian Ocean. The rate for earthquake is 0.25‰. The rate would generally include the risk of tsunami.

Subsidence: There is no major insured exposure to subsidence in Kenya.

Hail: Although incidents of significant hail damage are rare in Kenya, parts of the country are regularly exposed to hailstorms. The most exposed area is believed to be the tea growing region in western Kenya. but that the insurance market usually receives little by way of substantial claims.

Bushfire: Bushfire is a considerable risk to farmers in rural areas and also to safari camps and other tourist facilities, but it has rarely affected insurers.

Windstorm: Kenya is not subject to severe windstorms and this does not constitute a particular hazard locally. The only areas which are exposed to this peril are around Lake Victoria and (on rare occasions) the coastal strip, which feels the influence of the tails of cyclones which develop in the Indian Ocean.

Flood: The regions around Lake Victoria near the Ugandan border, particularly Kisumu and Busia and parts of the coastal zone, are the most exposed to flooding due to their flat topography, particularly in the rainy seasons, but there is little insurance in these areas.
The most serious hazard to insurers and reinsurers is in the capital Nairobi, which can quickly become flooded due to blocked drains.
Flood is covered under the special perils endorsement and the rating is usually incorporated in the overall fire rate with cover given virtually free of charge.

Drought: Drought is considered one of worst Natural Catastrophess face Kenya and Eastern Africa which leading to parching landscapes, killing livestock and creating a humanitarian crisis. Driven by climate change, it's also leading to civil strife, as shepherding communities battle each other for scarce resources.
The October to December 2021 short rains have largely failed, marking the third consecutive below-average season across pastoral and marginal agricultural areas of eastern and northern Kenya.
In 2022, and FEWS NET expects 3-4 million people will be in need of humanitarian food assistance in Kenya. Large-scale humanitarian assistance and livelihoods support are urgently required to cover current needs in northern and eastern Kenya, and assistance should be sustained throughout 2022.

Kenyan Insurance Market

HISTORICAL DEVELOPMENT:

- **1900** Agencies of British companies were established.
- **1935** The first record of the minutes of the Insurance Association of East Africa was made, although it is known that the association was in force well before that year.
- **1940s** Late in the decade New India and certain other Indian insurers established themselves in the market. Jubilee and Pan Africa (1946) were the first local Asian-owned companies to be formed. Both are now quoted on the Nairobi stock exchange.
- **1964** The first American company, Alico, entered the Kenyan market.
- **1965** The government-owned Kenya National Assurance Company was formed.
- **1970** The Kenya Reinsurance Corporation was incorporated and started operations the following year.
- **1974** Localization of insurance caused certain foreign insurers to withdraw from the market.
- **1984** An insurance law was passed providing, inter alia, for the Office of the Commissioner to supervise insurance operations.
- **1987** New insurance legislation was introduced which has subsequently undergone various amendments.
- **1998** A change in the constitution of the Association of Kenya Insurers was introduced.
- **2007** Kenya Re was part-privatized in July, with the flotation of a 40% stake on the Nairobi Stock Exchange. The chief executive officer and financial director were suspended earlier in the year on corruption charges.
  The Insurance Regulatory Authority (IRA) came into operation on 1 May 2007.
- **2011** Kenya's first takaful company was licensed - Takaful Insurance of Africa Ltd.
- **2013** to **2014** Foreign insurers returned to Kenya or increased their presence. From March 2014 the definition of local ownership was expanded to include citizens of other East African Community states.
- **2015** New increased capital levels were introduced to be complied with by 2018. Unclaimed financial assets, including insurance proceeds such as death proceeds from personal accident policies, were required to be paid to the Unclaimed Financial Assets Authority (UFAA) by the end of 2015.
- **2016-17** Legislation was passed in 2016 to require a risk-based capital approach and the corresponding guidelines relating to the calculation of a capital adequacy requirement, prudent investments, the calculation of technical provisions for life offices and the calculation of reserves for non-life offices were issued in early 2017.
- **2017** The deadline for compliance with the new minimum capital levels was extended to 2020.
- **2019** Insurance fraud was brought within scope under amendments to the governing Insurance Act. Broker premium retention was abolished, though the measure is stayed presently following legal action initiated by the Association of Insurance Brokers of Kenya (AIBK).
- **2020:** The most significant is the Insurance (Micro insurance) Regulations 2020 that has had a direct impact on the industry as it has given clear guidance on an emerging area of insurance that previously had no regulations.
  The Business Laws (Amendment) Bill was enacted in 2020 to facilitate the ease of doing business by introducing the electronic signature as an identifier for a signatory in the law of contract and electronic stamping of documents in the Registration of Documents act and Stamp Duty Act.

Regulatory Environment and Market Structure

Key Legislation

- Insurance Act, 2020
- Retirement Benefits Act
- The Companies Act

Changes in Legal and Regulatory Framework:

In 2020, there were a number of regulatory changes in the insurance industry. They include:

1- The Insurance (Micro-insurance) Regulations, 2020 (Legal Notice No. 26 of 2020).

These regulations provide a framework for the operation of micro insurance business in Kenya. This is based on the need for enhanced access to insurance at affordable rates to the low-income population, including the underserved markets.

2 - The Insurance (Group-Wide Supervision) Regulations, 2020 (Legal Notice No. 25 of 2020)

The purpose of the regulations is to provide a framework for the supervision of insurance companies within a group company in Kenya. This is meant to ensure that an insurance entity within a group is monitored to protect it from contagion risk as may arise in the group.

3 - The Insurance (Bancassurance) Regulations, 2020 (Legal Notice No. 24 of 2020)

These regulations provide a framework for the registration, supervision and requirements for Bancassurance business in Kenya. Bancassurance is an insurance distribution channel for insurance products through financial institutions. This is aimed at enhancing access to insurance services.

4. The Insurance (Anti-Money Laundering & Combating Financing of Terrorism) Guidelines, 2020 (Legal Notice No. 23 of 2020)

The purpose of these regulations is to provide a framework for the prevention of money laundering and combating financing of terrorism in the insurance sector. The regulations aim to provide a legal guidance for the regulated entities in their attempts to prevent the sector from being misused for money laundering and terrorism financing activities.

Industry Circulars:

- IC 01/2020 – Reporting of fire and engineering risks with sums insured above KES 1 billion and group life business;
- IC 02/2020 – COVID-19 Insurance Business Impact Template;
- IC 03/2020 - Renewal of Registration of Insurance Agents under the Insurance Act, Cap 487 for the Year 2021
- BAI 04/2020 - Applications for Registration of Bancassurance Intermediary for the Year 2021
- IB & MIP 05/2020 - Applications for Renewal of Registration of Insurance Brokers and Medical Insurance Providers for the Year 2021
- ISP 06/2020 - Applications for Renewal of Registration of Insurance Service Providers for the Year 2021
- IC/RE/IB/IA/ISPS/07/2020 - Communication to the Insurance Industry in the Advent of Covid-19 Pandemic
- IC&RE/08/2020 - Continuous Monitoring of Insurers Risk Profiles and Premium Rates
- IC&RE/09/2020 - Renewal of Reinsurance Contracts for the Year 2020
- IC & RE 07/2020 – To Insurance companies, reinsurance companies and reinsurance brokers on dealings with reinsurers and reinsurance brokers not registered under the Insurance Act.

Supervisory Authority

- The Insurance Industry is regulated by the ***Insurance Regulatory Authority (IRA)*** which is a statutory government agency established under the Insurance Act (Amendment) 2006, CAP 487 of the Laws of Kenya to regulate, supervise and develop the insurance industry.

Through the Insurance Act and its attendant Guidelines/Regulations. IRA is responsible for:

- Ensure compliance by insurance/reinsurance companies and intermediaries with legal requirements and sound business practices;
- Promote voluntary compliance;
- Set clear objectives and standards of intervention for insurance/reinsurance companies and intermediaries or type of intervention;
- Protect consumers and promote high degree of security for policyholders;
- Promote efficient, fair, safe and stable markets;
- Maintain the confidence of consumers in the market;
- Ensure insurance/reinsurance companies and intermediaries remain operationally viable and solvent; and
- Establish a transparent basis for timely, appropriate and consistent supervisory intervention, including enforcement.
- Licensing, regulating and developing the insurance sector in Kenya.

- The Pensions business within the insurance industry is regulated by the ***Retirement Benefits Authority (RBA)*** through the Retirement Benefits Act.

Since 2014 the government has maintained plans to unite four regulatory bodies - the IRA, the Capital Markets Authority, the Sacco Societies Regulatory Authority and the Retirement Benefits Authority - into a single entity. The proposal was announced in 2014 but it was not until May 2016 that Kenya's Treasury published the first draft of the financial services authority bill. The bill was then approved by cabinet in April 2017, but progress has since stalled.

Professional Bodies

The Association of Kenya Insurers (AKI)

AKI was established in 1987 as an independent non-profit making consultative and advisory body for insurance industry.

- Board committees are directly responsible for five areas: public relations, secretariat, ethics and self-governance, statutory and legal affairs, and liaison with underwriters and brokers. The two councils are responsible for the various committees run for the life and non-life sections.
- Membership is not obligatory but in practice all direct writing companies belong and therefore the AKI is an effective lobbying organisation for the insurance industry. The AKI is heavily involved in assisting the IRA with the drafting of revised insurance legislation that seeks to modernise the existing law and bring it into line with international standards.
- The AKI is also co-operating with the IRA with regards to expansion of the insurance market and has particularly influenced the production of new business in the group market.

Association of Insurance Brokers of Kenya (AIBK)

- The Association of Insurance Brokers of Kenya (AIBK) is the umbrella Trade Association for all Insurance Brokers in Kenya. The body has evolved since inception in 1970 when it was referred to as Association of Insurance Brokers of East Africa (AIBEA), serving Kenya, Uganda and Tanzania before becoming a Kenyan affair after the dissolution of the East African Community in 1977.
- The mission of AIBK is to lead on Consume Protection and on all issues of members common interest and uphold professionalism and ethics in insurance brokerage Industry.

The Association of Kenya Reinsurers: Founded 2005. IRA, in collaboration with AKR, monitors the premium rates for fire, engineering and bonds risks by setting the minimum rates which insurers must charge. The minimum rates are determined and embedded in treaty cover notes as warranties which act as a pre-condition for any treaty cession.

The Actuarial Society of Kenya (TASK), was originally registered in 1993, but not launched until 2005. Actuarial qualification may be achieved by means of the Institute and Faculty of Actuaries in the UK or the Society of Actuaries in the US. The Commissioner of Insurance may also recognise other actuarial qualifications on an ad hoc basis.

Pools

The pools operating in the Kenyan market are described below.

- **Yellow Card Pool** - Yellow Cards are issued to Kenyan motor insurance policyholders should they wish to visit a neighbouring Common Market for East and Southern Africa (COMESA) country. The Yellow Card provides the basic act cover required in the country visited. Policyholders from COMESA countries, such as Uganda and Ethiopia, buy a Yellow Card in their own country and show it on crossing the border into Kenya.
  The Yellow Card scheme is run by ZEP-RE on a similar basis to the European Green Card system. Each of the COMESA countries has a bureau to which the local insurers submit returns. These returns are then sent to ZEP-RE. Kenya Re is the Kenyan local bureau and all non-life insurers are members of the pool.
- **Crop Insurance Pool -** a crop insurance pool was formed comprising a small number of underwriters with reinsurance and technical expertise supplied by Swiss Re. The crop insurance pool was active for a period, but has since been discontinued.
- **EAC Customs Bond Pool** - is run along similar lines to the COMESA Yellow Card Pool for regional motor insurance. The pool is run by ZEP-RE and Kenya Re is the Kenyan local bureau. Kenyan market non-life insurers are members of the pool.

- *The Association of Kenya Insurers continues to be involved in the establishment of a local political riot, sabotage and terrorism risks market pool. Market sources have indicated that the pool has yet to be established.*
- *The government of Kenya is a member of the African Trade Insurance Agency (ATI) which is based in Nairobi and was founded in the year 2000. ATI offers customized political risk, credit risk and export credit insurance products.*
- *It is anticipated that the development of hydrocarbon reserves in the country will in future have a significant impact on the growth of the non-life sector and may, in due course, result in the formation of an energy or oil and gas pool.*

Registration Requirements:

Insurer Registration Requirements

- Certified copy of the certificate of incorporation of the company.
- Certified copy of the Articles and Memorandum of Association of the company.
- A feasibility study report as outlined under Regulation 7 of the Insurance Regulations.
- Paid up share capital as prescribed in the Insurance Act: as may apply under: (a). Long term insurance business of Ksh. 400 million (b). General Insurance business Kshs. 600 million (c). Reinsurance business Ksh. 1 Billion
- Details of the shareholders and share holding structure of the company.
- Curriculum Vitae of the principal officer
- A statement of all the classes of business the proposer intends to transact. The classes of business are prescribed in the schedules to the Insurance Act.
- Specimen proposal and policy forms for all the classes of business the proposer intends to transact.
- The premium rates the proposer intends to apply under each class of business during the year of registration.
- A certificate in connection with the long term insurance business by an actuary that the premium rates terms and conditions are sound and workable.
- A detailed statement of assets and liabilities in Kenya at the date of application.
- Proposed Reinsurance arrangements.
- A certificate from Central Bank of Kenya specifying the amounts and details of deposits under section 32 of the Insurance Act (equivalent to 5% of the total admitted assets).
- The proposed contract documents with Insurance Agents and Brokers.
- A statement of how the company intends to cover its initial administrative costs.

Re/Insurance Brokers:

The registration requirements for Insurance Brokers, Reinsurance Brokers and Medical Insurance Providers (MIPs) are detailed in Section 150 to section 156 of the Insurance Act Cap 487 of the Laws of Kenya and include the following:

- Bank guarantee of KES. 3 million from a commercial bank in the prescribed format, or a Government bond of at least two years in favor of the Authority.
- A Professional Indemnity Insurance Policy with a minimum limit of KES 10 million. All professional indemnity policies must expire on 31st December of the year of registration.
- A minimum paid-up share capital of KES. 1 million.
- CR-12 form detailing the shareholding structure of the company.
- At least 60% of the shares shall be held by Kenyan citizen(s).
- A Certified copy of the certificate of incorporation.
- New applicants should submit a 3-year business plan.
- All Directors should submit Identification Documents and duly completed fit and proper forms.

Capital Requirements:

Paid up share capital as prescribed in the Insurance Act:

1. Long term insurance business of Ksh. 400 million
2. General Insurance business Kshs. 600 million
3. Reinsurance business Ksh. 1 Billion

Agents

- Log in to Online portal
- The applicant or its Principal Officer must have passed or been exempted from Certificate of Proficiency (COP) examination for Insurance Agents. The examination is offered by the College of Insurance.
- Registration fee Kshs.1,000 payable to the Insurance Regulatory Authority.
- Documents as proof of nationality. Note that all agents must be East African citizens.
- Confirmation by the Principal Officer of the Insurer for whom the applicant proposes to act as an agent certifying that the applicant has the knowledge and experience necessary to act as an agent.
- Where applicable, a certified copy of the certificate of registration of business name reflecting the kind of business applied for. In case of a Corporate Agent, the following will also be required:
  - a certified copy of the certificate of registration of business name reflecting the kind of business the *applied for or a certificate of incorporation;*
  - *a copy of the Articles of association or rules and regulation;*
  - *Details of the shareholders or partners.*

Compulsory Insurances

- Motor third party liability in respect of bodily injury.
- Workers' compensation.
- Aviation liability (for commercial aircraft insurance must cover passenger liability, cargo, baggage and mail risks).
- Shipowners' liability for marine oil pollution (financial guarantee or insurance).
- Professional indemnity cover for insurance brokers.
- Clinical trials liability, including PI for investigators and liability insurance for clinical trials host institutions.

Solvency Margin:

- Kenya has adopted a risk based capital regime (RBC) that utilizes a model that prescribes capital requirements for insurers based on the risk profile of the insurers.

Taxation:

- **Non-life:** Corporation tax rate of 30%;
- **Life insurer:** 30% of surplus distributed to shareholders plus 30% of excess (over the permitted) management expenses.

Reinsurance Business:

- Five (5) locally incorporated reinsurers transacted reinsurance business in Kenya in 2020. These are Kenya Reinsurance Corporation Limited, East Africa Reinsurance Company Limited, Continental Reinsurance Company Limited, Ghana Reinsurance Company Kenya Limited and Waica Reinsurance Kenya Limited.

  Two (2) reinsurers operating under regional charters also operated in the Kenyan market. These are ZEP-RE (PTA Reinsurance Company) and Africa Reinsurance Corporation. ZEP-RE and Africa Reinsurance Corporation receive mandatory cessions of 10% and 5% respectively of all Kenyan insurance business while the Kenya Reinsurance Corporation receives mandatory cessions of 20%.

  One reinsurer, CICA-Re operates a liaison office in Kenya. However, the company has applied for registration as a reinsurer.

  Africa Trade Insurance Agency (ATI) is a Pan-African institution established under a regional charter to facilitate the development of trade, investments and other productive activities in African states through the provision of insurance, coinsurance, reinsurance or guarantees against political, commercial and non-commercial risks. It's based in Nairobi.

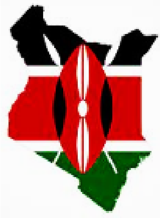
- In terms of Section 20 of the insurance act, no insurer, broker, agent or other person shall directly or indirectly place any Kenyan reinsurance business with an insurer not registered under the insurance act, with the following exceptions:
  - in the case of treaty reinsurance, with the approval of the commissioner and subject to any restrictions he or she may apply
  - in the case of facultative reinsurance, subject to the prior approval in writing of the commissioner in respect of each individual risk.

  Reinsurers do not have to be admitted or put up deposits but are usually vetted by the commissioner of insurance before approval is given to a reinsurance programme. This would involve the submission of three years' balance sheets for an unknown company. The overseas reinsurance broker often handles the vetting although the office of the commissioner also has its own procedures.

- Both life and non-life reinsurance premiums ceded abroad were subject to the 5% tax payable by both local insurers and local reinsurers, until 21 March 2014, when the tax was abolished under the Insurance (Amendment) Act, 2014. It has been reintroduced effective 1 July 2018. This can be regarded as a move to retain more premium in the local market, but it remains to be seen what the ultimate effect will be.

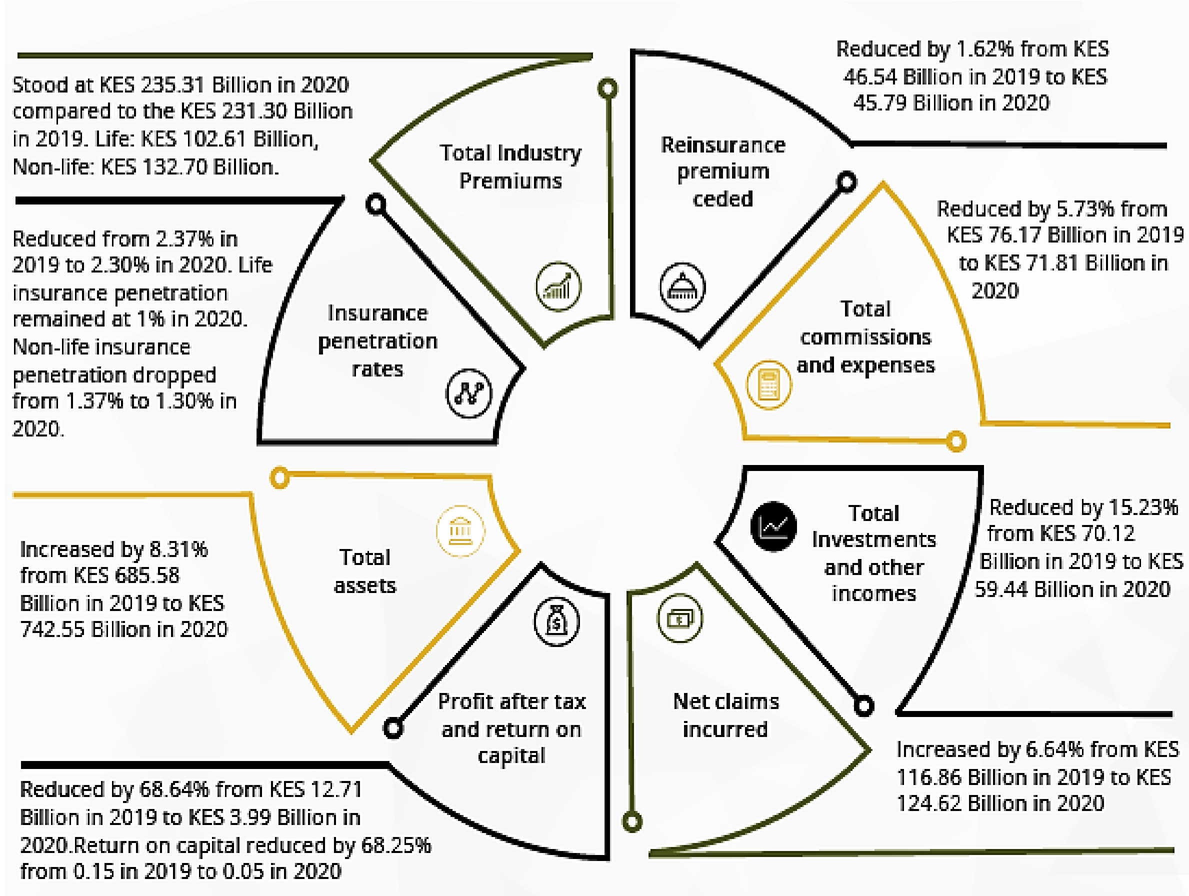
- The basis for calculating the risk-based capital was contained in Section 12 of the Insurance (Capital Adequacy) Guidelines, 2017. Amounts recoverable from reinsurance arrangements are counted as admissible assets, but subject to a capital charge.

- Annual renewal of registration is no longer required, but annual approval of the reinsurance arrangements by the IRA is. This requirement was amended to include "strategies" under the Insurance (Amendment) Act, No 1 of 2014, effective 21 March 2014, which would allow alternative risk transfer mechanisms.



Insurance Market Statistics and Performance

Industry Performance - At a Glance



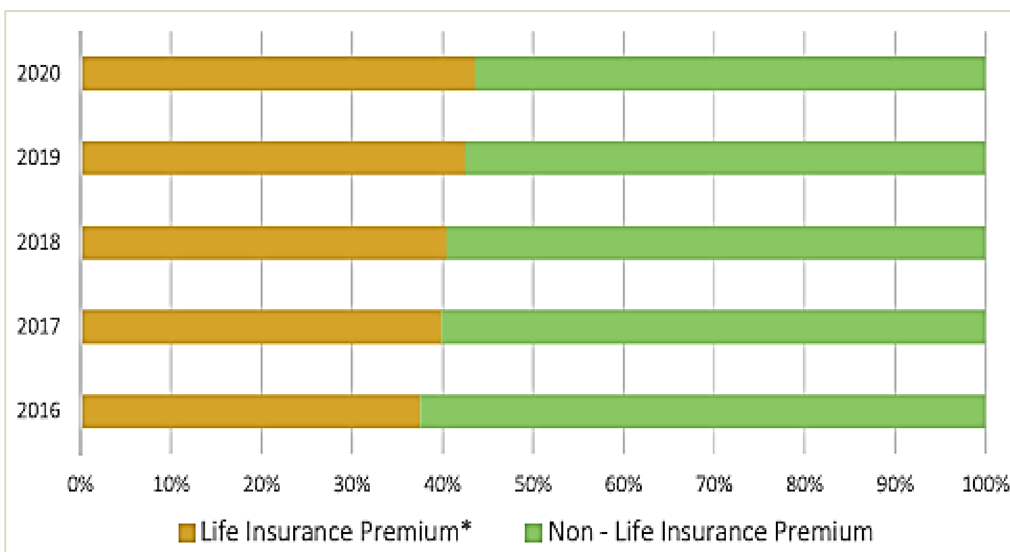
Kenya's Insurance Industry Players, 2016-2020

	2016	2017	2018	2019	2020
Insurance Companies	51	52	54	54	56
Reinsurers	3	4	5	5	5
Reinsurance brokers	3	4	14	16	18
Agents	6,481	9,320	8,955	9,262	11,138
Brokers	186	221	216	213	204
Insurance investigators	123	142	145	131	150
Medical Insurance Providers (MIPs)	29	31	33	31	34
Insurance Surveyors	27	32	36	30	33
Risk Managers	7	9	11	9	10
Loss Adjusters	31	32	31	28	31
Motor Assessors	98	126	123	123	128

Insurance Performance Relative to Gross Domestic Product, 2016-2020

	2016	2017	2018	2019	2020
Gross Direct Premium (KES Bn)	195.2	207.6	214.9	227.9	233.1
Gross Direct Premium Growth Rate (%)	13.2	6.3	3.2	6.1	2.3
GDP (Current Prices in KES Bn)	7,594.1	8,483.4	9,340.3	10,255.7	10,753.0
GDP (at Constant Prices) Growth Rate (%)	4.2	3.8	5.6	5.0	-0.3
Insurance Penetration Ratio (%) (at Current Prices)	2.57	2.68	2.43	2.34	2.17
Insurance Density (GDP/Population) KES	4,300	4,455	4,525	4,788	4,787
Real Gross Direct Premium Growth (%)	6.4	-1.5	-1.5	0.8	-2.9

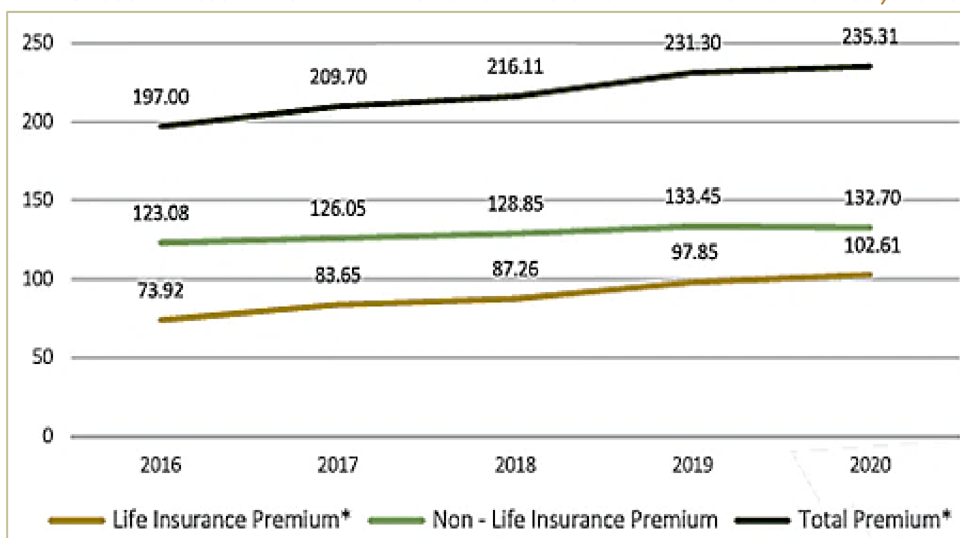
GWP Representation for Life and Non-Life Insurance Proportions 2016-2020



* Includes deposit administration and unit linked contribution

Non-life insurance which is largely dominated by motor and medical classes has been dominating the market for the past 6 years and represented 56.39% of the total premiums in 2020. The proportion of ***life insurance*** premiums has been increasing slightly every year from 35.59% in 2015 to 43.61% in 2020.

Gross Written Premium Trend for Life and Non-Life Combined, 2016-2020 *in KES bn*



* Includes deposit administration and unit linked contributions

Industry combined premiums recorded an increase in each of the 5 years considered. Both Life and non-life insurance recorded the same trend.

Statement of Comprehensive Income, 2016-2020

in KES Billions

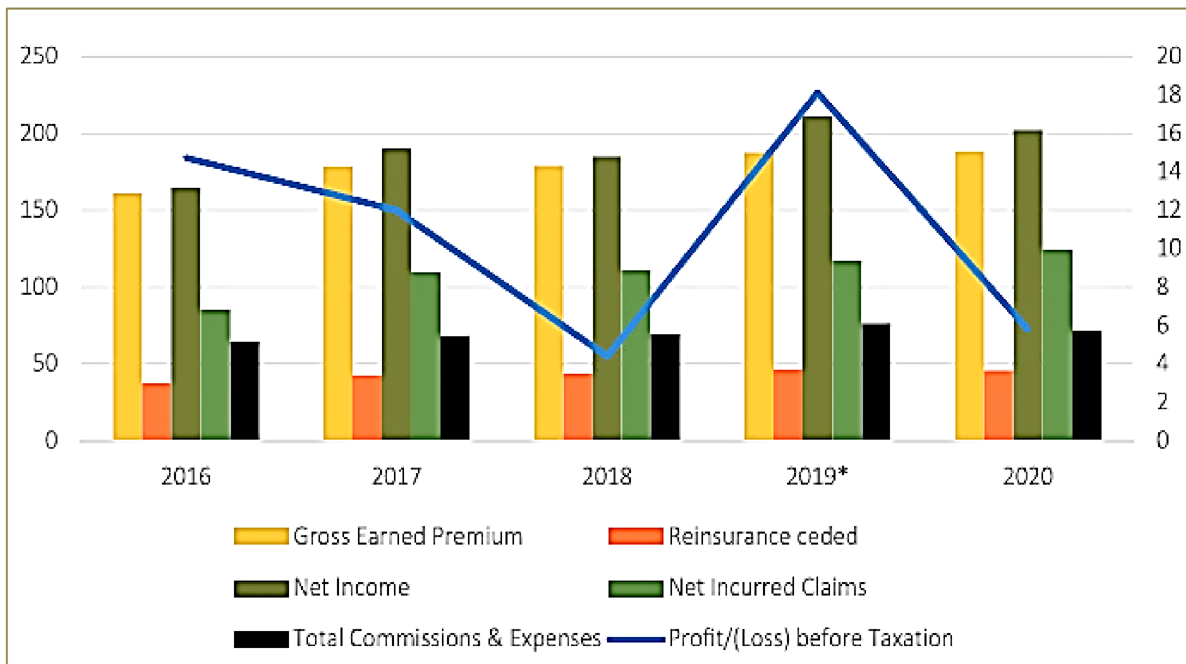
	2016	2017	2018	2019*	2020**	2019 - 2020 Growth	2016 - 2020 CAGR
Gross Earned Premium	160.96	178.48	178.80	187.57	188.55	0.52%	3.22%
Reinsurance ceded	37.45	43.22	43.99	46.54	45.79	-1.62%	4.10%
Net Earned Premium	123.51	135.27	134.81	141.03	142.76	1.23%	2.94%
Investment & Other Income	41.09	55.28	50.23	70.12	59.44	-15.23%	7.66%
Net Income	164.60	190.54	185.04	211.14	202.20	-4.24%	4.20%
Net Incurred Claims	85.41	110.00	111.01	116.86	124.62	6.64%	7.85%
Total Commissions & Expenses	64.43	68.53	69.63	76.17	71.81	-5.73%	2.19%
Profit/(Loss) before Taxation	14.75	12.01	4.40	18.12	5.78	-68.12%	-17.09%
Provision for Taxation	5.18	2.66	1.40	5.41	1.79	-66.89%	-19.14%
Profit/(Loss) after Taxation	9.57	9.35	3.00	12.71	3.99	-68.64%	-16.07%

* *Restated*

** *Excludes financial results from one insurance company as their figures were not available when this report was being prepared. However, the impact of excluding the figures is minimal.*

In 2020, gross earned premium increased by 0.52% from KES 187.57 Billion in 2019 to KES 188.55 Billion in 2020.

Reinsurance ceded reduced by 1.62%. Net incurred claims increased by 6.64% compared to 2019. Profit took the biggest hit with a 68.12% decline in the industry before and a 68.64% decline after tax.



Gross earned premium has been relatively constant over the past 5 years. Net income includes net earned premium and investment and other incomes and has been increasing over the years but dropped slightly in 2020. Profit before tax was on a decreasing trend from 2016 to 2018 but increased significantly in 2019 then dropped in 2020. Net incurred claims have been increasing constantly over the past 5 years. Total commissions and expenses have also been increasing over the years but dropped slightly in 2020.

Statement of Financial Position, 2016-2020

in KES Billions

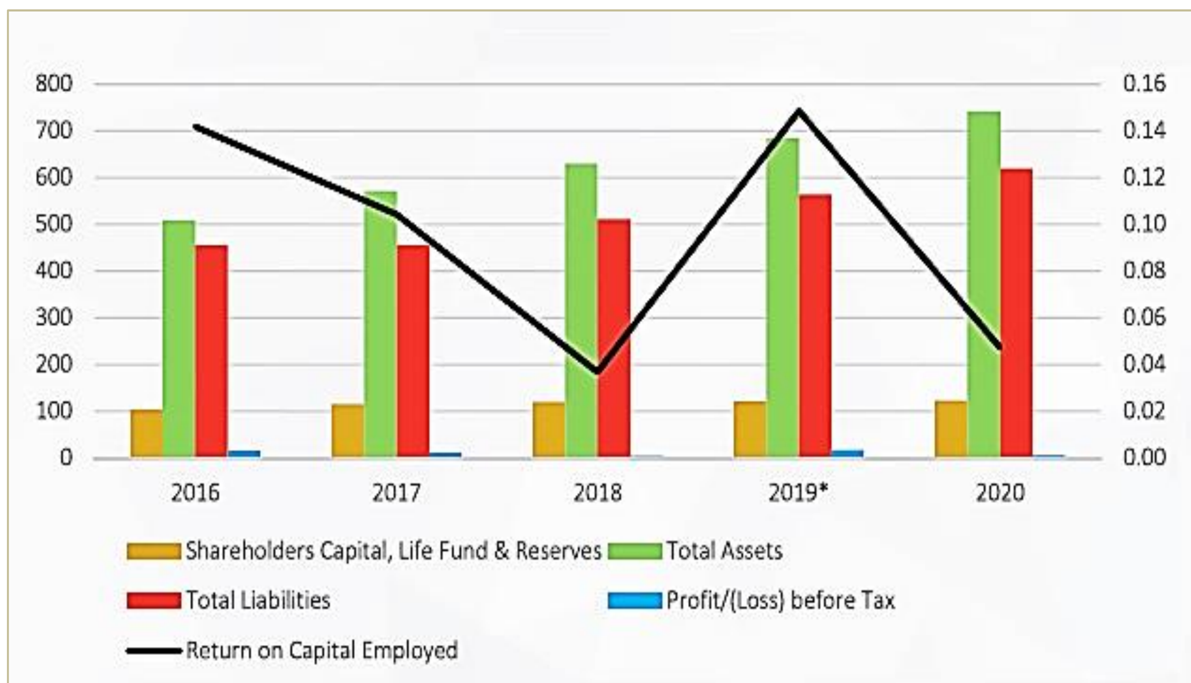
	2016	2017	2018	2019*	2020**	2019-2020 Growth	2016-2020 CAGR
Shareholders Capital, Life Fund & Reserves	103.88	115.65	119.28	121.92	122.43	0.42%	3.34%
Total Assets	508.95	571.96	630.72	685.58	742.55	8.31%	7.85%
Total Liabilities	456.30	456.30	511.45	563.61	620.12	10.03%	6.33%
Net Assets	103.88	115.65	119.28	121.92	122.43	0.42%	3.34%
Profit/(Loss) before Tax	14.75	12.05	4.40	18.12	5.78	-68.12%	-17.09%
Return on Capital Employed	0.14	0.10	0.04	0.15	0.05	-68.25%	-19.77%

** Restated*

*** Excludes financial results from one insurance company, as their figures were not available when this report was being prepared. . However, the impact of excluding the figures is minimal.*

Total assets and liabilities increased from KES 685.58 Billion and KES 563.61 Billion to KES 742.55 Billion and KES 620.12 Billion respectively. Shareholders Capital, Life Fund & Reserves increased slightly from KES 121.92 Billion to KES 122.43 Billion registering a growth of 0.42%.

Shareholders Capital, Life Fund & Reserves has been constant over the 5 years. Total assets have been increasing constantly over the period. Total liabilities have also had the same trend as total assets over the 5-year period. Return on capital employed followed a similar trend to profit before tax with a decreasing trend from 2016 to 2018, a significant increase in 2019 then decreased in 2020.



General Insurance Business

➢ *Gross Direct Premium Income*

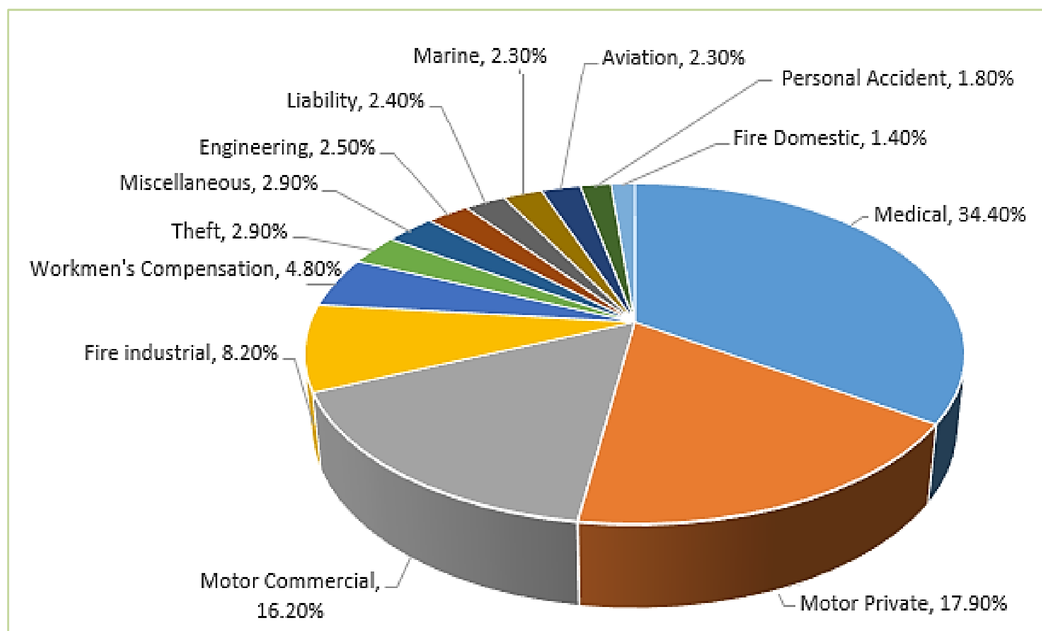
General insurance business premium grew marginally by 0.4% to KES 131.06 billion in 2020 compared to KES 130.52 billion in 2019.

Aviation class of general insurance business grew from KES 2.11 billion in 2019 to KES 2.96 billion in 2020, an increase of 40.5% while personal accident class had the highest decrease in premium of 28.1% to KES 2.36 billion in 2020 from KES 3.28 billion in 2019.

In KES'000'

Class of business	2016	2017	2018	2019	2020	2019/2020 growth %	2020 Market Share %
Medical	38,515,454	38,337,371	40,195,984	42,348,102	45,061,539	6.4	34.40%
Motor Private	20,460,256	21,484,964	22,495,605	23,431,002	23,449,022	0.1	17.90%
Motor Commercial	24,025,770	23,226,291	23,593,081	23,049,684	21,279,353	-7.7	16.20%
Fire industrial	10,062,935	11,130,626	10,824,386	10,870,577	10,776,438	-0.9	8.20%
Workmen's Compensation	5,601,571	5,675,906	6,225,354	6,358,473	6,233,992	-2	4.80%
Theft	3,781,127	3,784,701	3,863,654	3,835,945	3,851,366	0.4	2.90%
Miscellaneous	3,710,221	3,763,080	3,635,343	3,741,207	3,847,235	2.8	2.90%
Engineering	3,473,125	4,190,323	3,691,508	3,502,268	3,249,381	-7.2	2.50%
Liability	2,520,106	2,817,584	2,728,902	3,124,267	3,124,468	0	2.40%
Marine	2,597,963	3,555,639	3,370,608	3,188,714	3,063,641	-3.9	2.30%
Aviation	1,476,801	1,726,496	2,134,254	2,109,320	2,963,413	40.5	2.30%
Personal Accident	4,002,267	3,516,204	3,157,233	3,283,857	2,362,292	-28.1	1.80%
Fire Domestic	1,482,865	1,570,425	1,595,804	1,672,639	1,795,320	7.3	1.40%
Total	**121,710,461**	**124,779,610**	**127,511,716**	**130,516,055**	**131,057,460**	**0.4%**	**100%**

Non-Life Insurance Market Share per Class, 2020



Non Life Insurance Companies: Ranking per Turnover in 2020

Figures in thousands

Company	2020 turnover		2019 turnover		2019-2020	2020
	In KES	In USD	In KES	In USD	evolution [1]	Share
UAP Insurance	10605343	96509	9278624	90745	14.30%	8.11%
CIC General	10196750	92790	10536834	103050	-3.23%	7.79%
APA Insurance	9508815	86530	9337232	91318	1.84%	7.27%
Jubilee Health [2]	8336809	75865	7884054	77106	5.74%	6.37%
Britam	8253939	75111	8208739	80282	0.55%	6.31%
GA Insurance	7840648	71350	6520029	63766	20.25%	5.99%
ICEA Lion General	6057393	55122	5783450	56562	4.74%	4.63%
Heritage	5765206	52463	5562586	54402	3.64%	4.41%
AAR Insurance	5683964	51724	5861920	57330	-3.04%	4.34%
Geminia	5157207	46931	4871078	47639	5.87%	3.94%
Resolution	4287042	39012	5357625	52398	-19.98%	3.28%
Madison	4228696	38481	4202334	41099	0.63%	3.23%
First Assurance	4144458	37715	3596967	35178	15.22%	3.17%
Sanlam	4066095	37001	2859045	27962	42.22%	3.11%
Mayfair	3300416	30034	2891392	28278	14.15%	2.52%
Jubilee General [2]	3063523	27878	4293340	41989	-28.64%	2.34%
AIG	3045831	27717	3530310	34526	-13.72%	2.33%
Occidental	2812086	25590	2810253	27484	0.07%	2.15%
Directline	2626423	23900	3353253	32795	-21.68%	2.01%
Kenindia	2470756	22484	2423362	23701	1.96%	1.89%
The Kenyan Alliance	2136881	19446	1634568	15986	30.73%	1.63%
Fidelity Shield	2060190	18748	2406861	23539	-14.40%	1.58%
Saham	2035610	18524	2195213	21469	-7.27%	1.56%
The Monarch	1496358	13617	1265080	12372	18.28%	1.14%
Pacis	1445894	13158	1480965	14484	-2.37%	1.11%
Kenya Orient	1444111	13141	1293472	12650	11.65%	1.10%
Tausi	1180207	10740	1191812	11656	-0.97%	0.90%
Metropolitan Cannon	1130829	10290	884760	8653	27.81%	0.86%
Intra Africa	1105381	10059	1201248	11748	-7.98%	0.84%
African Merchant AMACO	1069483	9732	1474182	14418	-27.45%	0.82%
Corporate	932958	8490	490739	4799	90.11%	0.71%
Allianz	929346	8457	910744	8907	2.04%	0.71%
Pioneer	883817	8043	847497	8289	4.29%	0.68%
MUA	828145	7536	709649	6940	16.70%	0.63%
Trident	705810	6423	653680	6393	7.97%	0.54%
Xplico	-	-	1440828	14091	-	-
Takaful	-	-	1272336	12443	-	-
Total Non-Life	130836420	1190611	130516061	1276447	0.25%	100%

[1] Growth rate in local currency [2] Ex. Barclays Life

Exchange rate as at 31/12/2020: 1 KES = 0.00910 USD at 31/12/2019 : 1 KES = 0.00978 USD

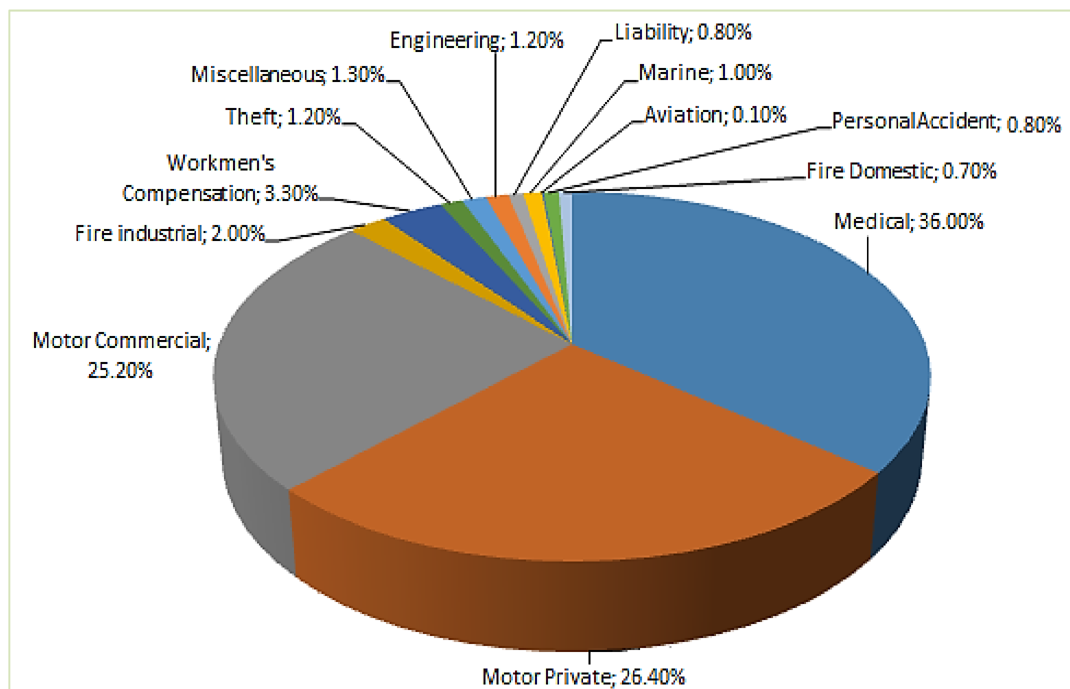
➢ *Incurred Claims*

In 2020, general insurance business underwriters incurred claims amounting to KES 58.31 billion compared KES 58.96 billion claims incurred in 2019, a slight decrease of 1.1%. Motor and Medical classes had the largest share of claims incurred at 51.7% and 36.0% respectively. A summary of incurred claims under general insurance business is shown in Table 25.

In KES'000'

Class of business	2016	2017	2018	2019	2020	2020 Share %
Medical	18,095,201	20,632,162	20,515,402	20,424,313	20,975,226	36%
Motor Private	14,968,463	14,181,895	14,301,162	16,635,527	15,418,425	26.40%
Motor Commercial	12,750,248	12,646,816	13,618,583	15,304,543	14,705,102	25.20%
Fire industrial	988,870	1,100,373	1,141,362	825,219	1,149,283	2.00%
Workmen's Compensation	2,987,439	3,126,587	2,374,487	1,548,271	1,910,300	3.30%
Theft	1,194,596	969,900	1,304,641	887,812	722,603	1.20%
Miscellaneous	430,640	653,554	740,981	781,086	752,126	1.30%
Engineering	448,796	431,756	411,244	597,785	697,881	1.20%
Liability	661,618	340,822	597,548	399,152	462,135	0.80%
Marine	500,636	725,376	669,398	669,464	598,869	1.00%
Aviation	69,815	(48,571)	28,336	9,285	43,775	0.10
Personal Accident	1,237,378	1,081,310	747,352	464,566	481,601	0.80%
Fire Domestic	523,792	309,981	477,500	414,559	394,133	0.70%
Total	**54,857,492**	**56,151,961**	**56,927,996**	**58,961,582**	**58,311,459**	**100%**

Class-wise distribution of incurred claims 2020



Life Insurance Business

➢ *Gross Direct Premium Income*

Gross Written Premium was KES 102.61 Billion in 2020 compared to KES 97.85 Billion in 2019, an increase of 4.87%. Life insurance penetration rate remained at 1.00% in 2020. The average growth rate from 2016 to 2020 stands at 10.79%.

Pensions, Group Life and Unit Linked premiums and contributions increased by 10.89%, 4.04% and 29.52% respectively. Ordinary life premiums decreased by 3.64%.

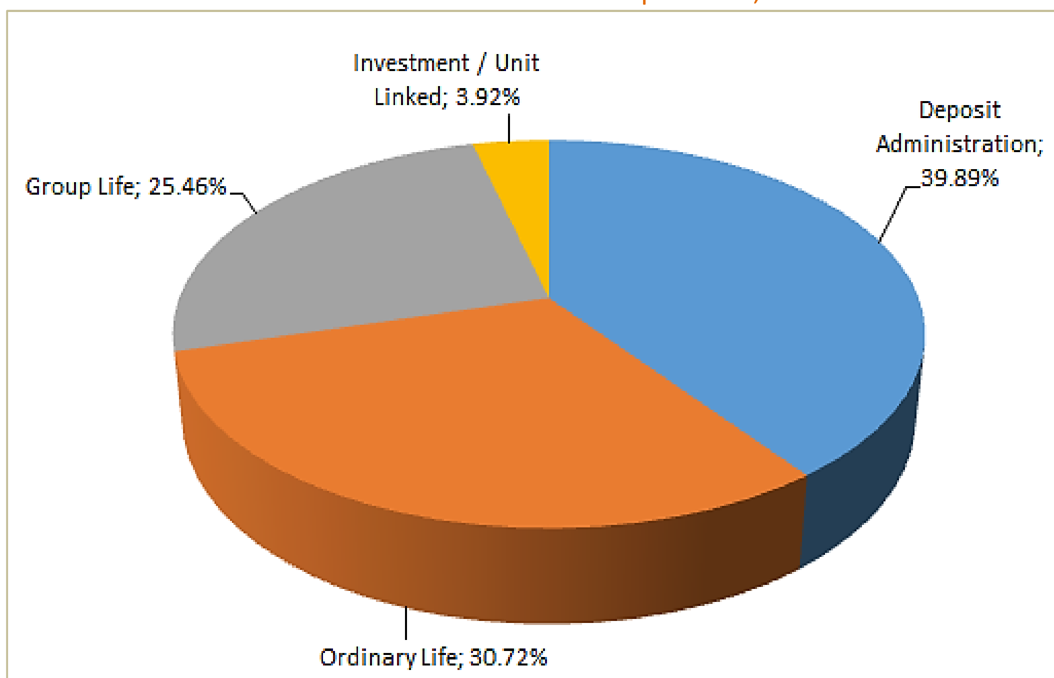
Deposit Administration has dominated the life insurance industry with 39.89% share followed by Ordinary Life at 30.72% then Group Life at 25.46%.

The total life insurance premium has been increasing in the last 5 years though the growth rate was smaller in 2020. The life insurance premium growth rate was 4.87% in 2020 as compared to the 12.13% growth rate in 2019.

In KES'000'

Class of business	2016	2017	2018	2019	2020	2019/2020 growth %	2020 Market Share %
Deposit Administration	28,380,518	29,363,388	33,260,652	36,917,072	40,937,326	13.27%	39.89%
Ordinary Life	28,380,518	24,676,591	26,607,009	32,718,330	31,527,302	9.84%	30.72%
Group Life	20,895,506	25,241,070	23,167,732	25,109,989	26,124,621	8.74%	25.46%
Investment / Unit Linked	2,104,547	4,164,268	4,230,851	3,107,048	4,024,390	29.52%	3.92%
Total	**73,723,454**	**83,445,317**	**87,266,244**	**97,852,439**	**102,613,639**	**4.87%**	**100%**

Life Insurance Market Share per Class, 2020



Life Insurance Companies: Ranking per Turnover in 2020

Figures in thousands

Company	2020 turnover		2019 turnover		2019-2020 evolution (1)	2020 Shares
	In KES	In USD	In KES	In USD		
Britam Life	23326320	212270	23941687	234150	-2.57%	22.84%
ICEA Lion Life	14820301	134865	13040900	127540	13.64%	14.51%
Jubilee Insurance	13313829	121156	14133786	138228	-5.80%	13.04%
Kenindia	7372207	67087	5612172	54887	31.36%	7.22%
Sanlam Life	5910436	53785	4579718	44790	29.06%	5.79%
CIC Life	5908970	53772	6072127	59385	-2.69%	5.79%
Liberty Life	5069693	46134	5064690	49533	0.10%	4.96%
Pioneer	4119744	37490	5479485	53589	-24.82%	4.03%
Madison	3971901	36144	3683018	36020	7.84%	3.89%
GA Life Assurance	3449048	31386	2924019	28597	17.96%	3.38%
ABSA Life Assurance (2)	3275273	29805	2375712	23235	37.86%	3.21%
Old Mutual	2211260	20122	2163140	21156	2.22%	2.17%
UAP Life	1786005	16253	2399629	23468	-25.57%	1.75%
APA Life Assurance	1749599	15921	1517723	14843	15.28%	1.71%
Kenya Orient Life	1133397	10314	697941	6826	62.39%	1.11%
Geminia	1003320	9130	996557	9746	0.68%	0.98%
The Kenyan Alliance	959688	8733	788631	7713	21.69%	0.94%
KUSCCO Mutual	791773	7205	449632	4397	76.09%	0.77%
Prudential Life	777476	7075	638775	6247	21.71%	0.76%
Capex Life	394360	3589	310511	3037	27.00%	0.39%
Metropolitan Cannon	336539	3063	-	-	-	0.33%
Corporate	275752	2509	294319	2878	-6.31%	0.27%
The Monarch	130733	1190	71307	697	83.34%	0.13%
Saham	28832	262	58235	570	-50.49%	0.03%
First Assurance	-	-	93236	912	-	-
Takaful Insurance of Africa	-	-	8560	84	-	-
Total Life	**102116456**	**929260**	**97395510**	**952528**	**4.85%**	**100%**

(1) Growth rate in local currency (2) Ex. Barclays Life

Exchange rate as at 31/12/2020: 1 KES = 0.00910 USD at 31/12/2019 : 1 KES = 0.00978 USD

➢ *Incurred Claims*

Life insurance claims and benefits have been slowly increasing over the last 5 years from KES 39.59 Billion in 2016 to KES 62.73 Billion in 2020.

Ordinary life claims contributed 29.48%, Group life 19.27% while Deposit Administration contributed the biggest share of 51.25%. Ordinary life claims increased by 5.12% in 2020. Group life claims decreased by 0.18% while Deposit Administration claims increased by 35.96% in 2020.

Total claims and benefits paid on average increased by 12.96% from 2016 to 2020.

In KES'000'

Class of business	2016	2017	2018	2019	2020	2020 Market Share %
Deposit Administration	17,754,842	20,770,872	24,509,152	23,646,247	32,148,828	51.25%
Ordinary Life	11,330,787	10,600,782	10,221,060	17,588,954	18,490,183	29.48%
Group Life	10,500,798	11,554,533	11,163,494	12,110,006	12,087,677	19.27%
Total	**39,586,427**	**42,926,187**	**45,893,705**	**53,345,207**	**62,726,688**	**100%**

Reinsurance Business:

General Insurance Business

In 2020, inward reinsurance premium amounted to KES 1.64 billion an increase of 3.3% from KES 1.59 billion reported in 2019. Outward reinsurance premium amount to KES 40.17 billion from KES 39.31 billion recorded in 2019.

The industry's average retention ratio remains relatively stable at about 70% which is within the global acceptable range.

General Business Reinsurance	2016	2017	2018	2019	2020
Inward Reins (In KES'000')	1,406,192	1,413,853	1,341,651	1,588,150	1,640,259
Outward Reins (In KES'000')	32,606,415	37,289,229	36,890,778	39,311,827	40,171,647
Retention Ratios (%)	73.5%	70.5%	71.4%	70.2%	69.7%

Long-Term Reinsurance Business

Long-term reinsurance business registered a total premium income of KES 3.16 billion, a decrease of 17.0% from KES 3.79 billion reported in 2019. Out of this group life accounted for KES 2.91 billion while life assurance accounted for KES 239.01 million. In 2020, reinsurance companies ceded premium amounting to KES 328.28 million compared to KES 398.76 million in 2019. Out of this, group life business accounted for 97.3%

Long-term Reinsurance	2016	2017	2018	2019	2020
Life Assurance Inward Reins (In KES'000')	152,658	179,830	239,839	246,317	239,008
Life Assurance Outward Reins (In KES'000')	17,602	22,747	10,701	10,826	60,950
Group Life Inward Reins (In KES'000')	2,247,254	2,591,325	3,014,166	3,545,208	2,906,584
Group Life Outward Reins (In KES'000')	305,800	303,096	324,320	387,934	267,328

Reinsurance Companies: Ranking per 2020 Turnover

in thousands USD

	Turnover 2019	Turnover 2020	Shareholder's equity 2019	Shareholder's equity 2020	Net result 2019	Net result 2020
Zep Re (PTA Re)	207110	208160	262320	275752	28765	17260
Kenya Re	171359	168671	312478	313016	38791	26781
East Africa Re	45623	36431	49646	48878	5764	3734
Continental Re Kenya	33379	33188	18530	20737	2636	3497
Ghana Re Kenya	5913	7449	11074	11472	672	1168
Waica Re Kenya	3343	6556	10271	10472	-261	915

Kenyan Insurance Market: Global and Regional Position

Globally, **Kenya** ranks No. 58 among global insurance market in terms of total premiums in 2020 with share of world 0.03%, according to the latest sigma report from Swiss Re.

At the level of Africa, Kenya ranks No. 4 among insurance markets in Africa in terms of total premiums in 2020 with share of Africa 3.65% but came in No.4 in terms of insurance penetration.

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

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

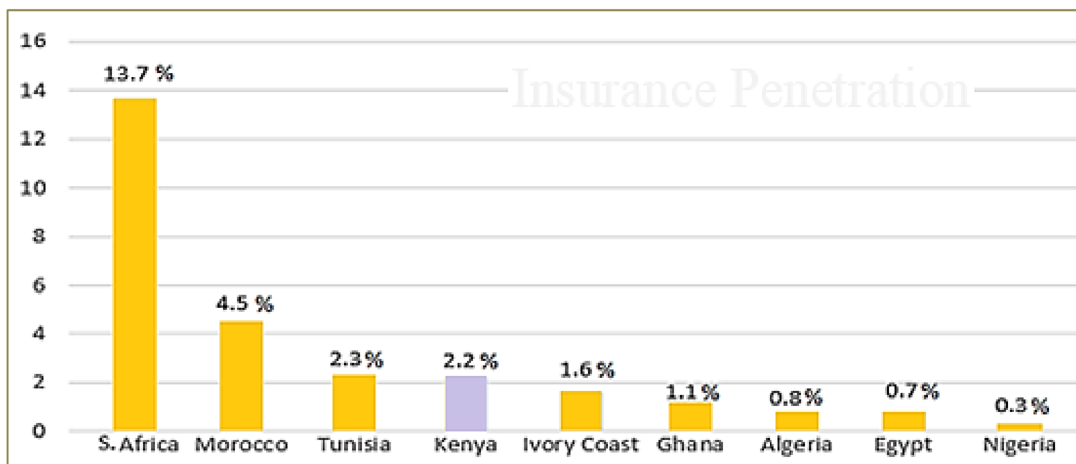
Insurance Penetration *(premiums as a % of GDP in 2020)*

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

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

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

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



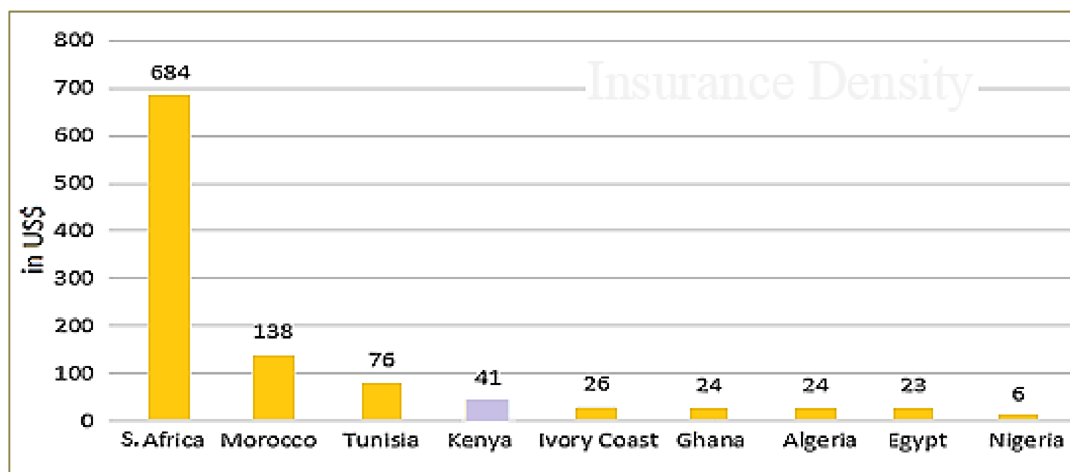
Insurance Density (premiums per capita)

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

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

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

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



Key View and Forecast: Fitch Solutions

Low levels of take-up of both life and non-life products mean that Kenya's insurance market, although relatively well developed by regional standards (with more than USD2bn of annual premiums written), has strong long-term growth potential.

While the Covid-19 pandemic made 2020 a difficult year for the insurance sector, as slower economic growth constrained corporate spending, and rising unemployment put downward pressure on household incomes, there was a significant rebound in premium growth in 2021, driven primarily by the larger non-life sector. Over the long term, however, we expect the smaller and less competitive life sector to outperform in terms of premium growth. competitive life sector to outperform in terms of premium growth.

Life Insurance Key View:

The life insurance market in Kenya offers considerable ongoing growth potential. The country is home to a large, youthful population and also has a fast-growing middle class which is a key target for life insurance providers. Though limited affordability will continue to put a cap on growth in the short to medium-term, a backdrop of stable economic growth and diversification, as well as improving life expectancy trends, suggests a market which is attractive to insurers looking to make a relatively early entry in order to take advantage of long-term growth potential.

Non-Life Insurance Key View:

Kenya is home to a relatively well developed non-life insurance market, in regional terms, with written premiums boosted by solid demand in the leading health and motor insurance segments. The core outlook for the non-life market remains positive as a backdrop of healthy economic growth is expected to equate to improvement employment and income rates, creating greater spending power among potential consumers. Affordability does remain a barrier, however, with many users likely to look to more affordable microinsurance products as an entry way into traditional insurance covers.

GROSS INSURANCE PREMIUMS WRITTEN (KENYA 2020-2025)

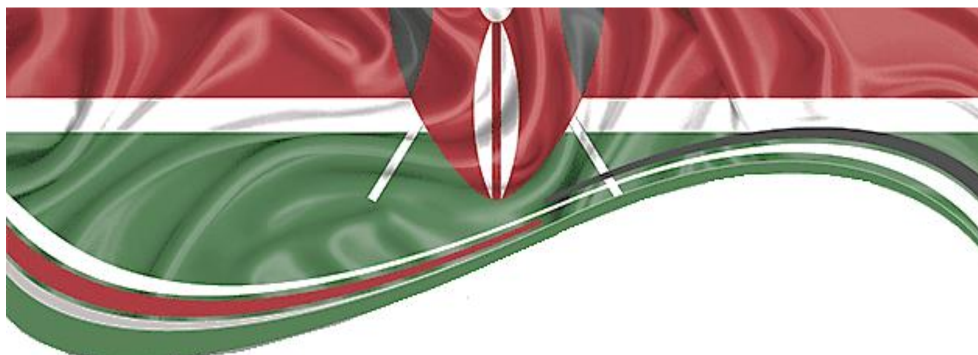
Indicator	2020e	2021e	2022f	2023f	2024f	2025f
Total gross premiums written, KESbn	226.46	242.33	255.83	271.82	288.44	305.89
Total gross premiums written, KES, % y-o-y	-0.6	7.0	5.6	6.2	6.1	6.0
Gross life premiums written, KESbn	92.08	97.46	102.75	108.16	113.95	119.99
Gross life premiums written, KES, % y-o-y	-5.5	5.8	5.4	5.3	5.4	5.3
Gross non-life premiums written, KESbn	134.37	144.86	153.09	163.66	174.49	185.90
Gross non-life premiums written, KES, % y-o-y	3.0	7.8	5.7	6.9	6.6	6.5

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

GROSS INSURANCE PREMIUMS WRITTEN (KENYA 2026-2031)

Indicator	2026f	2027f	2028f	2029f	2030f	2031f
Total gross premiums written, KESbn	324.27	342.62	359.70	376.95	394.00	409.02
Total gross premiums written, KES, % y-o-y	6.0	5.7	5.0	4.8	4.5	3.8
Gross life premiums written, KESbn	126.75	133.40	139.13	144.80	149.85	154.12
Gross life premiums written, KES, % y-o-y	5.6	5.2	4.3	4.1	3.5	2.9
Gross non-life premiums written, KESbn	197.52	209.22	220.57	232.14	244.16	254.90
Gross non-life premiums written, KES, % y-o-y	6.3	5.9	5.4	5.2	5.2	4.4

f = Fitch Solutions forecast. Source: National Sources/Fitch Solutions



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 7.4.2022 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.

Financial Strength Rating
AM BEST
B+ Good

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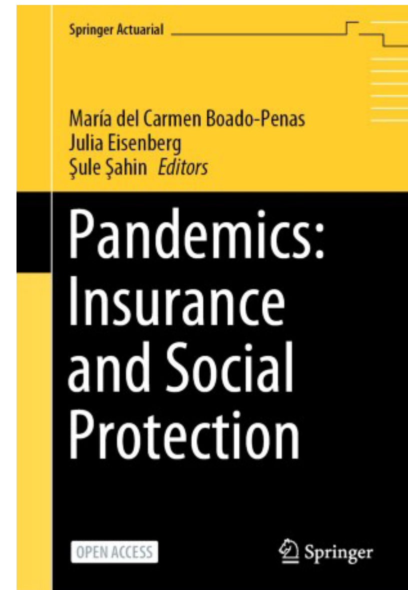
Book Review

Title:	**Pandemics: Insurance and Social Protection**
Edited by:	Dr. Carmen Boado-Penas, Dr. Julia Eisenberg & Dr. Şule Şahin
Publisher:	Springer
Number of Pages:	298
Publishing Date:	2022
Keywords	Epidemics | Risk | Insurance | Social protection | Actuarial modelling

This book collects expert contributions on actuarial modelling and related topics, from machine learning to legal aspects, and reflects on possible insurance designs during an epidemic/pandemic.



Starting by considering the impulse given by COVID-19 to the insurance industry and to actuarial research, the text covers compartment models, mortality changes during a pandemic, risk-sharing in the presence of low probability events, group testing, compositional data analysis for detecting data inconsistencies, behaviouristic aspects in fighting a pandemic, and insurers' legal problems, amongst others.

Concluding with an essay by a practicing actuary on the applicability of the methods proposed, this interdisciplinary book is aimed at actuaries as well as readers with a background in mathematics, economics, statistics, finance, epidemiology, or sociology.

Ch-1: COVID-19: A Trigger for Innovations in Insurance?

This chapter gives an overview of the consequences of the novel coronavirus, COVID-19 on the insurance branch. The main problems caused by the pandemic on the commercial insurance, and in particular, on the business interruption and possible innovations are discussed. The aim is to prepare the reader for the following chapters specifically by demonstrating connections between different aspects of modelling a pandemic. These models are necessary to create new insurance products supplementing governments' actions in response to a pandemic.

Ch-2: Epidemic Compartmental Models and Their Insurance Applications

Our society's efforts to fight pandemics rely heavily on our ability to understand, model and predict the transmission dynamics of infectious diseases. Compartmental models are among the most commonly used mathematical tools to explain reported infections and deaths. This chapter offers a brief overview of basic compartmental models as well as several actuarial applications, ranging from product design and reserving of epidemic insurance, to the projection of healthcare demand and the allocation of scarce resources. The intent is to bridge classical epidemiological models with actuarial and financial applications that provide healthcare coverage and utilise limited healthcare resources during pandemics.

Ch-3: Some Investigations with a Simple Actuarial Model for Infections Such as COVID-19

In this chapter the author adds an infection feature to an actuarial multiple state model to give a simple model for an infection such as COVID-19. The model is

simple enough to be replicated in an Excel worksheet, with one row per day of calculations. The whole population is treated as homogenous, with no distinction by age, sex or anything else; to that extent it is unrealistic, but to include these features would complicate it considerably. To fit it to observed data requires successive optimisation by programme, and this is described. Different variations of the model allow it to fit better and take account of, for example, immunisation by vaccine. It is shown to fit the past events in the United Kingdom (U.K.) quite well, and it has also been fitted to other countries, but this is not shown in this chapter. It is also observed that this, or any other model, is of less use for forecasting the future, because it cannot predict the behaviours of governments or of populations. But various assumptions can be made about the future, as at the latest date of calculation (1 March 2021), and interesting consequences are shown.

Ch-4: Stochastic Mortality Models and Pandemic Shocks

After decades of worldwide steady improvements in life expectancy, the COVID-19 pandemic produced a shock that had an extraordinary immediate impact on mortality rates globally. This shock had largely heterogeneous effects across cohorts, socio-economic groups, and nations. It represents a remarkable departure from the secular trends that most of the mortality models have been constructed to capture. Thus, this chapter aims to review the existing literature on stochastic mortality, discussing the features that these models should have in order to be able to incorporate the behaviour of mortality rates following shocks such as the one produced by the COVID-19 pandemic. Multi-population models are needed to describe the heterogeneous impact of pandemic shocks across cohorts of individuals. However, very few of them so far have included jumps. We contribute to the literature by describing a general framework for multi-population models with jumps in continuous-time, using affine jump-diffusive processes.

Ch-5: A Mortality Model for Pandemics and Other Contagion Events

The crisis caused by COVID-19 has had various impacts on the mortality of different sexes, age groups, ethnic and socio-economic backgrounds and requires improved mortality models. Here a very simple model extension is proposed: add a proportional jump to mortality rates that is a constant percent increase across the ages and cohorts but which varies by year. Thus all groups are affected, but the higher-mortality groups get the biggest increases in number dying. Every year gets a jump factor, but these can be vanishingly small for the normal years. Statistical analysis reveals that even before considering pandemic effects, mortality models are often missing systemic risk elements which could capture unusual or even extreme population events. Adding a provision for annual jumps, stochastically dispersed enough to include both tiny and pandemic risks, improves the results and incorporates the systemic risk in projection distributions. Here the mortality curves across the age, cohort, and time parameters are fitted using regularised smoothing splines, and cross-validation criteria are used for fit quality. In this way, we get more parsimonious models with better predictive properties. Performance of the proposed model is compared

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

GIC Re

General Insurance Corporation of India

Global Reinsurance Solutions

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

GICRE/CAPL/06-16/IQ-001

IRDAI Registration No.: 112

CIN No.: U67200MH1972GOI016133

to standard mortality models existing in the literature.

Ch-6: Risk-Sharing and Contingent Premia in the Presence of Systematic Risk: The Case Study of the UK COVID-19 Economic Losses

Motivated by macroeconomic risks, such as the COVID-19 pandemic, we consider different risk management setups and study efficient insurance schemes in the presence of low probability shock events that trigger losses for all participants. More precisely, we consider three platforms: the risk-sharing, insurance and market platform. First, we show that under a non-discriminatory insurance assumption, it is optimal for everybody to equally share all risk in the market. This gives rise to a new concept of a contingent premium which collects the premia ex-post after the losses are realised. Insurance is then a mechanism to redistribute wealth, and we call this a risk-sharing solution. Second, we show that in an insurance platform, where the insurance is regulated, the tail events are not shared, but borne by the government. Third, in a competitive market we see how a classical solution can raise the risk of insolvency. Moreover, in a decentralised market, the equilibrium cannot be reached if there is adequate sensitivity to the common shock events. In addition, we have applied our theory to a case where the losses are calibrated based on the UK Coronavirus Job Retention Scheme.

Ch-7: All-Hands-On-Deck!—How International Organisations Respond to the COVID-19 Pandemic

The COVID-19 pandemic is affecting all countries. Since the World Health Organization declared the COVID-19 outbreak a Public Health Emergency of International Concern on 30 January 2021, governments across the world have mobilised on a tremendous scale and put in place different policies to contain the spread of the virus and its negative effects on society. International organisations have supported these efforts through evidence-based policy recommendations and emergency financing packages. This chapter presents a brief overview of the responses made by international organisations and European Union towards COVID-19. Special attention is given to the guidance of these organisations on the changes in social insurance and pension plans to protect the most vulnerable population groups.

Ch-8: Changes in Behaviour Induced by COVID-19: Obedience to the Introduced Measures

The pandemic of COVID-19 that has plagued our planet since the beginning of 2020, has disrupted the way of life of society in general. As in other pandemics suffered throughout history, isolation has been a crucial measure to avoid contagion, causing effects beyond health, in many areas of life. How society obtains economic resources, spends them, enjoys leisure, or simply interacts, is now different. The political and economic context has changed, freedom of movements and expectations are also different. All this generates changes in the behaviour of society that does not react uniformly in all countries. This chapter reviews some of the modifications in behaviour caused by the present circumstances, as what will happen in future pandemics is not predictable for sure. The emphasis is placed on obedience observed in different contexts to imposed restrictions. Homes have become workplaces, con-

sumption patterns have changed, and the derived effects are not always beneficial or distributed equally across the social strata.

Ch-9: COVID-19 and Optimal Lockdown Strategies: The Effect of New and More Virulent Strains

Most nations have responded to the COVID-19 pandemic by locking down parts of their economies starting in early 2020 to reduce the infectious spread. The optimal timing of the beginning and end of the lockdown, together with its intensity, is determined by the tradeoff between economic losses and improved health outcomes. These choices can be modelled within the framework of an optimal control model that recognises the nonlinear dynamics of epidemic spread and the increased risks when infection rates surge beyond the healthcare system's capacity. Past work has shown that within such a framework very different strategies may be optimal ranging from short to long and even multiple lockdowns, and small changes in the valuation on preventing a premature death may lead to quite different strategies becoming optimal. There even exist parameter constellations for which two or more very different strategies can be optimal. Here we revisit those crucial questions with revised parameters reflecting the greater infectivity of variants such as the "UK variant" of the SARS-CoV-2 virus and describe how the new variant may affect levels of mortality and other outcomes.

Ch-10: Diagnostic Tests and Procedures During the COVID-19 Pandemic

Coronavirus disease 2019 (COVID-19) has brought a huge impact on global health and the economy. Early and accurate diagnosis of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) infections is essential for clinical intervention and pandemic control. This book chapter addresses the evolving approach to the laboratory diagnosis of COVID-19 covering preanalytical, analytical, and postanalytical steps. The rapidly changing dynamics of the COVID-19 pandemic serve as an example which will be important for laboratories to plan for future pandemics. With the quick identification of the causative pathogen and availability of the genome sequence, it will be possible to develop and implement diagnostic tests within weeks of an outbreak. Laboratories will need to be flexible to continuously adapt to changing testing needs and burdens on the healthcare system, plan mitigation strategies for bottlenecks in testing and workflow due to limitations on resources and supplies, and prepare back-up plans now in order to be better prepared for future pandemics.

Ch-11: Pooled Testing and Its Applications in the COVID-19 Pandemic

When testing for a disease such as COVID-19, the standard method is individual testing: we take a sample from each individual and test these samples separately. An alternative is pooled testing (or 'group testing'), where samples are mixed together in different pools, and those pooled samples are tested. When the prevalence of the disease is low and the accuracy of the test is fairly high, pooled testing strategies can be more efficient than individual testing. In this chapter, we discuss the mathematics of pooled testing and its uses during pandemics, in particular the COVID-19 pandemic. We analyse some one- and two-stage pooling strategies under perfect and

imperfect tests, and consider the practical issues in the application of such protocols.

Ch-12: Outlier Detection for Pandemic-Related Data Using Compositional Functional Data Analysis

With accurate data, governments can make the most informed decisions to keep people safer through pandemics such as the COVID-19 coronavirus. In such events, data reliability is crucial and therefore outlier detection is an important and even unavoidable issue. Outliers are often considered as the most interesting observations, because the fact that they differ from the data majority may lead to relevant findings in the subject area. Outlier detection has also been addressed in the context of multivariate functional data, thus smooth functions of several characteristics, often derived from measurements at different time points (Hubert et al. in Stat Methods Appl 24(2):177–202, 2015b). Here the underlying data are regarded as compositions, with the compositional parts forming the multivariate information, and thus only relative information in terms of log-ratios between these parts is considered as relevant for the analysis. The multivariate functional data thus have to be derived as smooth functions by utilising this relative information. Subsequently, already established multivariate functional outlier detection procedures can be used, but for interpretation purposes, the functional data need to be presented in an appropriate space. The methodology is illustrated with publicly available data around the COVID-19 pandemic to find countries displaying outlying trends.

Ch-13: The Legal Challenges of Insuring Against a Pandemic

COVID-19 has raised, and continues to raise, questions about the traditional approach to insurance cover. For instance, business interruption insurance covering "pandemics" under all risks insurance policies are likely to be a thing of the past. With tensions between businesses and the insurance industry on the rise, what can be done to offer businesses some protection at a premium they can afford, without emptying insurers' reserves? In this chapter we talk about legal challenges related to traditional insurance against the risk of losses caused by a pandemic, and whether parametric insurance is the solution.

Ch-14: An Actuary's Opinion: How to Get through a Pandemic

We discuss in this chapter how the insights and methods presented in the previous chapters can be effectively and practically implemented to manage and mitigate pandemics. The findings are not only analysed for the current COVID-19 crisis, but we also present some insights that could be gained for future pandemics and other extreme events. Coming from an actuarial background, the main focus lies on practical and technical aspects of the presented articles, namely on data, models and possible risk mitigation through (re)insurance, capital markets and similar approaches. ■

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Russia-Ukraine War

Selective News & Articles Focus on The impact of the invasion on Insurance Industry

By Hussein Elsayed

• *Ukraine invasion will hit global insurance industry hard: Report*

By: Claire Wilkinson

Russia's invasion of Ukraine will have a substantial impact on the global insurance industry in the near- to midterm and could drive cyber rates higher in the already-hardening market, ratings agency A.M. Best Co. said in a report issued late Friday.

An escalating conflict could increase the risk of a systemic cyberattack, causing substantial losses and heightened risk perceptions, Oldwick, New Jersey-based Best said in the report.

The economic effect of sanctions, such as a material increase in commodity prices, could add to inflationary pressures, challenging efforts by global central banks and the U.S. Federal Reserve to contain inflation, Best said.

"Further sanctions may impact the ability of international insurers and reinsurers to underwrite Russian risks or make it more difficult for them to service claims on existing policies," Anna Sheremeteva, financial analyst at Best, said in a statement.

"Most affected would be those writing large energy and infrastructure risks, such as London Market insurers, and international reinsurers," Ms. Sheremeteva said.

There may also be recovery implications for foreign insurers

that have reinsurance with Russian insurers and reinsurers, according to the report.

The invasion has had a negative impact on stock markets worldwide and continued volatility remains likely, Best said.

As bond spreads widen and equity markets become more volatile, insurers' balance sheets will be pressured. "Carriers that depend on hedging to manage their exposures could experience high hedging costs," Best said. ■

Business Insurance - 28 February 2022

• *Sanctions and war risks will transform the European MAT market*

By GlobalData Financial

According to GlobalData's Global Insurance Database, Russia's marine, aviation, and transit (MAT) insurance market is the second largest in Europe, with Ukraine's the ninth largest. In 2019, five of the top 10 insurers in the European MAT market were Russian. Furthermore, SOGAZ – the largest insurer in Russia and one of the largest players in the European MAT market – has been sanctioned by major economies worldwide.

Indicative rates suggest that insurers are quoting an additional 1–5% for premium rates – potentially equivalent to hundreds of thousands of dollars per ship. The heightened risk of shipping in the Black Sea has already started to see insurers quoting additional premiums for ships still wishing to operate in this area.

Russian missiles and bombs have damaged two ships off the coast of Odessa, with other freight companies suspending sailings through the region. Indeed, London's marine insurance market deemed the Sea of Azov and the Black Sea as high risk earlier in February – discouraging a number of shipping and insurance companies from doing business in the area. Major European insurers that are exposed to the ongoing crisis include Allianz, Munich Re, and Generali, all of which are in the top 10 European MAT insurers as business in the region slows.

It is difficult to determine how the market will look in the future, with the length and severity of the ongoing crisis still unknown. Hardening rates for Black Sea shipping will likely persist for the foreseeable future, as debris and floating hazards from the war pose threats to ships making passage through the waters.

Gaz Industry Insurance Company SOGAZ, which is owned by Gazprom, has been sanctioned by major economies after insuring the construction of the bridge between Russia and the Crimean Peninsula in 2018. According to GlobalData's Company LOB Breakdowns database, SOGAZ is the largest insurer in Russia by written premiums, with an approximate market share of 25.0% of the Russian general insurance market in 2020.

The company's global reinsurance partners include Munich Re, Partner Re, Swiss Re, and Lloyd's of London. Although it is difficult at present to understand the longer-term implications of sanctions on Western European insurers, right now it will be an embarrassment at best. The full exposure of these firms to the Russian market will become more apparent over time. ■

Life Insurance International - 2 March 2022

• *Trade credit insurers pull back from Russia, Ukraine after invasion*

(Reuters) –

Trade credit insurers that provide a financial safety net for exports and imports are pulling back from covering businesses exporting to Ukraine and Russia following Moscow's invasion, given the risks of sanctions, high claims or missed payments, industry sources say.

The move will heap more pressure on Russia's teetering economy, already battered by a welter of Western sanctions and shunned by increasing numbers of companies.

"In this last week, trade credit insurers will have paused supporting new risk for Ukraine and Russia," said Nick Robson, global leader for credit specialties at insurance broker Marsh LLC.

Companies buy trade credit insurance if they supply goods or services to other businesses on credit, to protect against the risk they will not get paid, or will be paid late.

The global trade credit insurance market underwrites nearly $3 trillion in trade receivables, according to the International Credit Insurance & Surety Association.

Government-backed export credit agencies also provide insurance, in addition to private trade credit insurers.

Major private sector European trade credit insurers include Euler Hermes, owned by insurer Allianz SE, Atradius NV and Coface SA.

Mr. Robson said lack of availability of trade credit insurance will impact exporters of food, textiles and electronics to Ukraine and Russia, as well as those providing products to the Ukrainian agriculture or Russian energy sectors.

Unlike most insurance policies, which are valid for a year or more, trade credit insurers often have more leeway in declining to underwrite new business under a specific policy at short notice.

Insurers will hold back on new business to check they are not doing business with sanctioned entities, industry sources said.

The physical and economic impact of the war will increase the likelihood that businesses in Ukraine buying goods from the West will default on payments, raising risks for trade credit insurers.

In addition, restrictions on payments between Europe and Russia are making insurers nervous as to whether exports to Russia will be paid for.

Trade credit insurers may also be taking an ethical stance on Rus-

sia, said Bernie de Haldevang, head of credit, political risk and crisis management at insurer Canopius Group Ltd.

"Is it a pure risk factor, do insurers still want to be taking on risk in Russia and Ukraine? Or is it a policy decision and is there an ESG (environmental, social, governance) factor to it? Should insurers continue to support Putin's war chest?"

Euler Hermes said: "Given the current context and the strong uncertainty about what will happen next, we are adjusting our underwriting strategy to the gravity and the emergency of the situation."

Atradius said that it was important to "stay in close contact with our customers to ensure good communication about actions that relate to their business and exposure in the region and that we do our best to help them manage them."

Coface declined to comment.
When it comes to trade credit insurers' outstanding business in Ukraine and Russia, they will face large claims in the coming weeks if exporters do not get paid.

Trade credit insurance, like many other types of commercial insurance, typically carries a war exclusion.

Under this war exclusion clause, policyholders cannot claim for war-related losses if there is a conflict between two of these five major powers - United States, Britain, France, China or Russia.■

Business Insurance Magazine - 4 March 2022

• *Russian Cyberattacks May Test Insurer War Exclusion Policy Language*

The Russian invasion of Ukraine has increased the risk of cyberattacks and potential claim costs for property/casualty (P/C) insurers globally that offer cyber coverage, the majority of which is underwritten in North America.

Such attacks may also further test the effectiveness of "war exclusion" and "hostile act exclusion" language, which has come under greater scrutiny following a recent court ruling that found an insurer liable for losses stemming from the 2017 NotPetya malware attack.

Nonetheless, larger insurers have taken significant pricing and underwriting actions in response to rising cyber claims in recent years, including tightened contract language, which should help mitigate underwriting losses in the current uncertain environment, Fitch Ratings says.

The NotPetya malware attack was largely attributed to Russian-linked hackers, with short- and long-term spillover effects and billions of dollars in losses for global firms. Merck suffered notable losses of $1.4 billion; however, the claim was denied citing the policy's "all risk" language.

Cyber policies for U.S. P/C insurers have typically included "war exclusion" or "hostile act exclusion" language, similar to P/C exclusionary language found in other property lines of business, stipulating that insurers cannot defend against acts of war.

However, a recent ruling in New Jersey by a Union County State Superior Court Judge concluded that Merck was entitled to sum-

mary judgment because the war exclusion language was not applicable.

The ruling indicated that the contract language of the insurance policy had been virtually unchanged for many years despite the evolving and increasingly common threat of cyberattacks, which can emanate from not only nation states but also covert, nefarious private sources.

Court Siding With Merck Over War Exclusion for Cyber Attack a Warning to Insurers

Compounding the problem is the inability to properly identify the perpetrator of an attack as cyber criminals have expertise in concealing their identities.

Often early indications of attack origins are false flags. Digital forensics can take years to complete and still remain ambiguous.

The court ruled that because the insurer failed to change the policy language, Merck had every right to anticipate that the exclusion applied only to traditional forms of warfare.

The insurer was at fault for failing to change the language or to notify the insured party that losses from cyberattacks were not covered.

Due to rising cyber-related claims, the recent ruling, and pressure from the Prudential Regulatory Authority, insurers started to clarify cyber policy language further in 2019 for “silent cyber” coverage where the policy does not explicitly include or exclude cyber risk within a policy.

Firms have addressed silent cyber issues by adopting language that specifically excludes or affirms coverage, or by adopting coverage sublimits, which reduces the benefits of the policies.

Growth in standalone coverage will continue to be fueled by policyholder and insurer interest in reducing coverage ambiguity.

The proliferation of potential cyberattacks from well-organized, state-sponsored hackers is elevated given the current conflict. Other P/C lines that may be affected include political risk and trade credit, property, marine, cargo and aviation.

Increased ransomware events have caused elevated losses; cyber insurance companies have responded by increasing premiums and have required better cyber hygiene requirements for policyholders such as multifactor authentication.

This should help mitigate potential losses from the current

conflict, but cyber insurance will have to evolve in kind to keep pace with the drivers of losses.

Continued growth in cyber intrusions and ransomware events may pressure the long-term profitability of the cyber insurance market and insurers' internal management of cyber threats.

However, negative rating actions tied to cyber underwriting losses remain unlikely. Cyber premiums represent less than 5% of most companies' business mix, with market share held by larger, well-capitalized insurers that cede material portions of the business to reinsurers. ■

Insurance Journal - 4 March 2022 (SOURCE: Fitch Ratings)

• *Russian Insurers Downgraded On Severely Adverse Macroeconomic Climate*

NEW YORK (S&P Global Ratings) March 7, 2022

S&P Global Ratings today said that it has taken negative rating actions on its rated Russian insurers.

The rating actions include the following:

- We lowered to 'CCC+' and placed on CreditWatch developing the ratings on Alfastrakhovanie OAO, Energogarant PJSIC, Ingosstrakh Insurance Co., Lexgarant Insurance Co. Ltd., Insurance Co. RESO-GARANTIA and its non-operating holding company Stanpeak Ltd., Sogaz Insurance, and VSK Insurance JSC. This reflects the combination of the lowering of the sovereign credit rating on Russia, the negative CreditWatch placement on Russia, and the ability of the insurers to withstand a short-term stress.
- We lowered the ratings on Sberbank Insurance LLC to 'CCC-', placed the ratings on CreditWatch negative, and then withdrew them at the issuer's request. The downgrade and CreditWatch negative placement reflect the combination of the lowering of the sovereign credit rating on Russia, the negative CreditWatch placement on Russia, and the pressure on Sberbank group's creditworthiness.

The rating actions reflect our view of the heightened likelihood of financial and business vulnerability caused by rapidly escalating geopolitical and economic risks in Russia.

The rating actions follow the downgrade and negative CreditWatch placement on the Russian sovereign on March 3, 2022 (see "Russia Ratings Lowered To 'CCC-' And Kept On CreditWatch Negative On Increasing Risk Of Default," published on RatingsDirect).

Russia's military conflict with Ukraine has prompted a new round of G7 government sanctions that we believe will likely substantially increase the risk of sovereign default.

The sanctions also imposed restrictions that deny or significantly diminish the access of the Russian banking system to the global financial system, markets, and infrastructure.

We believe these risks could permeate into the Russian insurance and reinsurance sector and po-

tentially pose challenges related to insurers' ability to access global markets or to meet financial commitments.

Russian insurers are facing escalating uncertainty regarding potential operational or financial restrictions and access to liquidity, making them vulnerable to deterioration in economic or geopolitical conditions.

We consider the impact of recent sanctions and possible additional ones could further intensify volatility in domestic markets and the local currency, or limit access to international markets and currencies, which in turn could erode the profitability, liquidity, and capital positions of domestic insurers.

That said, we believe that the insurers will likely be able to meet their financial commitments over the near term, thanks to low leverage on balance sheets, their current ability to transact with international markets, and potential domestic reinsurance backstop facilities.

We also note some favorable factors such as geographical diversity of operations, deposits in foreign banks that can be used to pay foreign obligations, and insurers' ability to access domestic assets to pay for local obligations.

Lexgarant, in particular, benefits from its focus on international business and its foreign currency deposits outside Russia.

We however believe the risks for Lexgarant relate more to potentially progressing sanctions, which may prohibit it from accessing the international insurance market considering its concentration on international aviation business.

For these reasons, the ratings on all the above-mentioned insurers (with the exception of Sberbank Insurance) are above the Russian sovereign ratings.
Considering Sberbank group's wider integration with the domestic economy, we believe its creditworthiness is more influenced by sovereign-related risks compared to the other insurers.

As a result, we have lowered the ratings on Sberbank Insurance to the same level as the sovereign ratings and we are withdrawing the ratings at the issuer's request.

CreditWatch

The CreditWatch placements reflect our opinion that increased geopolitical and economic risks in Russia will weigh on insurers' creditworthiness.

The developing implications of the CreditWatch indicate the likelihood of additional positive or negative rating actions on all, or some, Russian insurers within the next 90 days.

We aim to resolve the CreditWatch once we have obtained sufficient information on the risks involved, whether they will materialize, and their likely impact. ■

Source: S&P – 5 Mar 2022

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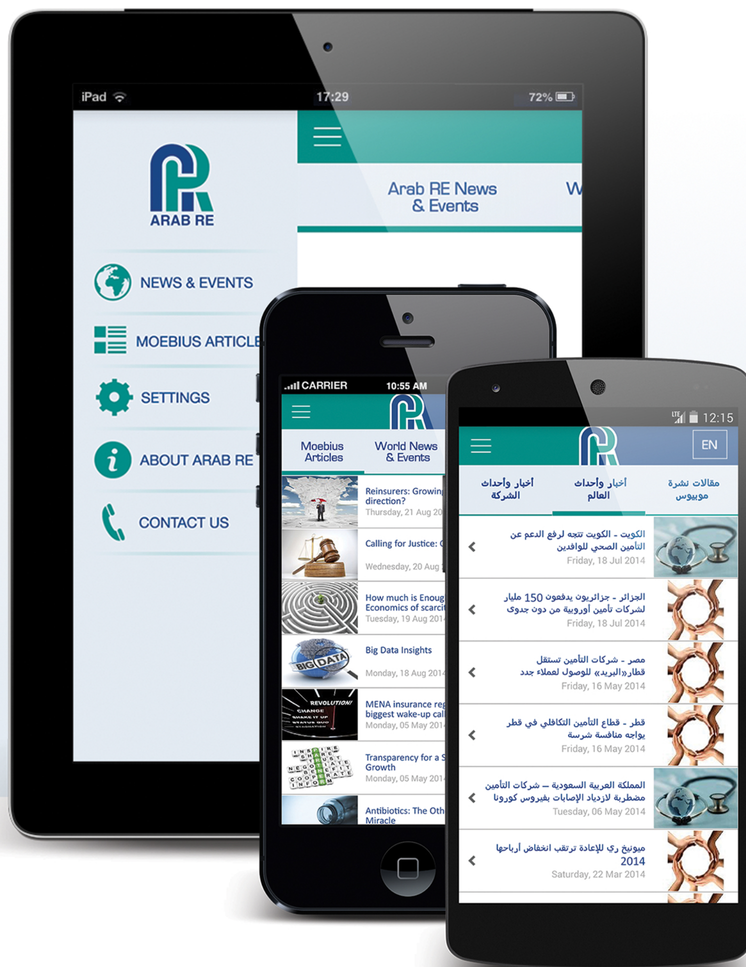

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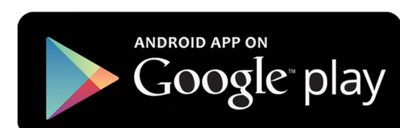

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