FAIR Review

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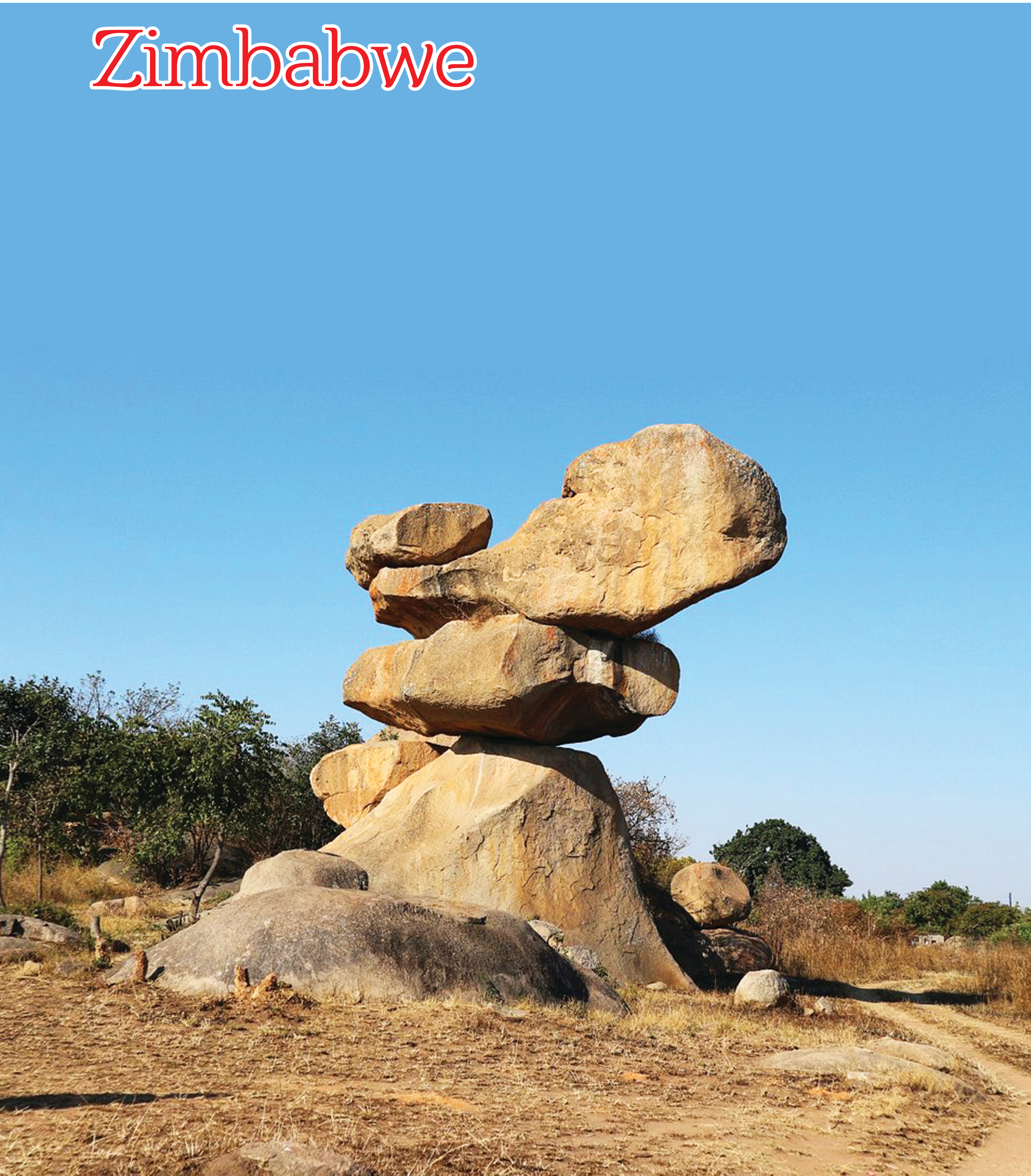
Zimbabwe



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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.

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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:

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FAIR Review

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

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Global News

• *Climate change becomes the number one risk around the world:* **AXA**

Climate change becomes the number one risk around the world: AXA
Climate change is becoming the number one concern around the world, according to AXA's Future Risks Report 2022, with geopolitical risks coming in second place.

The report also found that the feeling of vulnerability to certain risks has been increasing and confidence has waned.
Based on responses from a panel of 4,500 risk experts from 58 countries and a representative sample of 20,000 people from 15 countries, it concluded that climate risks have become the top concern in all geographies, and the main concern of the general public in the United States.
Last year, US experts ranked cyber risk first and Asian experts ranked pandemic risk second.
This year, geopolitical risks come in second place, overtaking cyber and pandemic risk. According to the report, 95% of the experts surveyed expect geopolitical tensions to persist and spread throughout the world. As an indirect consequence, energy-related risks are now in fourth place, up from 17th place last year.

On top of these, the report found that economic risks are increasing and fuelling social tensions. Financial instability, macroeconomic deterioration and monetary and fiscal stress have been ranked in the top ten economic risks by experts. Additionally, inflation is becoming an important concern for both experts and the general public.

According to the report, in the general population, the feeling of vulnerability remains at a very high level, and is even increasing in the face of certain risks such as climate change and the energy crisis. Furthermore, confidence in certain categories of decision-makers to find solutions is worsening, particularly regarding public authorities, private companies and scientists.

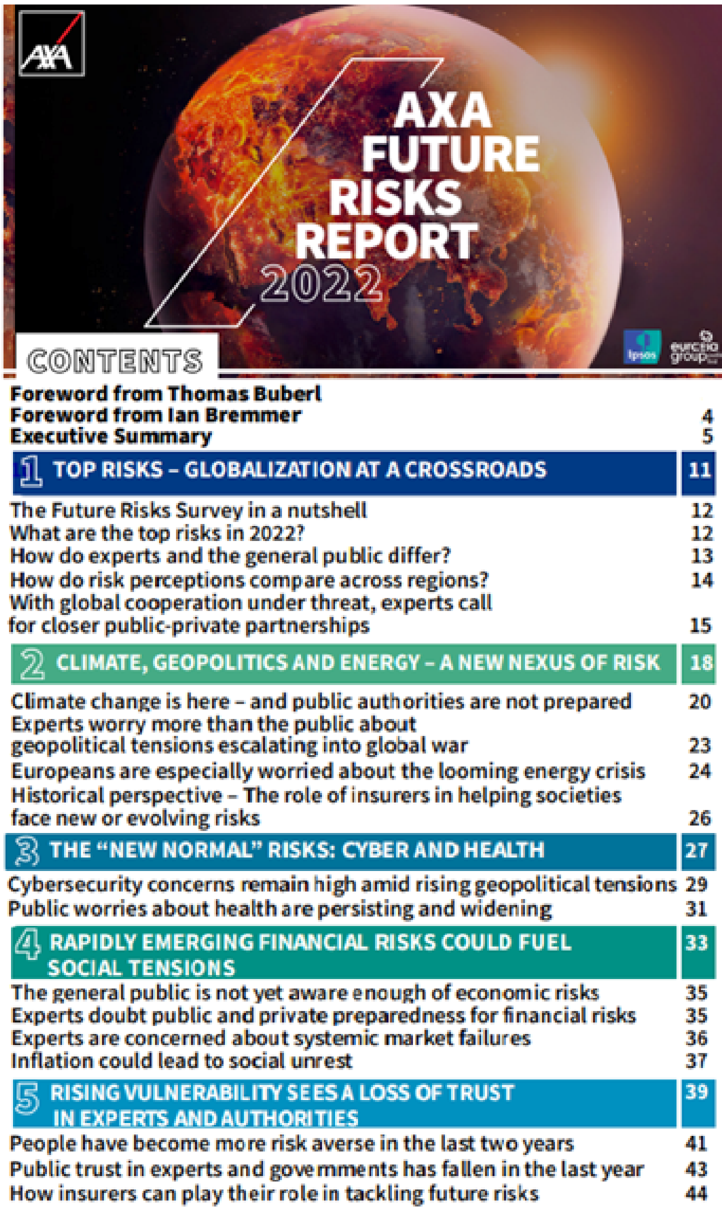
Experts said that this trend can be explained by the fact that the public believes that the level of preparation of public authorities for certain risks – such as climate change, cyber or geopolitical tensions – is insufficient.

Thomas Buberl, CEO of AXA, said: “The 2022 edition of AXA’s Future Risk Report describes an overheated world, where crises are stacked on each other. It also confirms underlying trends such as the fear of climate change, a heightened sense of vulnerability among populations and the decline in trust in major institutions to find sustainable solutions.

“These trends point to an additional risk, the feeling of powerlessness, at a time when we need the mobilisation of all actors to provide collective, innovative and coordinated responses. The insurance sector in particular, can contribute its expertise in terms of prevention and protection. At AXA, we are determined to play our part to the full.”

Axa Future Risks Report is produced in partnership with the IPSOS research institute and the geopolitical analysis consultancy Eurasia Group. ■

Reinsurance News (https://www.reinsurancene.ws/) – 26 Oct 2022


AXA FUTURE RISKS REPORT 2022

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• *Insurance Implications of Green Hydrogen*

So called "green hydrogen" is hydrogen produced by renewable energy sources. It is widely seen by policymakers as a major contributor to a low carbon future. However, in July 2021, the World Economic Forum reported that green hydrogen accounts for just 0.1% of global hydrogen production.

The current consensus is that the production of green hydrogen on a large scale is possible but technically complex. It will require the development of new technology as well as the incorporation of existing energy production technology. This blend presents significant design, construction and operational challenges. By extension it will present new challenges for Insurers.

What then is different about green hydrogen production from existing renewable energy production and how might this affect Insurers? Below we summarize some of the initial key differences, but it is by no means a comprehensive list.

1. An increase in project scope and complexity. In a green hydrogen project, it will no longer be the case that the production of electricity is the end game. Instead, the electricity will be used in the conversion of water (H2O) into hydrogen (H2) and oxygen (O2) in a process known as electrolysis. However, electrolysis has traditionally been inefficient. As a result, the development of new, more efficient, electrolysers will be critical in the expansion of hydrogen as a true fossil fuel replacement. As with any new technology, the allocation of risk for insurers in faulty design extensions (or exclusions) will be key.

2. Hydrogen as an output. The risk management of electricity as an output has been developed over decades. On the other hand, hydrogen output on a large scale is still very much in its infancy. Whilst there is no doubt that element analysis and safety protocols are far more sophisticated today than in the days of Thomas Edison and George Westinghouse, it is also true that today's hydrogen pioneers will not have decades of trial and error to rely on. Recent incidents in South Korea, a major economy that has very much "bet" on hydrogen for energy production and fuel cell technology, has demonstrated just how quickly public opinion can change when serious incidents occur. For insurers, the risks associated with the production of highly flammable products are usually associated with insuring fossil fuel facilities as opposed to traditional renewable facilities. This immediately

creates a clear risk profile difference between traditional renewables facilities and green hydrogen facilities.

3. Storage and transport. Operators will have to consider the storage and subsequent transportation of the hydrogen that is produced. Again, this requirement mirrors traditional oil and gas production, where storage and transportation of potentially highly flammable substances is critical to the success of any project. For insurers, construction and operational risks associated with on-site storage, safety and processing will require a detailed assessment of facility quality. An added risk is that, as with any new technology, what is regarded as "state of the art" now might develop rapidly. Risk engineers will be critical to this assessment. Whether green hydrogen projects consist of entirely new renewable facilities, or whether they are connected to existing sources of renewable energy, it is likely to be necessary for insurers to utilize their internal risk engineering and underwriting expertise from across business classes.

4. Risks of serious incidents. The risk of explosions caused by hydrogen leaks has the potential to be significant. This risk is even greater when considering potential business interruption arising from these explosion-type scenarios.

5. The need for consistent power input. A consistent supply of electricity is required for the electrolysis process to take place; however traditional renewable energy sources (such as wind or solar) do not provide consistent power output (i.e. when the wind is not blowing or when the sun not shining). This

could have significant consequences for calculating business interruption losses following an insured event. If other back-up sources of electricity generation are required to operate a green hydrogen facility anyway, then to what extent can, say, damage to a wind-turbine be said to result in subsequent business interruption losses for the hydrogen plant? In this circumstance it is likely that some revision to existing business interruption clauses would be required.

Conclusion

There is significant policymaker and government backing to get green hydrogen projects off the ground. Insurers are likely to play a critical role in making such projects commercially viable to investors, however ensuring that insurance products provide a reasonable risk transfer is likely to require insurers to consider their wordings carefully. ■

Source: Clyde & Co Insight - 14 Dec 2021

• *2022 ranking of insurers and reinsurers by coal, oil and gas divestment*

Insure Our Future's 2022 report ranked the top 30 insurers and reinsurers based on the effectiveness of their policies to withdraw from polluting industries (coal, oil and gas) and committed efforts to eliminate insurance coverage for companies that derive a large portion of their revenues from fossil fuel development.

According to the overall ranking, the top five companies committed to reducing their coal, oil and gas coverage include Allianz, AXA, Aviva, Swiss Re and Axis Capital.

Ranking by withdrawal from coal. oil and gas coverage

Rank	Companies	SCORE/10	Rank	Companies	SCORE/11	Rank	Companies	SCORE/12
1	Allianz	5.3	11	SCOR Re	2.6	21	Convex	1
2	AXA	4.8	12	QBE	2.5	22	Chubb	0.5
3	Aviva	4.4	13	HDI Global - Talanx	2.3	22	Ping An	0.5
4	Swiss Re	4.2	14	AIG	2	24	Liberty Mutual	0.4
5	Axis Capital	4.2	15	Sompo	1.6	25	Lloyd's	0.2
6	Generali	3.8	16	Tokio Marine	1.6	26	Berkshire Hathaway	0
7	Zurich	3.8	17	The Hartford	1.5	26	Everest Re	0
8	Hannover Re	3.7	18	MS&AD	1.5	26	PICC	0
9	Munich Re	3.4	19	Travelers	1.3	26	Sinosure	0
10	Mapfre	3.2	20	Samsung FM	1.1	26	Starr	0

Insurers and reinsurers: coal industry coverage

In this category, Allianz, AXA and Axis Capital are tied for first place. They are followed by Zurich and Swiss Re in 4th and 5th place.

Ranking by withdrawal from coal coverage

Rank	Companies	SCORE/10	Rank	Companies	SCORE/11	Rank	Companies	SCORE/12
1	Allianz	9	10	SCOR Re	4.5	18	Travelers	2
1	AXA	9	12	QBE	4	22	Chubb	1.3
1	Axis Capital	9	13	HDI Global - Talanx	3.3	22	Ping An	1.3
4	Zurich	7	14	AIG	3	24	Liberty Mutual	1
5	Swiss Re	6	14	MS&AD	3	25	Lloyd's	0
6	Aviva	5.8	16	Samsung FM	2.5	25	Berkshire Hathaway	0
7	Generali	5.5	16	Convex	2.5	25	Everest Re	0
7	Mapfre	5.5	18	Sompo	2	25	PICC	0
9	Hannover Re	5.3	18	Tokio Marine	2	25	Sinosure	0
10	Munich Re	4.5	18	The Hartford	2	25	Starr	0

Insurers and reinsurers: oil and gas industry coverage

The top five insurers and reinsurers that are dropping oil and gas coverage include Aviva with Hannover Re and Munich Re in the same spot. Allianz and Swiss Re share the fourth position in the ranking.

Ranking by withdrawal from oil and gas coverage

Rank	Companies	SCORE/10	Rank	Companies	SCORE/11	Rank	Companies	SCORE/12
1	Aviva	4	10	Zurich	1.4	19	Convex	0
2	Hannover Re	3	10	QBE	1.4	19	Chubb	0
2	Munich Re	3	10	Sompo	1.4	19	Ping An	0
4	Allianz	2.9	14	SCOR Re	1.3	19	Liberty Mutual	0
4	Swiss Re	2.9	14	AIG	1.3	19	Lloyd's	0
6	Generali	2.8	14	Tokio Marine	1.3	19	Berkshire Hathaway	0
7	AXA	1.9	17	The Hartford	1.1	19	Everest Re	0
8	HDI Global - Talanx	1.8	17	Travelers	1.1	19	PICC	0
9	Mapfre	1.5	19	MS&AD	0	19	Sinosure	0
10	Axis Capital	1.4	19	Samsung FM	0	19	Starr	0

Insurers and reinsurers: commitment against coal, oil and gas

The reinsurer SCOR is the most active in its efforts to exit polluting industries. It is followed by AXA, Generali, Allianz and Axix Capital.

Ranking by withdrawal from polluting industries

Rank	Companies	SCORE/10	Rank	Companies	SCORE/11	Rank	Companies	SCORE/12
1	SCOR Re	6.4	11	HDI Global - Talanx	2.1	20	Chubb	0.5
2	AXA	4.8	12	Mapfre	2	20	Ping An	0.5
3	Generali	4.6	13	QBE	1.6	20	Liberty Mutual	0.5
4	Allianz	4.4	14	Sompo	1.4	24	Lloyd's	0.1
5	Axis Capital	4.2	15	The Hartford	1.3	25	Convex	0
6	Swiss Re	3.9	16	AIG	1.3	25	Berkshire Hathaway	0
7	Zurich	3.3	17	Travelers	1.1	25	Everest Re	0
8	Aviva	2.6	18	Tokio Marine	1	25	PICC	0
9	Hannover Re	2.4	19	MS&AD	0.6	25	Sinosure	0
10	Munich Re	2.1	20	Samsung FM	0.5	25	Starr	0

Source: Atlas Magazine - 4 Nov 2022 ■

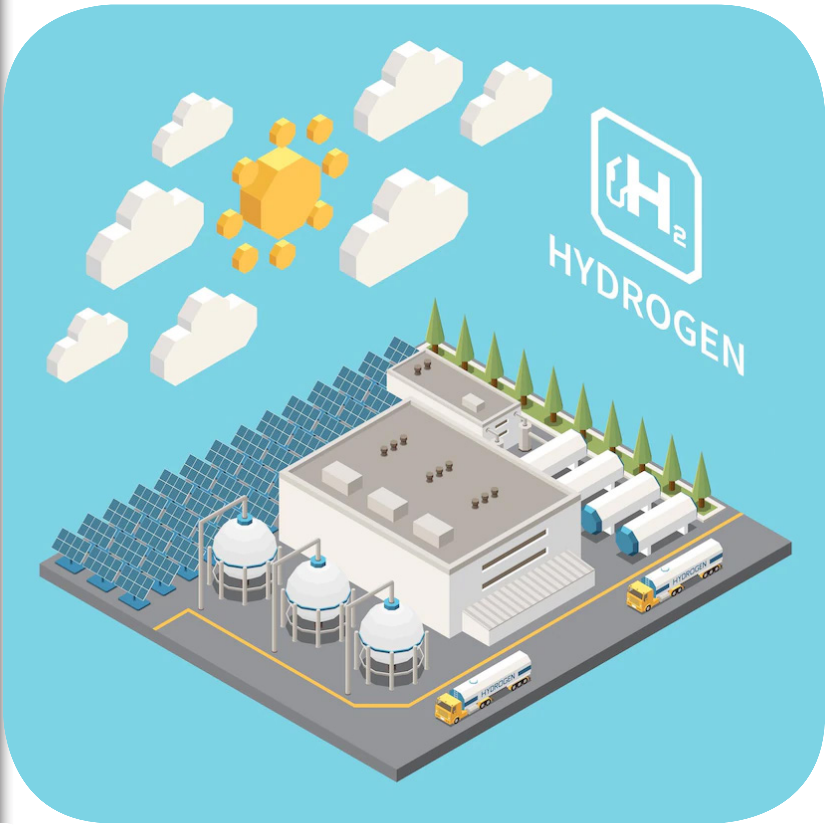
• *Considerations for hazardous area classification of modular hydrogen facilities*

AUTHOR : ALLAN BOZEK & HANG NGUYEN, ENGWORKS INC.

Hydrogen production is rising in popularity due to an increasing demand for clean energies and fuel alternatives. Hydrogen electrolysis is one method of hydrogen production that is both energy and space efficient.

Hydrogen electrolyser components can be conveniently packaged into road transportable modules and placed close to renewable energy sources which makes them one of the greenest and most effective ways to produce hydrogen. However, such modular systems must be carefully designed to mitigate the hazards associated with hydrogen production. This is especially true for unmanned applications where such hydrogen production modules may be placed in close proximity to public facilities. In such cases, explosion safety becomes a prime consideration.

Hydrogen is a highly volatile and explosive gas that is much lighter than air. Hydrogen is a very small molecule with a molecular weight of 1.08 which makes it very prone to leakage. It also has a very low ignition energy threshold that is one tenth of the energy ignition threshold of gasoline-air mixtures. It has a wide flammability range between 4-74% (LFL) concentration in air and 4-94% (LFL) in oxygen at atmospheric pressures.



An electrolyser produces hydrogen through a petrochemical process called electrolysis which takes place within the cell stacks. The electrolyser consists of an anodic catalyst, a cathodic catalyst, and a membrane. Electricity is applied to the anode and cathode across the proton exchange membrane (PEM) and causes the water (H2O) to split into its component molecules, hydrogen (H2) and oxygen (O2).

Hydrogen ions are attracted to the cathodic catalyst, while the oxygen ions are attracted to the anodic catalyst. A hydrogen production module may incorporate multiple electrolyser units as well as other system components including a power supply, water tank, filter, separator, pumps, vents, dryer, compression, storage cylinders, and other components. Many of the process components will operate at high pressures and incorporate multiple connections that may be prone to leaks. Another challenge is that many of the components may not be hazardous location certified. Such applications can be very challenging from an explosion safety perspective. We need to be able to define, monitor and control the explosion hazard and employ equipment explosion protection methods that are suitable for the application.

Many hydrogen electrolyser module applications will incorporate both non-hazardous and hazardous location rated equipment. Non-hazardous rated equipment must be isolated from hydrogen production equipment which usually warrants a classification design. One strategy is to design a module such that non-hazardous rated equipment is physically segregated from areas where there could be a hydrogen explosion hazard. This can be done using a purge scheme or by separating hazardous from non-hazardous areas using a vapour barrier.

A purge scheme involves slightly pressurising the non-hazardous area with fresh air to ensure that no flammable gases from the hazardous area can enter or migrate to the non-hazardous area. This ensures that hydrogen does not leak into the non-hazardous area where equipment can present an ignition hazard. Room purge applications can be quite complex when designed in accordance with IEC 60079-13 and NFPA 496 standards. The requirements for gas detection and equipment interlocks are described in these documents.

A vapour tight barrier can also serve to segregate a hazardous area from a non-hazardous area. A vapour tight barrier between two locations will prevent the migration of gasses between the two areas. A vapour tight barrier can be any material or construction methods that meets the criteria for a building “air barrier”. Local building codes and standards incorporate specifications for an air barrier system and the same specifications will work when designing a vapour tight barrier for classification purposes. Many building materials include steel panels, concrete or sandwich construction insulated walls will meet this specification. All penetrations through the vapour tight barrier must maintain the integrity of the vapour barrier to be effective.

Another approach to installing non-hazardous rated equipment in classified areas is to interlock the equipment with gas detection. A flammable release will be detected by the gas detection system which will then start high-rate ventilation to disperse the release and shutdown the equipment to prevent the equipment from becoming an ignition source. The application of gas detection for equipment protection requires careful consideration. Local installation codes and regulations may not permit this option depending on the circumstances and the jurisdiction. The placement, the technology and the number of gas detectors required for total coverage must also be considered.

The gas detectors specified must use a catalytic bead technology as infrared detection gas sensors cannot detect hydrogen. Gas detectors must also be monitored, maintained and periodically calibrated. A poorly maintained gas detector can become an explosion hazard by providing a false sense of security. A gas detector must function as the manufacturer intended for this option to be viable.

The best way to mitigate a hydrogen explosion hazard is by proper ventilation. A good ventilation design will ensure that any releases that may occur in normal operation will be rapidly dispersed by air movement and displacement. In unconfined open air, where good ventilation is almost always present, a small hydrogen leak will rapidly dissipate in an upward direction to below its lower flammable limit. This is primarily due to its low molecular weight when compared to air.

Where ventilation for explosion protection becomes challenging is in enclosed and semi enclosed applications. Because of its very light molecular weight, hydrogen will collect in the upper areas of confined spaces. A very small hydrogen leak over time can create an explosive mixture at the highest elevation within the enclosed space. The hydrogen gas cloud in this situation will increase in size until it finds an ignition source, or it is dispersed by air currents. This is where the ventilation design of a module becomes important. It must be able to provide sufficient air movement to dilute a hydrogen release and sufficient air exchange to ensure the lower flammable limit is not exceeded.

The classification design of a hydrogen module should almost always strive for a Zone 2 classification. There must be sufficient air movement and exchange to ensure that no hydrogen accumulations can occur. The criteria for assessing the performance of a ventilation system in the context of a classification design is defined in Table D.1 of IEC 60079-10-1 "Explosive Atmospheres – Part 10-1: Classification of Areas – Explosive gas atmospheres.

Table D.1 defines the ventilation design criteria for a Zone 2 application based on the grade of release. For assessment, a secondary release is assumed because a primary release of hydrogen in an enclosed area is never a good

Table D.1 - Zones for grade of release and effectiveness of ventilation

Grade of release	Effectiveness of ventilation						
	High Dilution			Medium Dilution			Low Dilution
	Availability of ventilation						
	Good	Fair	Poor	Good	Fair	Poor	Good, fair or poor
Continuous	Non-hazardous (Zone 0 NE)[a]	Zone 2 (Zone 0 NE)[a]	Zone 1 (Zone 0 NE)[a]	Zone 0	Zone 0 + Zone 2[c]	Zone 0 + Zone 1	Zone 0
Primary	Non-hazardous (Zone 1 NE)[a]	Zone 2 (Zone 1 NE)[a]	Zone 2 (Zone 1 NE)[a]	Zone 1	Zone 1 + Zone 2	Zone 1 + Zone 2	Zone 1 or Zone 0[c]
Secondary[b]	Non-hazardous (Zone 2 NE)[a]	Non-hazardous (Zone 2 NE)[a]	Zone 2	Zone 2	Zone 2	Zone 2	Zone 1 and even Zone 0[d]

idea. To achieve a Zone 2 classification then requires that our ventilation design provides a medium dilution criterion with some degree of availability.

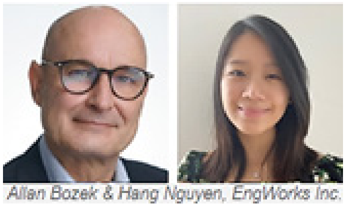
The IEC standard incorporates calculation methods to determine if a ventilation scenario achieves medium dilution. It is a measure of the ventilation system's ability to dilute a release to a safe level. This is a function of ventilation velocity and the air exchange rate for the enclosed space. The availability of ventilation refers to how reliable the ventilation system can provide the necessary conditions to achieve medium dilution. We want to strive for Fair or Good in hydrogen applications. This ensures that our ventilation design is working as intended most of the time.

Table D.1 also indicates that a "non-hazardous" classification rating can be achieved with "High Dilution". This may be an option in some applications, but it requires careful consideration. This option will require very high rates of ventilation which may impact the operability of the hydrogen production unit since electrolysis is based on separating hydrogen from oxygen in water and water freezes at 0°C. The heat load required to maintain a safe operating temperature may be significant in colder regions. Filter maintenance may also be an issue in dirty or dusty areas. If you are considering this option, be sure you have a qualified IECEx COPC Certified engineer review your application. They will ensure that this option is properly evaluated, and all options are considered in implementing a safe design.

Consider the area classification design before purchasing any major equipment. The classification design will influence the certification and marking requirements for equipment and influence the wiring installation methods. Be aware that a classification design is based on the probability of a flammable atmosphere being present in normal operation. It is not defined by the equipment installed in the location. If you classify your hydrogen production module early in the design phase and purchase your equipment knowing what the end use classification will be, you can avoid product certification or code compliance issues in later stages of a project that may impact commissioning and start-up.

A classification design should also be formally documented. This ensures that the classification design can be verified and maintained over the life of the facility. It serves as a basis for developing an explosion safety strategy that will work for your application. Reference IEC 60079-10-1 for guidance on how to document a hazardous area classification design. ■

Source: Hazardex Magazine – May 2022



Allan Bozek & Hang Nguyen, EngWorks Inc.

About the authors:

Allan Bozek, PEng., MBA, is a Principal Engineer with EngWorks Inc. and has over 33 years' experience in hazardous locations. He has presented over a dozen peer reviewed technical papers on hazardous locations that are frequently cited in research applications. He is actively involved in the development of IEC 60079 series of standards for explosive atmospheres and is a IECEx COPC (Certificate of Personal Competence) certified Engineer for hazardous area classification design. He has developed numerous training courses on hazardous locations and other related topics.

Hang Nguyen is a Chemical Engineer actively involved in the hazardous area classification design of both flammable gas and combustible dust applications. She is also active in training course development and manages the QA/QC program within Engworks.

• *Marsh launches cover for hydrogen energy projects*

Insurance broker Marsh, a part of Marsh McLennan, has launched dedicated insurance for new and existing green and blue hydrogen energy projects.

The new offering, claimed to be first-of-its-kind, has been developed by Marsh in partnership with a unit of Liberty Mutual Insurance Group and AIG. It will provide coverage of up to $300m per risk for the construction and startup phases of hydrogen projects across the world. As the world rushes to achieve net zero targets, estimates suggest that the investment in green and blue hydrogen projects could surpass the $150bn mark by 2025. Despite this, securing adequate cover for these new and emerging technologies is said to be challenging.

Apart from providing a risk transfer facility for all construction and operational phase property damage risks, the insurance cover provides coverage for marine cargo, business interruption, general third-party liability, and contingent delay-in-start up. Marsh Specialty global head, energy and power Andrew George said: "As the global hydrogen industry, especially green hydrogen, scales up rapidly to meet demand the facility will reduce the complexity of securing risk transfer options for operators of all sizes and boosts investor and lender confidence in achieving their ambitious project timeframes." AIG UK head of energy and construction James Langdon said: "This innovative solution is one of many initiatives that we are working on with our clients and broker partners in support of the energy transition and our net zero commitments." ■

Source: MarketLine NewsWire (Formerly Datamonitor) - 22 August 2022

• *QBE Asia launches Premiums4Good initiative to channel customer premiums into Social and Environmental investments*

QBE Asia today launched Premiums4Good, a global initiative that invests everyday premiums to make a difference to communities across the globe. Through Premiums4Good, a portion of customers' premiums are put into investments that create social and environmental impact alongside a financial return, at no extra cost to the customer.

The investments include projects that help the environment, like renewable energy, waste management and water conservation, and ones that deliver direct, sustainable benefits to communities such as helping the homeless or providing additional social care to adults and young people.

"Climate change is an important issue globally and all progress taken in this space needs to be sustainable. While we have taken steps as an enterprise to be better stewards of the environment, Premiums4Good takes it a step further and allows our customers to put their hand up and get involved in our collective effort to do better for the world - all without the need for them to put in additional resource or cost expenditures to do so," said Jason Hammond, CEO for QBE Asia.

An example of a programme supported through Premiums4Good where participating customers' premiums are invested into is QBE's investment in the Asian Development Bank (ADB)'s Gender Thematic Bond, which brings gender equality support and women's empowerment to the fore. Through targeted initiatives like this, communities have been able to improve social protection and health programmes, reduce poverty and better support the prevention of and response to gender-based violence. This has also seen more tangible strategies to further women's entrepreneurship opportunities and to help them secure green and more financially stable jobs. As of July 2021, ADB has raised over US$2.9 billion through this programme.

Believing in social and environmental responsibilities that extend beyond compliance, another investment undertaken through Premiums4Good is OCBC Bank's Green Bond, which supports green investment portfolios and projects in the renewable energy and green buildings categories in the Asia Pacific region. Projects through these bonds have to date collectively surpassed OCBC's S$10 billion sustainable finance portfolio set in 2020, with a goal to reach a S$25 billion sustainable finance portfolio by 2025.

Premiums4Good is offered across QBE's operations in Australia Pacific, Asia, Europe and North America, with an investment portfolio spanning multiple asset classes, geographies and impact areas. As of 31 December 2021, QBE has invested US$1.4 billion through Premiums4Good, with a goal to reach US$2 billion by 2025. To acknowledge the contributions its customers and partners can make, QBE issues a certificate of recognition for their Premiums4Good contributions.

"There is growing recognition for investment initiatives that drive a positive environmental and/or social impact including their real potential to contribute to addressing climate change issues. Premiums4Good is our commitment to putting purpose into action, to help our customers and partners to do the same and contribute actively to long-term sustainable and social change," said Andy White, Chief Underwriting Officer for QBE Asia. "Premiums4Good demonstrates our leadership in the impact investment sector and how social value can integrate perfectly with business value to deliver both attractive risk-adjusted returns and positive social and environmental impact," he continued.

This initiative is aligned with the United Nations' Sustainable Development Goals (UNSDGs) to support advancement of these global goals. As a universal agreement to work towards a better future, the SDGs align closely with QBE's own purpose of enabling a more resilient future. QBE recognizes the importance of our transition to net-zero and is committed to net-zero emissions across our operations by 2030, and our investment and underwriting portfolios by 2050. ■

Source: VietNam News - 26 October 2022

EIOPA: *Macro and market risks are the main concern reasons for insurers*

by Daniela GHETU

Insurers' exposures to macro and market risks are currently the main concern for the insurance sector, is the finding of EIOPA's Risk Dashboard based on Solvency II data from the second quarter of 2022. All other risk categories, such as profitability and solvency, climate as well as digitalization and cyber risks stay at medium levels.

This Risk Dashboard, based on Solvency II data, summarizes the main risks and vulnerabilities in the European Union's insurance sector through a set of risk indicators of the second quarter of 2022. The data is based on financial stability and prudential reporting collected by EIOPA - The European Insurance and Occupational Pensions Authority, from 94 insurance groups and 2198 solo insurance undertakings.

Risk Dashboard October 2022 (Q2-2022 Solvency II Data)

Risks	Level	Trend (Past 3 months)	Outlook (Next 12 months)
1. Macro risks	high	↘	↗
2. Credit risks	medium	→	↗
3. Market risks	high	↑	↗
4. Liquidity and funding risks	medium	→	→
5. Profitability and solvency	medium	↗	→
6. Interlinkages and imbalances	medium	↘	→
7. Insurance (underwriting) risks	medium	→	→
8. Market perceptions	medium	↗	→
9. ESG related risks	medium	→	↗
10. Digitalisation & Cyber risks	medium	↓	↗

Note: The structural break as of Q1 2020 related to the Brexit withdrawal agreement and represented with a dashed line indicates a break in the number of undertakings of the time series and rebalance of the country weights. Additionally, adjusted time series for EU27 before Q1 2020 are also disclosed to reflect potential variations driven by the structural break in the sample.

Macro risks remain a key source of concern amid a further decrease in global GDP growth expectations and high CPI forecasts for the main geographical areas, even as unemployment remains low. The weighted average of 10-year swap rates increased. Central banks continue the normalization of their monetary policy.

Market risks are currently at a high level. Volatility in bond and equity markets continue to top last year's average. Property prices remain at the same level. Insurers' median exposure to bonds and equity remain relatively unchanged while median exposure to property slightly increased in Q2 2022. Credit risks remain relatively moderate. CDS spreads remain at low levels for government bonds and financial bonds while further increasing for non-financial corporate bonds in the third quarter of 2022. Insurers' relative exposure to different bonds categories remained broadly stable while slightly decreasing for government bonds in Q2. The median average credit quality of insurers' investments remained stable.

Profitability and solvency risks remain constant with returns for insurers decreased in the second quarter of 2022 across all three return indicators (return on excess of assets over liabilities, return on assets and return on premiums). The increase of interest rates since the beginning of 2022 may be the main driver behind insurers' high SCR ratios.

Due to the current increase of interest rates, insurers booked market to market losses on derivatives given that they are typically positioned to hedge against interest rates declines.

Regarding market perceptions, insurance life and non-life stocks underperformed. The median price-to-earnings ratio of insurance groups is largely unchanged. The median of CDS spreads of insurers further increased even as insurers' external ratings remained broadly stable since the last assessment.

On climate risks, insurers maintained their relative exposure to green bonds while the ratio of investments in green bonds over the total green bond outstanding slightly decreased. The growth of green bonds in insurers' portfolios has decreased, while the growth of green bonds outstanding is stable.

The materiality of digitalization and cyber risks for insurance as assessed by supervisors decreased slightly. Nevertheless, cyber security issues and concerns of a hybrid geopolitical conflict remain. The cyber negative sentiment indicates an increased concern in the third quarter of 2022 while the frequency of cyber incidents decreased compared to the same quarter last year. ■

The European Insurance and Occupational Pensions Authority (EIOPA) – 26 October 2022

October 2022 Risk Dashboard.pdf
1.46 MB | EN

• Methodology to assess value for money in the unit-linked market

Following the publication of the Supervisory Statement on Value for Money in November 20211, as highlighted therein, EIOPA has worked on a methodology to ensure a consistent and convergent approach towards the implementation of said Supervisory Statement.

Methodology to assess value for money in the unit-linked market.pdf
333.56 KB | EN

While the methodology is for support and use by National Competent Authorities (NCAs), this document aims at providing more clarity for insurance manufacturers and distributors on the supervisory approach to addressing value for money risks when supervising product oversight and governance (POG) requirements.

The methodology aims at fostering a common convergent approach, with the aim of achieving consistent consumer outcomes in all European markets, while allowing for flexibility. Moreover, it is important to note that the NCAs can use this methodology as a basis to assess value for money. This methodology is a common basis for all NCAs and EIOPA welcomes and encourages approaches which, taking into account market specificities and supervisory experiences and practices, develop further indicators to ensure value for money risks are sufficiently addressed in their markets, taking into account also emerging risks such the raising inflationary trends.

<u>The approach is divided into three layers:</u>

- Market wide assessment (Layer I) through which NCAs would identify products requiring higher scrutiny;
- Enhanced supervision (Layer II) through which NCAs would assess different indicators and determine whether products offer value or not;
- Assessment of Product Oversight and Governance (POG) documents (Layer III) for those products for which the enhanced supervision performed in the previous layer does not point at products clearly offering (or not offering) value for money but results in identifying products which may offer value only to some target markets. ■

The European Insurance and Occupational Pensions Authority (EIOPA) – 31 October 2022

• Clear indications for a widespread hard market: Munich Re CFO

By Luke Gallin

As the market heads towards the important January 1st, 2023, reinsurance renewals, Christoph Jurecka, Chief Financial Officer (CFO) of German reinsurance company, Munich Re, is optimistic that further rate hardening will not be restricted to loss-impacted lines or regions.

christoph-jurecka-munich-reThe CFO and Member of the Board held an earnings call recently to discuss the reinsurer's third-quarter and nine-month 2022 financial results.

Released early this morning, the results were positive for the large European reinsurer in spite of claims related to Hurricane Ian of €1.6 billion.

Starting with an overview of the firm's performance so far in 2022, a Q&A session followed, during which Jurecka was questioned on the potential for widespread hardening at the upcoming renewals.

"I think it's of course early and we approach the 1/1 renewal in a couple of months," said Jurecka. "But I think there are clear indications that we are talking about a wider spread hard market, and this will not only affect selected lines or selected countries."

The main reasons for this, he continued, are claims history, and also the alternative reinsurance capital space and what's being seen in that market.

"So, I think we can be optimistic in that regard, but finally, of course, it is too early to tell," he added.

Even prior to the 2022 wind season and the damage caused by Hurricane Ian, which looks set to be the second most costliest nat cat event in history for the re/insurance marketplace, it was expected that catastrophe-exposed lines would see some dramatic rate increases at the upcoming renewals.

Hurricane Ian has, unsurprisingly, exacerbated the situation and it is hard to see how rates for catastrophe exposed business in Florida, for example, fail to rise significantly. But given the recent claims history elsewhere around the world, and also the fact alternative capital is expected to be constrained heading into 2023, there's greater impetus for wider market hardening.

While reinsurers are eager to get paid more for the nat cat risks they assume, driven by rising losses from secondary perils, the uncertain impacts of climate change, and the fact that 2022 looks certain to be another year of insured cat losses of more than $100 billion, the consensus appears to be that more rate is needed across the board.

Of course, only time will tell exactly what happens to rates outside of the loss-hit lines and regions, but commentary from reinsurers throughout Q3 reporting suggests that, as demand for cover rises, sellers of protection are for the most part unwilling to assume exposure at any price.

It's going to be a very interesting January renewals, which reports claim will be very late as demand continues to rise while supply, in certain instances, continues to retract. ■

Source: Reinsurance News (www.reinsurancene.ws) - 8 Nov 2022

• *How can insureds keep track of inflation?*

Nuno Rodrigues
director of property and engineering at MDS, a Brokerslink partner

The Covid-19 pandemic has brought major disruption to logistics chains across the world. We're still feeling the consequences and they could take a few years to fade away. The pandemic, along with rising energy, raw material and foodstuff prices, as well as the sudden eruption of war in Ukraine, have led to historically acute inflation levels the likes of which we had not witnessed this century.

The price hikes impact all sectors of the economy and the insurance sector is no exception.

The repercussions of inflationary pressure and disruption to supply chains in insurance contracts have severe impacts.

Rising prices, of which we would draw attention to material and labour costs in construction and renovation projects, can mean insufficient funding which, if a claim arises, will bring harmful consequences to the interests and assets of the insured.

Correct determination of insured capital is the basis for good settlement, and such determination always falls under the policyholder's responsibility, not only at the inception of the contract but for its duration. This is a point of capital importance, especially in difficult, volatile economic junctures, like the one we're living through.

It is when a claim arises that insurers confirm whether insured amounts have been correctly determined – a task that nobody other than experts should perform.

UNDERINSURANCE

Now, in a world shaped by inflation, we are at greater risk of underinsurance when an accident happens; meaning that the insured capital is lower in value than the actual assets at risk.

In such cases, contracts only compel insurers to take on liability in

the proportion between insured capital and its actual value (proportional rule).

To avoid this, insureds must diligently review and update insured amounts based on market prices at the time of review.

We must point out that greater plant and equipment replacement and repair costs have other consequences, namely, they entail greater risk of replacement or repair not being financially viable because the costs exceed market value, leading to total loss.

In such cases, as a rule, compensation for an asset written off as a total loss will match its replacement value while new, minus depreciation for wear and tear. So, indemnity amounts will not cover the acquisition of a new, replacement asset.

To overcome that limitation, an insured can sign up for a New Replacement Value Clause.

Beyond the effects on the price of consumer goods and services, other collateral damage comes into play: significant delays to production, distribution and delivery of material and equipment, delays to building renovation, to replacement, repair and assembly of plant and equipment. When a claim arises, such delays could stop operations altogether and cause business loss and/or declining sales.

BI COVER

This deteriorated context in logistics means that now more than ever one must acquire coverage for business interruption.

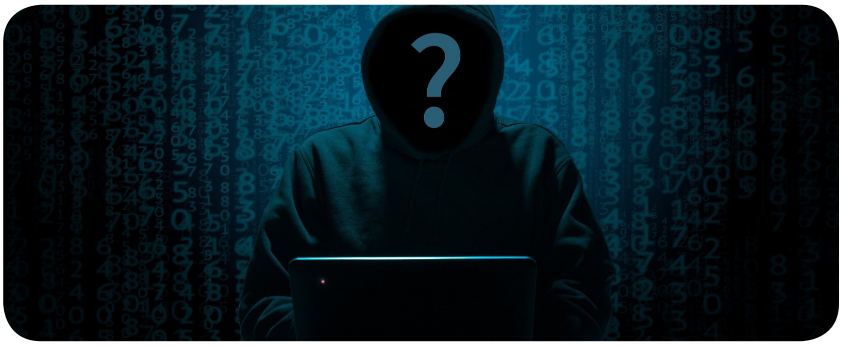
In this respect, businesses should ask for a leeway clause covering fluctuations in at-risk capital versus insured capital and, additionally, the insured would do well to undertake a meticulous review of compensation periods outlined in their insurance policies to guarantee that the timeframe necessary to rebuild, repair or replace damaged assets takes into account the greatest delays owed to current difficulties in supply chains and is duly covered in their policy. The same goes for the insured amounts.

As for civil liability policies, we now see rising claims costs as a result of higher compensation for third parties. So, repairing damage is inevitably affected by this upward climb.

Such an environment, added to growing appetite for litigation, a broadening scope for civil liability, plus the tendency to award higher indemnity amounts, means we would advise reviewed and updated contracted capital so that this capital matches exposure and liability, in as much as that capital is the maximum value for which an insurer is liable. If damage and losses exceed that amount, the insured will be liable for the remainder. ■

Commercial Risk Europe Newsletter - 11 October 2022

• *Overwhelming majority of cyber risks still uninsured*



A staggering 90% of cyber risks remain uninsured, according to a new report by Swiss Re.

The report found that due to increased digitisation accelerated by the COVID-19 pandemic and current geopolitical tensions, there was a large possibility of catastrophic fallout from cyber-attacks targeting private businesses and critical infrastructure. It estimated annual global cyber losses at about US$945 billion.

While about 90% of cyber risk remained uninsured, the report said that the insurance sector could help increase cyber resilience by tackling the cyber talent shortage, using standardised data and better modelling, and identifying new sources of capital.

Other key findings of the report include:

- Small and medium-sized enterprises were especially vulnerable to cyberattacks thanks to their low defence capacity. Most SMEs are uninsured or significantly underinsured for cyber risks. Swiss Re estimated that the total costs of handling a cyber incident for SMEs are, in relative terms, three times more than for large corporations. Forensic costs for SMEs in the wake of a cyber incident typically range between US$20,000 and US$100,000.
- The increasing digitalisation of critical infrastructure sectors means the possibility of a cyber attack is growing rapidly, with attacks becoming more sophisticated. Hackers now use triple-extortion techniques, and ransomware-as-a-service has lowered entry barriers to cybercrime.
- The rising frequency and severity of cyberattacks has been the main driver of growth in the cyber insurance market. Global cyber insurance premiums hit an estimated US$10 billion last year, and Swiss Re predicts 20% annual growth to 2025, with total premiums rising to US$23 billion.
- Despite having grown rapidly, premiums are still only a fraction of annual losses due to insurability limitations. Swiss Re found that systemic losses could overwhelm reinsurers.
- While increasing prices, improving underwriting discipline, introducing sub-limits and coinsurance, and clarifying terms and conditions have been successful for cyber insurers, Swiss Re said that standardising data and optimising modelling, updating policy language for clarity and consistency, and identifying new sources of capital will be necessary to help mitigate overall exposures, improve understanding of cyber risk and make society as a whole more resilient to large-scale attacks with potentially systemic consequences.

"There is much work to do to ensure sufficient risk protection is available to make society more resilient to cyber risk, and this effort will require collaboration between businesses, the insurance industry and government," Swiss Re said. ■

Source: Insurance Business Mag - Asia | 8 Nov 2022

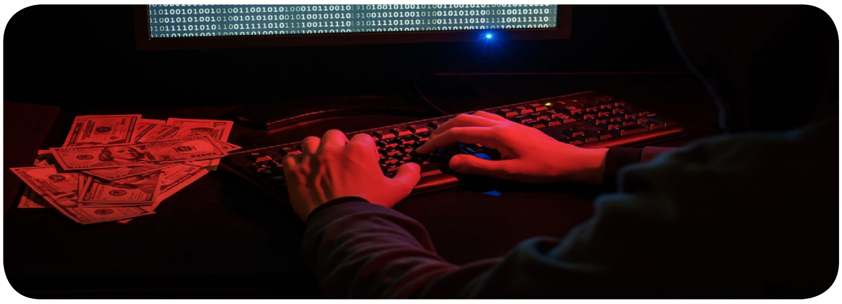
• *Many Cyber Criminals Return After Ransomware Payments Are Made*

Over a third (36%) of companies who paid a ransom to cyber criminals went on to be targeted for a second time, according to the latest Cyber Readiness Report from Hiscox. In addition, more than four in 10 (41%) of those that paid ransom demands to cyber criminals failed to recover all their data.

Based on responses from over 5,000 organizations of all sizes across eight countries, paying a ransom does not always work out the way businesses hope it will. More than 40% still had to rebuild their systems, even though they received a recovery key from the hackers. Nearly a third (29%) who paid a ransom demand still had data leaked, and over a quarter (26%) felt that the attack had a significant financial impact by threatening the solvency and viability of their business, according to Hiscox.

"Ransomware is still the most prevalent and damaging form of cyber attack and it is not uncommon for a company to be hit multiple times," said Gareth Wharton, Hiscox Cyber CEO. "Even if a business owner makes the decision to pay the ransom, often they cannot fully restore their systems or prevent a data breach."

The report found the industries that were forced to pay a ransom were those with 'just-in-time' supply chains: food and drink (62%), manufacturing (51%) and leisure (50%)



The report also shows that the frequency of cyber attacks has increased by 12% year-on-year – with 48% of businesses suffering an attack in the past 12 months. Of those attacked, 19% were victims of ransomware, compared to 16% in the previous year.

Phishing remains the number one point of entry for cyber hackers (62%) to successfully infiltrate businesses in a ransomware attack. This was closely followed by entry using credential theft (44%), a third-party supplier (40%), an unpatched server (28%), and brute force credentials, such as password guessing (17%).

"It is vital that businesses take the necessary steps to protect their data and systems against a cyber attack; making it harder for cyber criminals to gain entry to their systems by keeping software up-to-date, running regular in-house training, and frequently backing-up data," Wharton said.

"Our report shows that investing in building robust cyber defenses and preparing an effective response for an attack are more effective than paying cyber criminals. It is revealing that more than a quarter (26%) of businesses we surveyed paid a ransom in the hope of recovering their data because they did not have any back-ups, when regular and robust back-up processes can be one of the most effective ways of mitigating the impact of a ransomware attack." ■

Source: Insurance Journal - 9 Nov 2022

- ***SMEs need to increase cyber cover as they cannot afford disruption in current macroeconomic conditions***

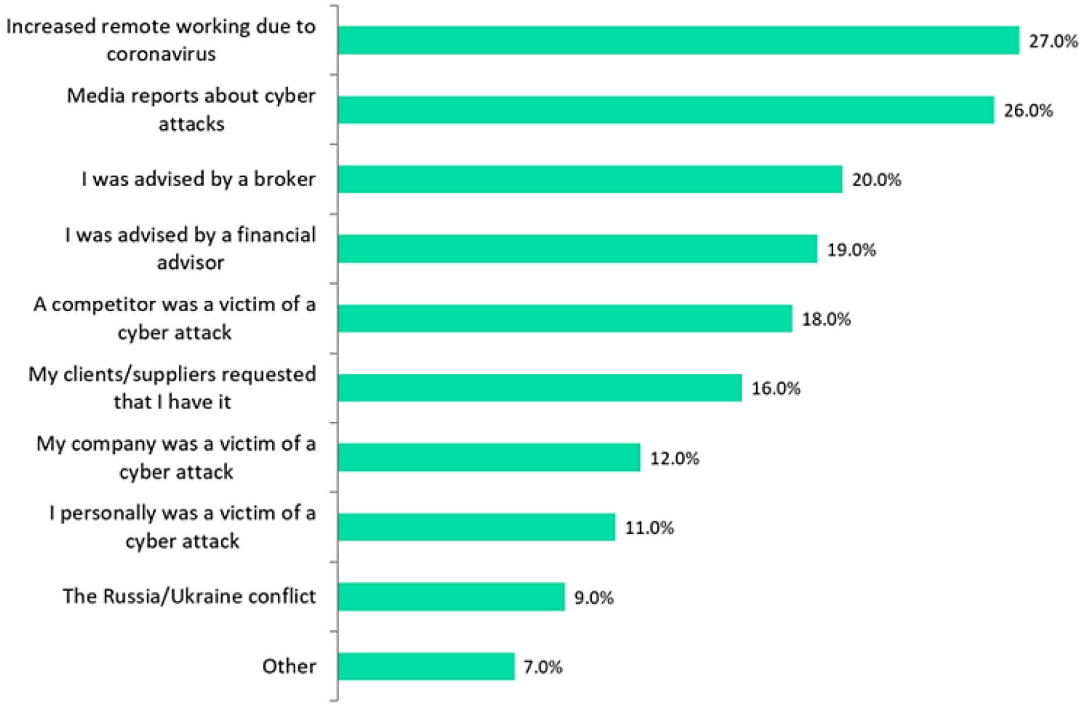
Low cyber insurance penetration rates are not necessarily due to a lack of concern. GlobalData's 2022 UK SME Insurance Survey found that 50.7% of SMEs are concerned about the risk of a cyberattack - a 1.2 percentage point increase from 2021. Despite this, Aviva's October 2022 SME Pulse survey found that 34% of such businesses have no cyber insurance cover while 21% have suffered a cyberattack in the last 12 months. Price remains a key barrier to entry for SMEs, with 17.1% citing this factor as the main reason they do not have cyber insurance cover as per GlobalData's 2022 survey.

Additionally, 37.1% of respondents said that the reason for canceling or switching their cyber insurance policy was because they needed to cut costs. The lack of uptake is somewhat understandable with many SMEs looking to cut costs wherever possible amid surging inflation and energy prices. Yet the financial and reputational cost of being a victim of a cyberattack can be fatal, especially in such uncertain macroeconomic conditions. Cybercrime is an increasing problem. It is alarming that many SMEs have no cover as the damage caused can be huge. Despite being increasingly concerned about the risk of cybercrime, 42.6% think it is unlikely their company will be a target of a cyberattack according to GlobalData's 2022 survey. Yet as Aviva's findings highlight, this is a common misconception. Aviva's survey also found that 59% of SMEs thought that in the event of losing access to files and systems in a cyberattack they could be back to normal within a month. Others estimated it could take far longer. For many SMEs, being out of business for over a month would ultimately end in business closure. Overall, the cost of falling victim to a cyberattack far outweighs the cost of a cyber insurance policy. Insurers need to communicate the importance of these policies and convince SMEs that they need to increase their protection as cyberattacks become a growing concern.

Source: MarketLine NewsWire (Formerly Datamonitor) | 10 Nov 2022

• *Zurich-Mondelez dispute could be the start of many legal cases as SMEs take out cyber cover due to Russia/Ukraine conflict*

By GlobalData Financial



Cyberattacks instigated by Russia could be set to cause more disputes between businesses and insurers following the Zurich-Mondelez case. GlobalData finds that nearly one in 10 SMEs that bought cyber insurance in 2022 did so as a precaution against the Russia/Ukraine conflict, meaning many new customers will take payouts on cyber claims for this reason for granted.

GlobalData's 2022 UK SME Insurance Survey found that 9.0% of SMEs in the UK that purchased cyber insurance in 2022 said the Russia/Ukraine conflict was a key trigger for their purchase. While it ranked behind several other key factors, businesses that cited this factor will certainly expect to be paid out if they are victims of a cyberattack for this reason. The leading factors were increased working from home during the pandemic (27.0%) – which is believed to have increased the cyber risk businesses face – and media reports about cyberattacks (26.0%) – which has increased awareness of the dangers posed.

This follows the news that Zurich and Mondelez International (owner of Cadbury) agreed a settlement of $100 million following a legal dispute over whether Zurich could avoid paying out a cyber claim over a war exclusion. The cyberattack attributed to Russia took place in 2017, after the annexation of Crimea in 2014. Zurich believed the cyberattack being attributed to Russia made it an "act of war," meaning it did not need to pay out. The resolution of the case could create a legal precedent that means insurers will have to pay out on claims coming from Russia going forward. However, the escalation of the conflict since this attack happened could strengthen insurers' arguments for "act of war" exclusions for future cases.

At any rate, it is critical that insurers are very clear over what is and is not covered, as a stream of high-profile cyber legal cases would be very damaging for the industry – especially following the recent business interruption cases arising from the pandemic. Such cases would risk increasing the view that insurers look to get out of paying claims, which will make retaining customers even harder than it is already due to the cost-of-living crisis. ■

Source: GlobalData Financial - 16 November 2022

• *Mutual Miris to Provide Cyber Cover for European Members*

As a European insurer, Miris said it can only accept members from the European Union and European Economic Area.

A Brussels-based mutual insurance company will provide cyberrisk coverage to its members beginning Jan. 1, 2023. The insurer, called Miris, is owned by and operates for its members, the company said in a statement.

For the first two years of operation, Miris will allocate up to €25 million (US$24.3 million) of capacity to each member. The mutual said it will operate in coinsurance with the insurance market, taking the wording and pricing from the market.

The minimum attachment point will be €10 million. Depending on the underwriting performance of Miris, the capacity granted is expected to increase to €30 million in the third year.

Membership in Miris is "predetermined and exclusive," the company said. It is a "capitalized mutual" and membership is only granted after payment of the capital, which makes it different from commercial mutuals where the payment of premiums confers membership.

Prospective members for Miris membership must be screened for their financial strength and cyberrisk management capability, Miris said. Its board of directors then decides whether to submit a membership application to a general meeting of all the members, who then decide whether to accept the new member. All members pay for the initial capitalization and all must participate in the general meeting, Miris said. Each member has one vote at that meeting.

All members must maintain an insurance policy at all times during their membership, though new members have a grace period so that their first policy aligns with their annual policy cycle. The first policy begins on Jan. 1, 2023, but individual members' policies can incept at any time during the year, to reflect the annual renewal date chosen by the member.

As a European insurer, Miris said it can only accept members from the European Union and European Economic Area (EU member states plus Iceland, Liechtenstein and Norway). Its license application is for direct insurance, but its Belgium domicile means it can also accept incoming reinsurance where necessary. It can cover the activities of its members worldwide, subject to sanction limitations, through policies issued in Europe. Lloyd's earlier said it is implementing exclusion requirements in stand-alone cyberattack policies for state-backed cyberattacks beginning March 31, 2023, at the inception or on renewal of each policy. ■

Source: Best's Review | November 2022

• *Energy crisis triggers increased fire risk as people try to use "alternative" light and heat sources to spare on energy costs*

German insurers recently warned consumers not to engage in risky "experiments" as they try out makeshift alternatives to heat their homes as the nation navigates an energy crisis, Reuters said.

German officials have called on residents to curb their energy use after Russia cut gas supplies to Germany in the wake of the Ukraine war, and energy prices have surged.

The GDV insurance lobby said it was understandable that homeowners and apartment dwellers were looking for alternatives to save money but said some methods are unsuitable for warming living spaces over a long period of time. GDV pointed to fads making the rounds on social media like tea light ovens, which the lobby said could create fires. It also warned against misuse of devices like gas heaters, such as those designed for outside terraces.

"We are concerned to see what adventurous means some tenants and homeowners are resorting to. We strongly advise against dangerous experiments," said GDV chief executive Joerg Asmussen.

Similar warnings came from several insurers across the world. For example, research performed by Zurich Insurance found out that about 13% Britons - or about 6.8 million people - could light candles to keep energy bills down this winter as energy bills in the UK increased by more than 25% and increasing life costs in general left many households with difficulties in covering energy costs. So far, the number of fires in England reached its highest peak since 2010. "Fires caused by candles can leave homeowners facing average repair bills of GBP 18,000. Last year, Zurich saw 22 claims involving candles, including a GBP 140,000 blaze from a candle that was left unattended," the British insurer said.

Zurich also found out that about 7% of Britons will also save energy costs by using an open fire to heat one room in their home. Blazes caused by open fires and standing heaters also hit a large number, causing in many cases large damages.

In fact, even before the current energy crisis, fire was one of the main insurance claims reasons in property insurance. According to an Allianz Global Corporate & Specialty (AGCS) research that has analyzed more than 530,000 insurance claims that occurred in over 200 countries and territories between 2017 and 2021, fires have resulted in more than EUR 18 billion worth of insurance claims over the period, while for corporate insurance they represented the largest single identifies cause of loss. The average fire/explosion claim value in corporate insurance reached as much as EUR 1.5 million.

"Overall, these claims have an approximate value of EUR 88.7 billion, which means that the insurance companies involved have paid out - on average - over EUR 48 million every day for five years to cover losses," the AGCS research found. ■

Source: XPRIMM | 2 Nov 2022

• *Global Natural Disasters Cost Insurers $99B in Q3, With Economic Losses of $227B: Aon*

Global natural disaster events to the end of Q3 2022 caused total economic losses estimated minimally at $227 billion, of which $99 billion was covered by public and private insurers, which means that insured losses will top $100 billion for the third year in a row, according to Impact Forecasting, Aon's catastrophe model development team.

This represents an insurance protection gap of 56 percent (or the difference between total economic losses and insured losses), said the Aon report titled "Q3 Global Catastrophe Recap – October 2022."

The United States accounted for the highest percentage of the economic losses ($114 billion), followed by APAC ($56 billion) and EMEA ($42 billion). Economic losses in the U.S. and EMEA were above average, while APAC saw below-average losses, the report added.

Anticipated insured losses from Hurricane Ian constitute a significant portion of the global insured losses, making tropical cyclone the costliest peril for the insurance industry this year, said Aon, adding that U.S. losses now take up more than 70 percent of the total insured losses year-to-date.

A large portion of losses from Hurricane Ian came from widespread wind-related damage across the Florida peninsula, with most of the impact concentrated along the western and central Florida counties, the report said.

However, additional losses occurred because of "catastrophic storm surge on the western coast and additional inland flooding because of heavy rainfall," it continued.

Precipitation-induced flooding in inland Florida might have gotten less attention, but "losses from this subperil were not negligible," Aon said, noting that inland counties generally have lower take-up rates from the National Flood Insurance Program (NFIP), so most of the damage will not be covered by insurance.

"This is in contrast with the coastal counties affected by storm surge, which generally have above-average flood coverage," the report added.

Even though several firms and entities have issued preliminary statements on expected volume of insured losses for Hurricane Ian, Aon said it is too early to provide a definitive number because of the length of time it will take for damage assessment and liquidation of losses. "The eventual toll will be affected by demand surge, inflation and other factors."

"It is anticipated that there will be robust loss development across many of the reported natural catastrophes, especially with the realization of costs associated with recent tropical cyclone development worldwide," commented Michal Lörinc, head of catastrophe insight in Aon's Impact Forecasting team, in a statement.

"Recurring La Niña conditions and the remainder of tropical cyclone seasons can potentially trigger impactful events through the rest of the year, with additional costs arising from inflationary pressure. Secondary perils can similarly push the overall insured losses for 2022 well beyond $100 billion," he added.

Secondary perils such as severe convective storm and flooding dominated losses in the first half of the year, while losses from primary perils accelerated in the third quarter due to tropical cyclone activity in the Atlantic and western Pacific, with Hurricane Ian anticipated to be the costliest singular weather event for the year and potentially one of the costliest insured loss events on record globally.

<u>Other findings from the Aon report include:</u>

- Parts of Europe experienced severe drought, amplified by several record-setting heatwaves during the summer of 2022, in mid-June and mid-July, which led to favorable conditions for wildfires. The drought caused economic losses anticipated to approach $20 billion, while more than 16,700 people died as a result of the heatwaves.

- Australia's east coast floods during Q3 are its costliest event on record.

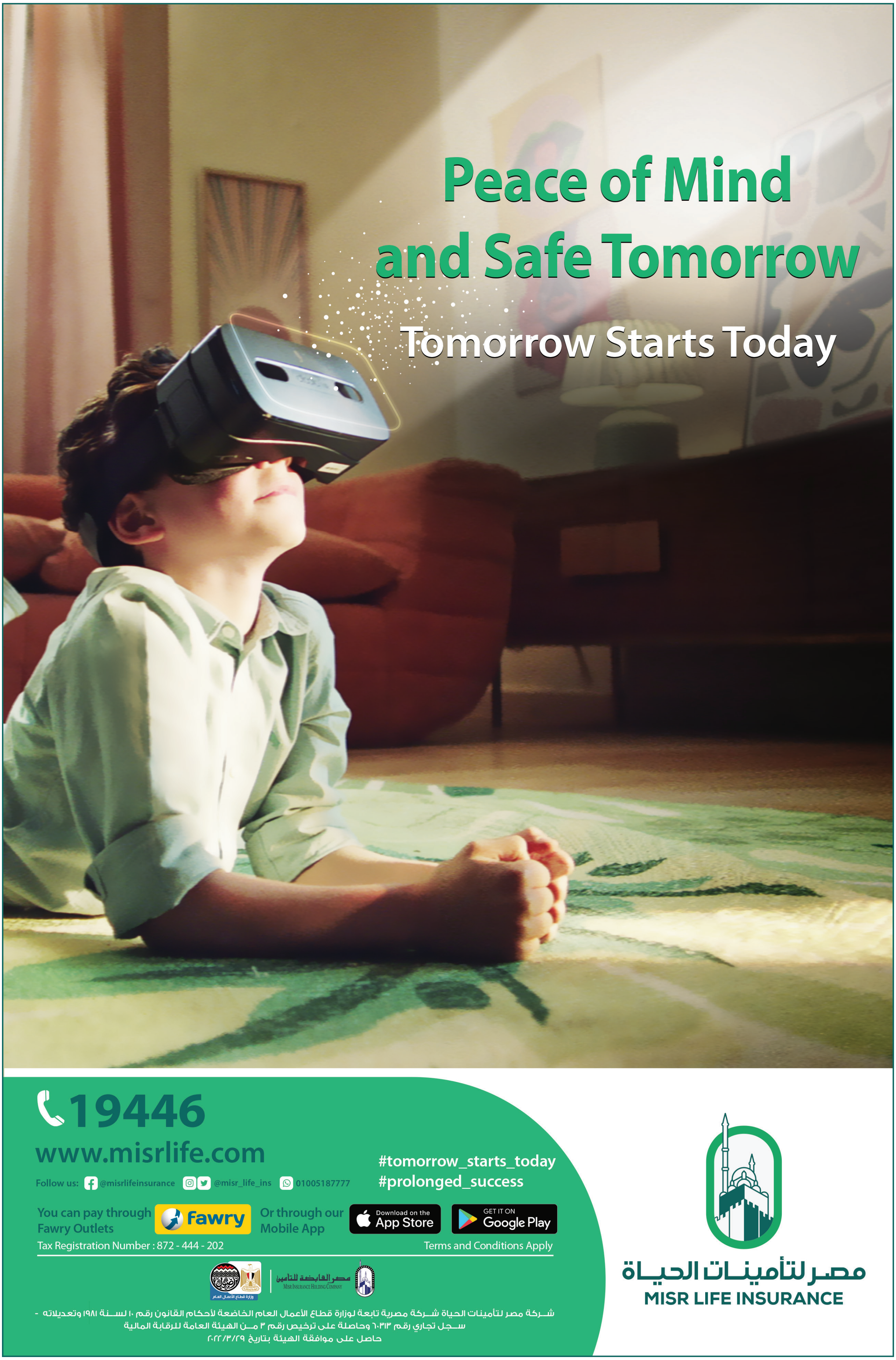
- July and August were the sixth warmest for the globe dating to 1880, and September tied with 2021 as the fifth warmest, according to statistics from NOAA. September also marked the 453rd consecutive month for global land and ocean temperatures to be above the 20th century baseline average.

- Melting glaciers and prolific monsoonal rain resulted in historic flooding across a wide swath of Pakistan in Q3, killing nearly 1,700 people. Around 20 percent of the deaths were related to indirect causes such as diseases and malnutrition. The actual flood damages and accompanying insured losses were not expected to exceed those seen in China or Australia this year, but the overall impact to the Pakistani economy will be substantial. ■

Carrier Management - 24 October 2022 (Source: Aon's Impact Forecasting)



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وزارة قطاع الأعمال العام
مصر القابضة للتأمين
MISR INSURANCE HOLDING COMPANY
شـركة مصر لتأمينات الحياة شـركة مصرية تابعة لوزارة قطاع الأعمال العام الخاضعة لأحكام القانون رقم ١٠ لسـنة ١٩٨١ وتعديلاته -
سـجل تجاري رقم ٦٠٣١٣ وحاصلة على ترخيص رقم ٣ مـن الهيئة العامة للرقابة المالية
حاصل على موافقة الهيئة بتاريخ ٢٠٢٢/٣/٢٩
مصر لتأمينات الحياة
MISR LIFE INSURANCE

Africa News

• Ranking 2021 of insurers in North Africa

Figures in thousands

Rank 2021	Companies	Class of business	Country	Turnover 2021		Turnover 2020		2020-2021 evolution *
				Local currency	USD	Local currency	USD	
1	Wafa Assurance	C	Morocco	8374200	929704	8853000	912390	-5,41%
2	RMA	C	Morocco	6876000	763374	6816000	702457	0,88%
3	Mutuelle Taamine Chaabi	L	Morocco	5787300	642506	5123200	527997	12,96%
4	Misr Insurance	NL	Egypt	9341882	577048	8990005	537602	3,91%
5	Saham Assurance	C	Morocco	5126000	569089	5422400	558833	-5,47%
6	AtlantaSanad (1)	C	Morocco	4937600	548172	4840700	498883	2,00%
7	Axa Assurance Maroc	C	Morocco	4871700	540856	4645200	478734	4,88%
8	Misr Life Insurance Company	L	Egypt	4961503	306472	4403427	263325	12,67%
9	Allianz Life Egypt	L	Egypt	4216677	260464	3120291	186593	35,14%
10	Marocaine Vie	L	Morocco	2158200	239603	2267600	233699	-4,82%
11	Metlife Egypt	L	Egypt	3685876	227677	2854613	170706	29,12%
12	SAA	NL	Algeria	27041000	203889	29117000	243418	-7,13%
13	MCMA	C	Morocco	1798000	199614	1541200	158836	16,66%
14	CAAT	NL	Algeria	24751000	186622	24589000	205564	0,66%
15	Allianz Assurance Maroc	C	Morocco	1572300	174557	1479900	152518	6,24%
16	AXA Life Egypt	L	Egypt	2529557	156251	2000233	119614	26,46%
17	STAR	C	Tunisia	361394	133347	374867	133805	-3,59%
18	MAMDA	NL	Morocco	1092500	121289	1034600	106626	5,60%
19	CAAR	NL	Algeria	14866000	112090	15365000	128452	-3,25%
20	CASH Assurances	NL	Algeria	14091000	106246	12676000	105971	11,16%
21	CNMA	NL	Algeria	13055000	98435	14312000	119648	-8,78%
22	AXA Insurance	NL	Egypt	1580840	97648	1043389	62395	51,51%
23	COMAR	C	Tunisia	222970	82272	212156	75727	5,10%

• *Ranking 2021 of insurers in North Africa*

Figures in thousands

Rank 2021	Companies	Class of business	Country	Turnover 2021		Turnover 2020		2020-2021 evolution *
				Local currency	USD	Local currency	USD	
24	GIG Egypt	NL	Egypt	1314953	81225	1109933	66374	18,47%
25	CAT	NL	Morocco	694100	77059	693000	71421	0,16%
26	Allianz Insurance Egypt	NL	Egypt	1139678	70398	883872	52856	28,94%
27	GAT	C	Tunisia	188603	69591	170999	61036	10,29%
28	MAGHREBIA	NL	Tunisia	185762	68542	169758	60593	9,43%
29	Bupa Egypt	NL	Egypt	1100640	67987	1085563	64917	1,39%
30	CIAR	NL	Algeria	8729000	65817	9866000	82480	-11,52%
31	ASTREE	C	Tunisia	174279	64305	168279	60065	3,57%
32	Maroc Assistance Internationale	NL	Maroc	561500	62338	568100	58548	-1,16%
33	Suez Canal Insurance	NL	Egypt	1001006	61832	1006705	60201	-0,57%
34	Orient Takaful Insurance Co	NL	Egypt	973785	60151	835060	49937	16,61%
35	Egyptian Takaful Insurance	NL	Egypt	944386	58335	808393	48342	16,82%
36	AMI	C	Tunisia	144106	53172	161183	57533	-10,59%
37	MATU	NL	Morocco	462300	51325	416600	42935	10,97%
38	MAE	C	Tunisia	135398	49959	120642	43062	12,23%
39	LLOYD ASSURANCES	C	Tunisia	130240	48056	108488	38724	20,05%
40	Assurances BIAT	C	Tunisia	127747	47136	121799	43475	4,88%
41	BH Assurance	C	Tunisia	127590	47078	116707	41657	9,33%
42	CARTE	NL	Tunisia	126762	46773	127273	45429	-0,40%
43	QNB Alahli Life Insurance	L	Egypt	735854	45454	671582	40161	9,57%
44	CTAMA (1)	C	Tunisia	122844	45327	103846	37067	18,29%
45	Egyptian Life Takaful Insurance	L	Egypt	632883	39093	657969	39346	-3,81%
46	ATTIJARI ASSURANCE	L	Tunisia	101028	37277	87006	31056	16,12%
47	Royal Insurance	NL	Egypt	602057	37189	544649	32570	10,54%
48	Delta Insurance	NL	Egypt	600072	37066	436493	26102	37,48%
49	Saham Assistance	NL	Morocco	325800	36170	471700	48613	-30,93%
50	Trust Algérie	NL	Tunisia	4758000	35875	4040000	33774	17,77%
51	Alliance Assurances	NL	Algeria	4728000	35649	5201000	43480	-9,09%
52	Suez Canal Life Insurance	L	Egypt	560355	34613	603920	36114	-7,21%
53	Salama Assurances	NL	Algeria	4558000	34367	5377000	44952	-15,23%
54	Wethaq Takaful Insurance	NL	Egypt	516661	31914	401462	24007	28,69%
55	Mohandes Insurance Company	NL	Egypt	504143	31141	509974	30497	-1,14%
56	2A	NL	Algeria	3822000	28818	3877000	32412	-1,42%
57	Wafa Ima Assistance	NL	Morocco	258300	28676	281400	29001	-8,21%

• *Ranking 2021 of insurers in North Africa*

Figures in thousands

Rank 2021	Companies	Class of business	Country	Turnover 2021		Turnover 2020		2020-2021 evolution *
				Local currency	USD	Local currency	USD	
58	**MAGHREBIA Vie**	L	Tunisia	77269	28511	66144	23609	16,82%
59	**CARTE Vie**	L	Tunisia	75798	27968	58600	20917	29,35%
60	**Egyptian Saudi Insurance House**	NL	Egypt	441254	27256	380650	22763	15,92%
61	**ZITOUNA TAKAFUL**	C	Tunisia	67568	24931	60563	21617	11,57%
62	**GAM**	NL	Algeria	3290000	24807	3803000	31793	-13,49%
63	**GAT Vie**	L	Tunisia	63894	23576	61834	22071	3,33%
64	**Cardif El Djazair**	L	Algeria	2948000	22228	2742000	22923	7,51%
65	**ASSURANCES HAYETT**	L	Tunisia	58427	21558	50691	18094	15,26%
66	**Libano-Suisse Takaful**	L	Egypt	255706	15795	206898	12373	23,59%
67	**AIG Insurance**	NL	Egypt	245605	15171	248782	14877	-1,28%
68	**Euler Hermes ACMAR**	NL	Morocco	136300	15132	144900	14933	-5,94%
69	**Chubb Life Egypt**	L	Egypt	242958	15007	252453	15097	-3,76%
70	**Delta Life Assurance**	L	Egypt	241067	14891	216429	12942	11,38%
71	**AXA Assurances Algérie Vie**	L	Algeria	1908000	14386	2254000	18843	-15,35%
72	**AXA Assurances Algérie Dommage**	NL	Algeria	1860000	14024	2616000	21870	-28,90%
73	**Iskan Insurance**	NL	Egypt	223030	13777	325425	19460	-31,47%
74	**AGLIC**	L	Algeria	1692000	12758	1675000	14003	1,01%
75	**Co. Operative Insurance Society**	NL	Egypt	204126	12609	193569	11575	5,45%
76	**EL AMANA TAKAFUL**	L	Tunisia	33467	12349	31248	11154	7,10%
77	**RMA Assistance**	NL	Morocco	109200	12123	113100	11656	-3,45%
78	**Egyptian Takaful Insurance**	NL	Egypt	194757	12030	211927	12673	-8,10%
79	**Caarama Assurances**	L	Algeria	1557000	11740	1869000	15625	-16,69%
80	**Tokio Marine Egypt General Takaful**	NL	Egypt	189998	11736	191493	11451	-0,78%
81	**SAPS**	L	Algeria	1500000	11310	1947000	16277	-22,96%
82	**ATTAKAFULIA**	C	Tunisia	29451	10867	26463	9446	11,29%
83	**Arope Insurance**	NL	Egypt	161726	9990	187028	11184	-13,53%
84	**Tharwa Insurance**	NL	Egypt	158764	9807	19787	1183	702,37%
85	**Misr Emirates Takaful Life Insurance**	L	Egypt	147046	9083	106799	6387	37,68%
86	**Coface Maroc**	NL	Morocco	81100	9004	62700	6462	29,35%
87	**TALA**	L	Algeria	1170000	8822	1117000	9338	4,74%
88	**Macir Vie**	L	Algeria	846000	6379	1541000	12883	-45,10%
89	**Mohandes Life Insurance Company**	L	Egypt	91077	5626	106105	6345	-14,16%
90	**Axa Assistance Maroc**	NL	Morocco	47000	5218	86900	8956	-45,91%
91	**Chubb Insurance**	NL	Egypt	83782	5175	79699	4766	5,12%

• *Ranking 2021 of insurers in North Africa*

Figures in thousands

Rank 2021	Companies	Class of business	Country	Turnover 2021		Turnover 2020		2020-2021 evolution *
				Local currency	USD	Local currency	USD	
92	**Arope Life Insurance**	L	Egypt	74454	4599	61667	3688	20,74%
93	**COTUNACE**	NL	Tunisia	12165	4489	15782	5633	-22,92%
94	**Tharwa Life**	L	Egypt	58763	3630	3155	189	1762,54%
95	**Smaex**	NL	Morocco	27500	3053	39800	4102	-30,90%
96	**Le Mutualiste**	L	Algeria	386000	2910	467000	3904	-17,34%
97	**Tokio Marine Egypt Family Takaful**	L	Egypt	42291	2612	42293	2529	0,00%
98	**Medgulf Insurance**	NL	Egypt	33876	2092	237617	14210	-85,74%
99	**LLOYD VIE (2)**	L	Tunisia	5019	1852	-	-	-
100	**Export Credit Guarantee Company**	NL	Egypt	25497	1575	9011	539	182,95%
101	**United Insurance(3)**	NL	Egypt	ND	ND	49783	2977	-
	Total North Africa **			-	***9489389***	-	***8795847***	***7,88%***

(1) Evolution in local currency
(2) SAHAM Assistance becomes Africa First Assist in 2021
(3) Mada Insurance started its activities in 2020
(4) Ex. Tokyo marine family takaful
C : Composite company (life and non-life) NL : Non-life company L : Life company
Exchange rate 2021 :
as at 31/12 : Tunisia TND/USD : 0.34703 ; Algeria DZD/USD : 0.00717 ; Morocco MAD/USD : 0.1070
as at 30/06 : Egypt EGP/USD : 0.06367
Exchange rate 2020 :
as at 31 /12 : Tunisia TND/USD : 0.36898 ; Algeria DZD/USD : 0.00754 ; Morocco MAD/USD : 0.11102
as at 30/06 : Egypt EGP/USD : 0.06177

• *Climate Change and Select Financial Instruments: An Overview of Opportunities and Challenges for Sub-Saharan Africa: IMF Report*

Sub-Saharan Africa (SSA) is the region in the world most vulnerable to climate change despite its cumulatively emitting the least amount of greenhouse gases. Substantial financing is urgently needed across the economy—for governments, businesses, and households—to support climate change adaptation and mitigation, which are critical for advancing resilient and green economic development as well as meeting commitments under the Paris Agreement. Given the immensity of SSA's other development needs, this financing must be in addition to existing commitments on development finance. There are many potential ways to raise financing to meet adaptation and mitigation needs, spanning from domestic revenue mobilization to various forms of international private financing.

Against this backdrop, SSA policymakers and stakeholders are exploring sources of financing for climate action that countries may not have used substantially in the past. Immediate interest has been expressed in exploring four major areas as sources of financing for governments—where, in some cases, <u>these sources of financing could also be used for private sector adaptation and mitigation efforts:</u>

1. concessional financing, particularly through climate funds;
2. debt instruments that are somewhat related to climate change;
3. international carbon credit schemes; and
4. climate-related insurance schemes.

This Staff Climate Note presents some basic information on opportunities and challenges associated with these financing instruments. It is not endorsing the use of any of these instruments or their relative ability to scale up financing for adaptation or mitigation. The choice of instruments ultimately should be considered in the context of a country's current macroeconomic situation, policy objectives, and the broader mix of financing options and government policies—including carbon pricing and appropriate risk pricing which can, among other things, shape incentives for spending on adaptation and mitigation. While the focus of this Note is on SSA countries, some of the considerations may apply to other low-income countries (LICs) facing similar circumstances.

Catalyzing greater financing through the instruments discussed in this Note is critically tied to the upgrading of national frameworks and capacity—ranging from climate strategies to statistics, governance, financial systems, debt, and public financial management. The international community has a critical role to play through stepped up technical assistance supporting these upgrades, increased concessional financing (especially grants) and supporting harmonization of rules and regulations.

Concluding Policy Recommendations

Scaling up financing for adaptation and mitigation hinges on reforms in data, governance, regulation, PFM (including procurement and public investment), and realistic and action-based national climate strategies. To this end, national authorities, development partners, and the IMF all have critical roles to play. Most of the following recommendations apply to all the financing options described in this Note, but some are specific or more relevant to certain types of instruments.

National authorities

• Climate strategy and climate action. Developing a well-defined climate strategy allows development partners to assess the scope and quality of climate-related policies and how they are linked with the country's macro-fiscal framework. Creating public awareness on climate action, including by publishing climate strategies and project pipelines, and pursuing partnerships and accreditation of national institutions with international institutions and climate funds can help unlock untapped resources.36 Communication and public education on a host of climate-related issues will be an important part of this process.

• Data. High-quality data spanning debt statistics to weather conditions is a prerequisite for all climate finance instruments. For example, climate-related debt swaps require detailed debt data. Climate insurance contracts cannot be properly designed or enforced absent accurate weather data. For carbon credits, the data challenge expands to emissions data as well. In particular, carbon credits cannot be issued without data on emission absorption. More generally, realistic climate strategies cannot be designed without climate and project-related statistics.

• Governance. Upgrading and implementing governance frameworks to enhance control, monitoring, and transparency on climate-related policies reduces the perceived risks for financing providers. As a result, access to climate funds, debt swaps, carbon credit markets, and climate insurance (both for governments and private insurees) is increased and the cost of using them is reduced. Most financing providers also appreciate benefit-sharing frameworks that ensure equitable distribution to local communities.

• Laws and regulations. A strengthened legal and regulatory system will protect both financing providers and recipients (public and private). For example, a lack of clarity over property rights can impede implementation of adaptation projects—an important consideration for concessional climate finance or creditors engaging in climate-related debt instruments—and prevent provision of climate insurance.

• Financial systems. Strengthened financial sector frameworks can both encourage and lower the costs of climate-related debt instruments. Combined with deeper domestic and regional capital markets, they facilitate private sector participation in co-financing projects with climate funds.

• PFM. Developing a pipeline of adaptation and mitigation projects that are aligned with national climate strategies is paramount to improving access to all climate finance instruments. Concessional climate finance, climate-related debt instruments, and carbon credits are all directly tied to projects and their outcomes. In terms of insurance, better PFM that accelerates the creation of high-quality climate-resilient infrastructure reduces insurance premiums. Incorporating and labeling climate issues throughout the budgeting process, transparent procurement, and pertinent risk management will be critical to planning, implementing, monitoring, and reporting on climate-related projects.

• Capacity building. Progressing in all of the areas above hinges on improving capacity. This includes improving the quality and amount of relevant information, infrastructure, and labor force skills and knowledge.

Development Partners

• Financial support. The financing needed to cope with the devastating effects of climate change—a situation which was not created by SSA countries—are well beyond the scope of what SSA countries can afford. Development partner financing will be critical to filling the gap, ultimately saving lives and livelihoods in SSA. Against the backdrop of growing SSA debt levels as countries cope with the pandemic and the ripple effects of the war in Ukraine, grant financing should be prioritized. Importantly, this financing must be in addition to existing commitments on development finance. Stepped up development partner support, combined with the reforms discussed above, could also catalyze private sector financing.

• Tailoring to SSA. Development partners can promote actions to raise the flow of concessional climate finance to SSA. For example, international institutions and climate funds could have targets on the volumes of financing disbursed to SSA, the number of small-sized or local currency projects financed, or the proportion of adaptation projects financed (including projects with long horizons). In addition, incentives could be modified, for example to increase efforts on forest preservation, which currently receive significantly less financing than reforestation.

• Enhancing international coordination and harmonization of rules and regulations. Development partners could spearhead efforts to adopt a common taxonomy for identifying climate adaptation and mitigation projects. This would help country authorities plan projects and reduce creditors concerns about greenwashing. Similarly, development of carbon credit markets, would be supported by internationally agreed climate disclosure and reporting standards as well as carbon-credit related rules and regulations across registries and the relevant authorities. Aligning and streamlining climate fund requirements and project selection criteria—based on areas most important for safeguarding resources—would greatly facilitate SSA access to these funds. Better coordination between SSA national institutions and international organizations should also be pursued (AfDB 2022).

• Capacity building. Technical assistance could be further stepped up and tailored toward climate in a range of areas: project design, accreditation processes, financial structure (including on the development of capital markets), governance, debt management, PFM, and climate-related statistics

IMF

• Analysis. The IMF's SSA-focused analysis of macroeconomic and policy implications related to climate change, supported by in-house data sets such as the IMF Climate Change Dashboard,37 can help SSA country authorities develop and implement climate strategies. It can also inform providers of climate finance and capacity development—potentially catalyzing more resources for the region—and shape reforms adopted under IMF lending arrangements.

- Financing. Several lending arrangements are available to support SSA countries in their pursuit of building resilient economies, including by advancing many of the reforms outlined above. The RST, once operational, will add to existing arrangements such as the Extended Credit Facility (ECF).38

- Capacity development. The IMF can support SSA countries through capacity development in governance, debt, PFM, statistics (including identification of data gaps), banking, monetary, and financial sector issues. This support also integrates climate considerations and climate-specific capacity development—the CMAP, C-PIMA, and green PFM are examples.

This Note is not endorsing the use of any of the instruments discussed or their relative ability to scale up financing for adaptation or mitigation. Nevertheless, given the magnitude of SSA financing needs for adaptation and mitigation, a variety of financial instruments will be needed. The choice of instruments should ultimately be considered in the broader mix of financing options and government policies—including carbon pricing and appropriate risk pricing which can, among other things, shape incentives for spending on adaptation and mitigation. Future work will comprehensively examine various forms of financing for climate action, especially non-concessional and private financing, including instruments such as ESG equity funds, commercial bank financing, and public-private partnerships. ■

EGYPT

• Misr Insurance to increase paidup capital by higher margin

State-owned Misr Insurance Company, the biggest general insurer in Egypt, is increasing its paid-up capital to EGP8bn ($329m), more than the EGP6bn at first intended.

Mr Omar Gouda, managing director and CEO of Misr Insurance, said that this reflected the desire of the company's shareholders to strengthen the insurer's financial position.

At present, the insurer's paid-up capital is EGP5bn. With the latest increase, the company is doubling its capital compared to 30 June 2018, to keep pace with the challenges facing the insurance industry, international trends, and the implementation of new accounting standards.

For the financial year ended 30 June 2022 (FY2022), Misr Insurance posted total premiums of EGP10.4bn, 8.3% more than in FY2021. The total compensation paid out amounted to EGP3.9bn, a year-on-year increase of 9.6%.

Net profits for FY2022 reached EGP2.737bn, surging by 21.4% from EGP2.255bn in FY2021.■

Source: MEIR - 9 Nov 2022

• EFG Hermes and GB Capital launch Kaf Insurance

Following the acquisition of a 75% stake by EFG Hermes Holding and GB Capital in Tokio Marine Egypt Family Takaful in 2020, the company has been rebranded to Kaf.

Under the guidance of new management brought in following the acquisition, the company aims to set itself apart by making insurance effortless for their customers and by providing them with straight-forward, fair, and value-for-money insurance solutions.

"Since our launch, we have worked hard to provide peace of mind and improve the lives of individuals and, by extension, their communities through offering simple-to-understand products and fresh solutions, which is reflected in our slogan: 'Making it easy, doing it right,'" said Managing Director of Kaf Sohail Ali.

"Moving forward, we will continue to live up to our purpose of contributing to social stability and poverty reduction by bridging the insurance gap in Egypt through innovative, tech-enabled solutions."

"Insurance is an important tool for economic development, and we are currently reaping the fruits of reforms in Egypt that foster financial inclusion. Recently, the Egyptian government has worked to improve access to financial services for the low-income segment, developing sound regulatory frameworks and lowering barriers to financial access, and we expect continued growth in the non-bank financial institutions (NBFI) segment over the coming years," he added.

"We're honored to support and be part of this initiative to increase awareness of the importance of insurance. Plugging the insurance gap will provide protection for the low-income segment from falling into poverty in the event of misfortune."

Aladdin Al-Afifi — CEO of EFG Hermes Holding's NBFI platform commented that "Kaf's success is built on the longstanding history of collaboration between EFG Hermes Holding and GB Capital and is as exciting as it is high-yielding and conducive to exponential growth."

"Our strategy for the NBFI platform is to persist in identifying key opportunities in the market that allow us to fully capitalise on our cross-selling capabilities so that we may continue to reap the fruits of these collaborations in the near future."

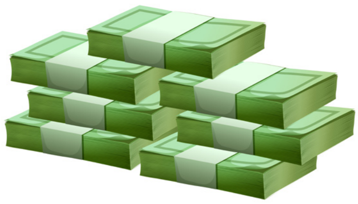
"We are advancing towards this goal with full force, exerting ambitious efforts towards not only providing more integrated, end-to-end service offerings, but also creating space for natural synergies between our companies that will no doubt result in future growth for all stakeholders," he added.

Commenting on GB Capital's investment in Kaf, GB Capital Chairperson Mansour Kabbani said: "We strive to explore the full, and yet untapped, potential of this market. We aware that the Egyptian insurance industry is primed for significant growth and profitable expansion, and we intend to capitalise on that. As such, this move aligns perfectly with our vision for the future, which sees our NBFI business expanding as we diversify our portfolio of offerings in the areas of leasing, consumer finance, BNPL, factoring, micro finance, mortgage finance, securitisation, fleet leasing, e-payments, and insurance." ■

Daily News Egypt – 28 Sep 2022

GABON

• Capital increase and IPO: SCG-Ré launches a public offering



The Société Commerciale Gabonaise de Réassurance (SCG-Ré) is currently preparing its listing on the Central African Stock Exchange (Bourse des Valeurs Mobilières de l'Afrique Centrale, BVMAC).

To this end, the reinsurer is trying to raise 5 billion FCFA (7.9 million USD) through an initial public offering intended for any natural or legal person.

The subscription period runs from 1 to 30 November 2022 and covers the issue of 250 000 shares at the price of 20 000 FCFA (31.6 USD) each. The company's share capital would thus increase from 10 to 15 billion FCFA (15.8 to 23.7 million USD).

During this period, SCG-Ré has been actively trying to convince potential investors to acquire the shares listed on the BVMAC. Becoming a shareholder of SCG-Ré would allow economic operators and the general public to participate in the creation of national wealth, to diversify the portfolio and to contribute to the success of the Gabonese reinsurance company.

This initiative is part of SCG-Ré's strategic development plan (2022-2027) aimed at financing its expansion beyond Gabon. The operation makes SCG-Ré the first insurance and reinsurance company approved by the Inter-African Conference on Insurance Markets (CIMA) for its listing on the stock exchange.

For more information on the IPO, interested parties are invited to visit the following website: https://scgreape2022.com/ ■

Sources: Atlas Magazine – 17 November 2022

GAMBIA

• Central Bank set to launch parametric micro/meso insurance

The Central Bank of The Gambia (CBG) in collaboration with the African Risk Capacity (ARC) are looking at launching non-sovereign parametric micro/meso insurance in The Gambia.

Deputy governor Dr Paul J. Mendy, representing the CBG governor, said at a workshop, "Considering certain limitations of the sovereign solutions, ARC Limited found it necessary to operate within member countries on a need basis with a view to developing a non-sovereign parametric macro/meso insurance scheme to complement the sovereign macro scheme."

According to the newspaper The Point, Dr Mendy also said, "It will potentially result in the formulation of major groundbreaking policies to boost financial inclusion while we endeavour to create a more climate resilient economy. Climate change is one of the most critical and devastating challenges globally, particularly in developing countries of which Sub-Saharan Africa is not an exception."

He said that the move to conceive proactive proper economic policy measures which support the initiative to rekindle our agricultural sector is critical and timely, considering the significant contribution of agriculture to the country's GDP and employment. ■

Source: MEIR - 21 November 2022

MADAGASCAR

• *Reform of insurance industry in progress*

The reform of the insurance sector has been carried out jointly by the Ministry of Economy and Finance (MEF) and Banky Foiben'i Madagasikara (BFM) for four years, and is still in progress, notably through the revision of the Insurance Code.

The objective is to establish a solid and resilient insurance sector, promoting financial inclusion, reported The Madagascar Express.

The reform of the sector revolves around three strategic axes, namely promoting the soundness and stability of the insurance sector, modernising and developing the insurance sector and creating an appropriate consumer protection framework.

A crucial step in the reform has been taken by the transfer of supervision of the insurance sector to the Banking and Financial Supervision Commission (CSBF).

The new insurance law, enacted on 1 September last year, sets out the conditions for the transfer of supervision of the insurance sector, which is formalised by a memorandum of understanding signed between MEF and BFM.

CSBF is now responsible for matters like the granting of approvals and various authorisations to insurance companies and insurance intermediaries, and crafting and implementing regulations, including new provisions relating to consumer protection, the exercise of controls both o- site and remotely through reporting obligations,

So far, the contribution of the insurance sector to the economy is not yet very perceptible. The sector represents only 0.7% of the gross domestic product in Madagascar, against 2 or 3% in certain African countries.

To boost insurance penetration, new branches and operating modes have been introduced such as agricultural insurance, microinsurance and digital insurance. ■

Source: MEIR - 14 Nov 2022

MOROCCO

• Inclusive insurance barometer to be completed in early 2023

Morocco's first inclusive insurance barometer is expected to be ready by early 2023. The project, led by the Insurance and Social Welfare Supervisory Authority (ACAPS), in partnership with the Moroccan Federation of Insurance and Reinsurance Companies (FMSAR), involves analysis of the access to and use of insurance services nationwide, and in particular by young people, women, micro-enterprises, informal workers and rural residents.

The insurance penetration survey will update data on the percentage of Moroccan adults with insurance coverage and the annual budget that each insured allocates to buying insurance, according to a report by the news website Le Matin. The survey will be conducted with a sample size of at least 3,000 people aged 18 to 75, at the household and individual levels. It is expected to last for 15 weeks.

<u>The barometer covers three parts:</u>

- A quantitative assessment of the level of insurance penetration, in particular the percentage of Moroccan adults with insurance coverage, the penetration rate of insurance products, and the annual budget allocated to insurance coverage per customer.
- A study of the number of claims lodged by policyholders over the past three years, the degree of complexity in underwriting and compensation procedures as well as the degree of satisfaction with the quality of service.
- An analysis of the level of knowledge of insurance, perceptions of the prices of insurance products, and the reasons for buying or not buying an insurance product.

Through this barometer, which will be updated annually, the insurance sector aims to boost insurance inclusion in Morocco, making it possible to market accessible and innovative products via distribution channels adapted to the target population, in particular low-income households, the rural population and micro-enterprises.

According to ACAPS, financial inclusion is considered a key catalyst for promoting economic development and poverty reduction in Morocco. The Ministry of Finance and the central bank, Bank Al-Maghrib, have implemented a national financial inclusion strategy, the objective of which is to coordinate actions and define the priorities, roles, and responsibilities of various stakeholders in the finance sector. This would allow the sector to capitalise on the separate initiatives of various regulators and financial market players, particularly in terms of SME financing, microfinance, insurance, consumer protection, banking, and mobile payment services.

The firm LMS-CSA was awarded the contract to carry out this first inclusion survey in a tender exercise launched by ACAPS. ■

Sources: MEIR – 15 November 2022

• Moroccan microinsurance sector: a new regulation under study

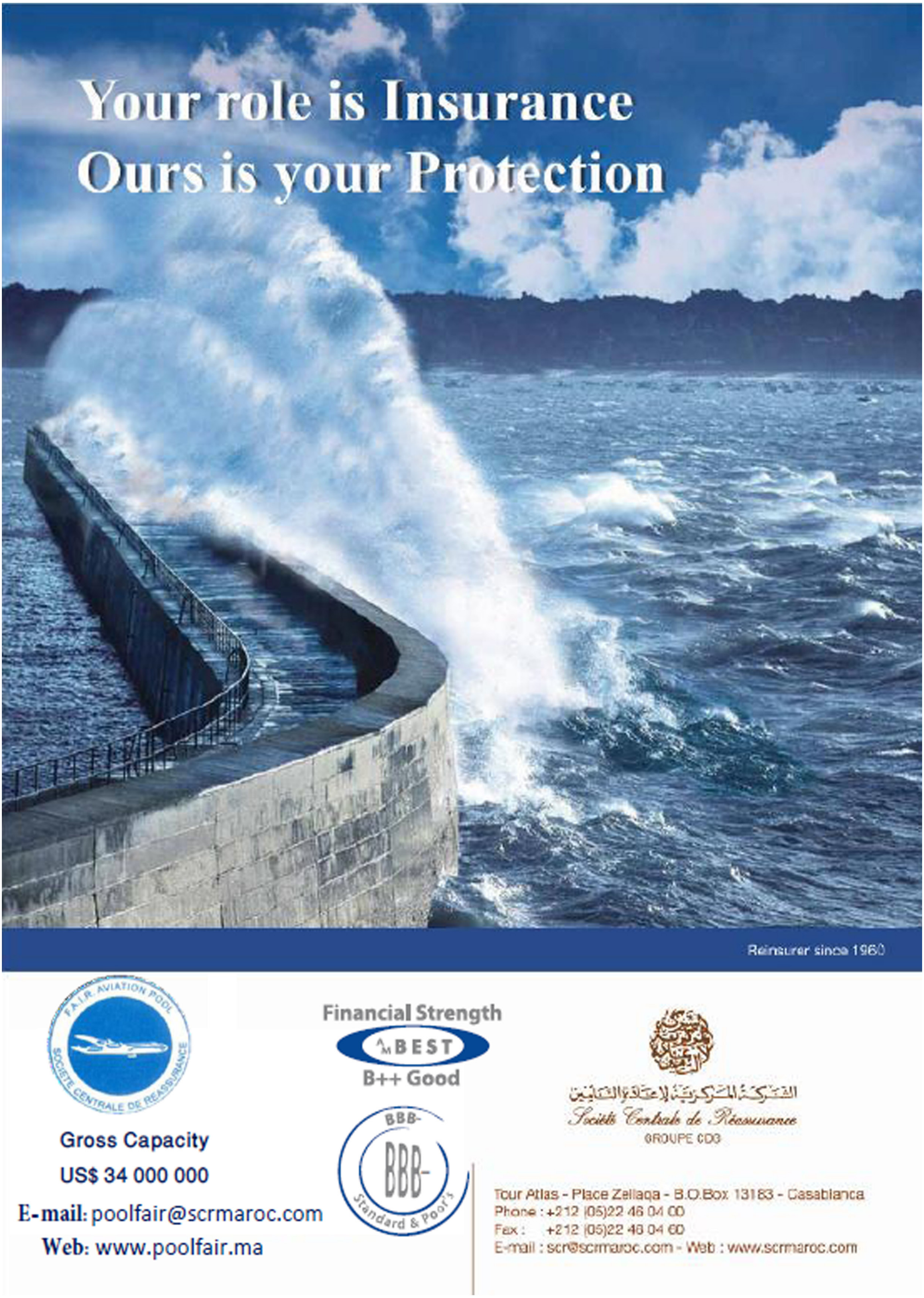
microinsuranceThe Moroccan microinsurance sector, which until now has been regulated by circulars, could soon have a specific legal framework.

The Moroccan Supervisory Authority of Insurance and Social Welfare (ACAPS) has submitted a first draft of microinsurance regulations to the Ministry of Economy and Finance. The proposed legislation lays down the rules and principles related to this activity.

Some of the points proposed include allowing payment institutions to market inclusive insurance products through their various distribution outlets.

This initiative aims at developing and strengthening the microinsurance activity in Morocco. ■

Sources: Atlas Magazine – 18 November 2022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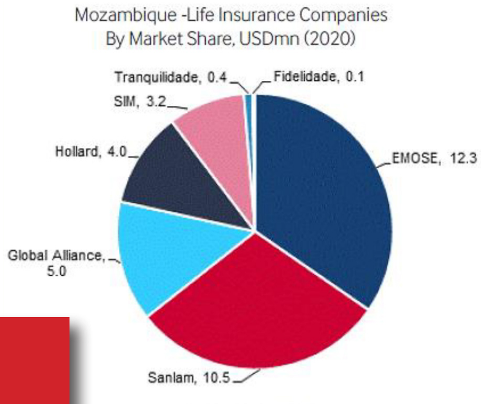
MOZAMBIQUE

• *Insurance Market Competitive Landscape*



Source: ISSM, Fitch Solutions

Life Market

Mozambique's life insurance sector is small but growing. A significant proportion of demand comes from the country's expatriate workforce and the wealthier segments of society, although economic growth should lead to growing demand from a wider segment of society.

Recent Developments and Trends

- In May 2022, Sanlam signed an agreement with Allianz whereby the two companies' African operations would be combined, forming the largest pan-African non-banking financial services entity on the continent.
- According to reports from 2021, state-owned EMOSE was in the process of being restructured. Although further announcements were expected, there is little public information available as of mid-2022, although news reports suggest that the process is ongoing.
- In late December 2021, Portugal-based Fidelidade Seguros completed the acquisition of a 70% stake in Seguradora Internacional de Moçambique (SIM), increasing its share of the life market.
- Alongside GDP growth, life insurance uptake will grow in Mozambique, as increasing incomes and a growing middle class will encourage the purchase of insurance among a greater proportion of the population.
- Regional firms, particularly local player EMOSE, will dominate the life insurance sector, but in the medium-to-long term we see scope for global insurers to show more interest in the Mozambican life market.
- Firms operating the sector are open to technological innovation. For example, South Africa-based Hollard Life is implementing new technology, which will improve the automation of process control and compliance.

Competitive Landscape

Company-specific information on Mozambique's life market is limited, partially due to the small size of the market. According to government data, there are only eight providers licenced to operate in the life sector, of which only two write premiums totaling over USD6.0mn annually in the life sector.

In 2019, state-run EMOSE became the largest player, with USD11.3mn in premiums and a market share of around 33%. It consolidated its position in 2020, growing to USD12.3mn in premiums written, equating to 34.6% of the market. EMOSE saw its premiums surge from USD4.9mn in 2016 to 2020 level driven by savings demand from Mozambique's wealthy elite.

Meanwhile, Sanlam fell to second place in 2019, with premiums around USD8mn and a market share of 25.2%. Although its market share increased in 2020, it remains in second position.

In May 2022, it was announced that Sanlam would combine its operations with Allianz. While this will not directly affect operations in Mozambique immediately, the consolidation will likely mean greater economies of scale for the company in future, increasing its offering and competitiveness.

As of 2020, Global Alliance was in third position with premiums around USD5.0mn for a market share of 14.1%. Global Alliance is a Mozambique-based carrier and a subsidiary of Absa Financial Services Africa Holdings. Global Alliance has seen a fall in premiums over the past few years, with annual life premiums down from USD11.1mn in 2016.

South Africa-based Hollard was the

FitchSolutions

fourth largest life insurer in 2020, with premiums of USD4.0mn and a share of 11.2%.

Seguradora Internacional de Moçambique (SIM) was the fifth largest provider in the life market, with a share of around 9.0% in 2019 and premiums of USD3.2mn. SIM has seen its market position decline significantly, with its life insurance market share shrinking from 30% in 2014 to under 10% by the end of 2019.

There is scope for further consolidation in the market, and it is likely that merger and acquisition activity will be the main form of consolidation, rather than entries by more foreign players, given the extremely small overall capitalisation of the market.

Non-Life Market

Regional players dominate Mozambique's non-life insurance sector, which remains small on an international comparison. As companies chase greater economies of scale, mergers and acquisitions are becoming a feature of the market.

Recent Developments and Trends

- Hollard Mozambique became the largest non-life insurer by some margin in the market when its acquisition of ICE was completed in March 2022.
- In late December 2021, Portugal-based Fidelidade Seguros completed the acquisition of a 70% stake in Seguradora Internacional de Moçambique (SIM), increasing its share of the non-life market.
- In May 2022, it was announced that Sanlam and Allianz would combine their African operations.
- Consolidation is likely to be a future theme in Mozambique's non-life sector, given the fragmented nature of the market.
- Most insurance taken in Mozambique is for basic lines, such as accident protection and motor insurance. This reflects the country's generally lower level of economic development.
- A number of factors influence non-life insurance lines in Mozambique. Frequent natural disasters, such as Cyclone Gombe in early 2022, affect property lines and can lead to sharp fluctuations in claims. In addition, the risk posed by Islamist terrorists affects business premiums.

Competitive Landscape

State-run EMOSE is the biggest player, with a market share of 19.4% in 2020, followed by Hollard with 15.7% and ICE with 13.5%.
These are followed by around 13 smaller players in the market, with SIM and Global Alliance, two of the largest secondary carriers, claiming 10.0% and 7.8% respectively.

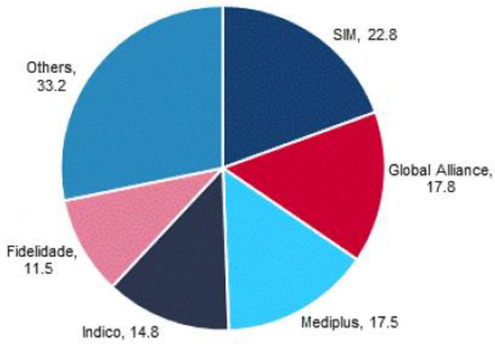
In 2018, ICE partnered with Allianz Care, the health and insurance brand of German titan Allianz, to offer tailor-made plans for multinational corporations, expatriates and other group entities such as NGOs. Meanwhile, in 2021 Portugal-based Fidelidade acquired a 70% stake in SIM. These moves were among the first by major international carriers to expand operations in the minuscule but growing Mozambique non-life market. Looking ahead, we are certain that more international providers will look to strengthen their alliances with local providers, especially in the enterprise segment where corporate contracts are more lucrative, while we also expect to see major regional players bolster their presence in the market, as Sanlam and Hollard are doing.

While open to foreign companies, there are certain restrictions on the provision of multi-sector insurance in Mozambique.

According to Seguradora Internacional de Moçambique, Decree-Law 1/2010 excludes insurers from cumulatively operating simultaneously in the life and non-life markets, with the exception of insurers that already established market footprints by the time this law was enacted. ■

Source: Mozambique Insurance Report Q4 2022 – by Fitch Solutions, August 2022

Mozambique - Non-Life Insurance Companies By Market Share, USDmn (2020)



Source: ISSM, Fitch Solutions

NIGERIA

- ***Insurance industry's gross premium income grows 65.6% in 5 years***

The Nigerian insurance industry's gross premium income (GPI) rose by 65.6% from N372.4 billion in 2017 to N616 billion at the end of last year.

Data from the National Insurance Commission (NAICOM) show that during the period, the GPI growth rate was N14.2% in 2017; 14.5% in 2018 and 19.2% in 2017.

The 2020 financial year showed contraction, with the GPI rate at 1.2% and bouncing back to N19.7% in 2021.

Umaru Baba, head of Statistics Department at NAICOM, told journalists at a seminar in Lagos that the industry has proven to be one of the most resilient and fastest-growing sectors in the Nigerian economy despite its relative size.

'In the recent past especially, the last five-years, it defied several economic recessions and the effects of the global COVID-19 pandemic, at a period when other sectors of the economy pointed south,' he said.

Baba said the market, as measured by the industry GPI, has maintained a steady growth throughout the period of 2017 to the current year.

'Interestingly, the market recorded expansion in 2020 during the pandemic when the real GDP actually contracted (-1.9%) as was the case with most economies around the world,' he said.

He said the industry's remarkable experience is even better situated when pictured relative to other jurisdictions in similar and/or emerging insurance markets.

Baba said: 'In 2021 for instance, while the annual rate of premium growth in Nigeria stood at 19.7%, it was 12% in Tanzania, 18.5% for Egypt and about 7.6% in the emerging insurance market of Malaysia.

'It is apparent that the trend maintained a steady rise except in 2020 of which it took a v-shaped recovery thereafter, rebounded to about 20 percent in 2021.'

Given more highlights of the sector's performance in 2022, Baba disclosed that the GPI stood at N223.8 billion in the first quarter of 2022, which was 6 percent growth on year on year (YoY) and N369.2 billion in the second quarter, indicating a 65% quarter-on-quarter growth and at about 20% YoY.

'Apparently, this is outpacing the real economic growth, which grew at just about 3.5% during the same period,' he said.

According to him, major drivers of the growth during the period of 2017-2021 were the special risk insurance of marine and aviation at about 169.6% per cent, miscellaneous insurance at 98.4% and life insurances at 71.3% .

'In 2022 however, fire insurance (32.5 percent) and life business (24.5 percent) recorded highest rates at the end of H1 period, YoY.'

Baba said that in 2020, the industry recorded a retention ratio of about 71.6%, higher than Australia's 69.4% and Turkey's 70.9%) and the developing market of Egypt (58.%). Regarding claims paid to customers, industry gross claims fluctuated over the period to peak at a

growth proportion of 36.2 percent over the years, representing N336.8 billion in 2021 from N186.4 billion in 2017.
The percentage net claims paid have, owing to improved market discipline and the approach of customer focused regulation, remained very high around 70 percent.

In 2019 however, while the gross claims reported declined by about 11 percent, the ratio of net claims paid stood at 69.3 percent.

In all other years except 2017 (67%), it was at least around 70%, with the highest recorded at about 84% in the first half of 2022.

In the pandemic year of 2020, despite macroeconomic challenges, about 70% of all reported claims were settled by insurers within the specified period, while the industry also remained profitable with loss ratios within the average range numbers, with highest in 2018 at 59.2%, according to Baba.

He said the insurance sector should be the future redeemer of the Nigerian economy, given its growth rate, pattern, resilience and yet untapped potential.

'Available data has shown that the industry sustained a higher growth rate than most other sectors of the economy and, always higher than the real GDP growth,' he said.

Source: Business Day - 10 November 2022

• *Insurance Industry Paid Out N174bn Claims in Q2 2022 – NAICOM*

The National Insurance Commission (NAICOM) has disclosed that the insurance industry paid out a combined N174 billion claims in the Q2 2022 representing 47.3% of all premiums generated during the period.

NAICOM stated this in a document made available to newsmen, adding that the growth of the gross claims reported was 0.2% during the quarter compared to the corresponding period of 2021. The commission added that its intensified regulatory activities had pushed the settlement of reported claims to 84.8% within the same period.

"This occasion reflects the professional underwriting capacity of the industry as driven by the intensified regulatory activities of the Commission," it posited.

It maintained that the net claims paid on the other hand stood at about N148.2 billion, signifying an 84.8 per cent of all gross claims reported during the period.

The insurance industry regulator posited that life insurance business recorded a near perfect point of 88.90 per cent claims settlement as against the reported claims while the non-life segment stood at 76.8%.
The percentage of incurred claims as against reported mirror the market retention view during the period, it added, stressing that motor insurance retained its lead posting a claims settlement ratio of ninety-two per cent.

It said progress was however more noticeable in the Oil & Gas with an above 85.7% of claims settlement ratio, an increase of some forty three points compared to its position of 42.8% recorded in the corresponding period of 2021.

Miscellaneous insurance, it said also posted 61.9%, higher than 44% paid claims ratio, compared to its corresponding period of 2021. NAICOM submitted that while general accident claims stood at 75%; Fire was 76.2% and aviation & marine, 61.9%. ■

Source: Daily Independent (Nigeria) – 20 October 2022

NIGERIA

• Nigerian agricultural insurance market development

According to Africa Re, the Nigerian agricultural insurance sector could generate up to 600 million USD in premiums per year. These promising prospects offer insurance companies several opportunities for the innovation and diversification of agricultural insurance products.

At least 16 insurers are licensed by the NAICOM supervisory authority to underwrite agricultural risks in the country. In 2021, the premium income underwritten in this class of business remains very modest with only 10 million USD.

Still according to Africa Re, the agricultural sector remains a major contributor to Nigeria's economic development. It accounts for 30% of the economic production and provides employment to 35% of the population estimated at over 200 million inhabitants. ■

Sources: Atlas Magazine – 31 Oct 2022

• Nigeria eyes $1.8trln to meet net zero target by 2060

Government plans to spend $135 billion on infrastructure and $150 billion on power projects

Nigeria will require $1.9 trillion to attain net zero by 2060, The Punch newspaper reported, citing a document on an energy transition plan. The country will have to spend $410 billion above the projected usual spending, translating to nearly $10 billion annually over the coming decades.

The government plans to raise an initial $10 billion support package and has identified a $23 billion investment opportunity in current in-country programmes.

The document showed $135 billion and $150 billion need to be spent on the infrastructure and power sectors. In addition, $12 billion must be spent on oil and gas, $21 billion on industry, $79 billion on cooking and $12 billion on transport sectors. ■

Source: ZAWYA - 9 Nov 2022

TANZANIA

• 22 insurers form oil and gas consortium in Tanzania

A consortium of 22 insurance companies in the nation has been formed to work on significant oil and gas projects, including the $30 billion Lindis Liquefied Natural Gas (LNG) project and the $3.5 billion East African Crude Oil Pipeline.

The consortium was launched on Wednesday night by Finance and Planning deputy minister Hamad Chande.

Speaking at the event, Mr Chande said the consortium is the first in the nation and that, unlike in the past, the government will make money from insurance fees.

He claimed that in the past, because the capital requirements for individual insurance businesses in the nation could not be met, oil and gas projects acquired foreign firms that provided riskier insurance instead.

Due to these factors, the national income was lost because most of the investors in oil and gas signed contracts with foreign companies on risky insurance because of their financial muscles.

I believe, through this consortium, outsourcing companies will now be able to take out their insurance to oil and gas projects whithin the country, said Mr Chande.

He explained that, through the consortium, the insurance sector will increase its ability of withstanding such risks and helping the retention of fee funds in the country for the development of the nation.

The need for this union began in 2019 towards 2020 after large projects such as the East African Crude Oil Pipeline project worth $3.5 billion and the LNG (Gas Processing Plant) project worth $30 billion and large projects on mining and agriculture.

Due to the high value of the projects, risk insurance led to the need for general insurance that was mostly purchased from foreign insurance companies that benefited from huge sums of risk fees, said Mr Chande.

The small capital of local insurance companies led to the need for the creation of a consortium that aims to increase financial muscles against various oil and energy risks and as well retain fees to increase the national income, he said.

For his part, Tanzania Insurance Commissioner Baghayo Saqware said the union makes the 22 companies pool capital and be able to withstand the risks of big projects including Lindis natural gas project that is expected to be implemented soon.

According to Mr Saqware, the consortium will have a number of advantages, including increased financial and professional capacity for insurance companies, increased internal storage and efficient risk management among insurance companies, protection of Tanzanians interests, increased internal capacity in accordance with legal requirements (local content requirement), and increased employment.

He said another advantage is to provide a fair, transparent and balanced arrangement by involving other insurance stakeholders in the oil and gas sector and increasing the knowledge and expertise of registering special risks insurance through the experience that will be gained in the oil and gas industry.

Meanwhile, the Chief Executive Officer of Phoenix Assurance, Mr Ashraf Musbally, said that within the next few weeks they will issue guidance to various stakeholders regarding their short and long term goals.

Mr Musbally stated that they are really happy to see that the industrys stakeholders are in favour of their plan and that they think it would boost productivity in the growth of the insurance industry, particularly in terms of gas and oil. ■

Source: Global Data Point – 19 November 2022

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Asia News

• APAC Life Insurers' Large Liquidity Positions Limit Derivative Exposure Risks

Life insurers in the Asia-Pacific (APAC) are unlikely to face liquidity risks from derivative exposures of the sort faced by UK pension funds in late September, says Fitch Ratings. We view the liquid assets of our rated issuers as sufficiently deep to cover associated liquidity pressures.

UK pension funds' problems were largely driven by liability-driven investment (LDI) strategies, but the use of LDI to fully match asset investments to long-term liabilities is not common in APAC. Notably, our analysis and conversations with issuers indicate little, if any, exposure among Fitch-rated APAC insurers to leveraged derivative trades as part of such strategies.

Nonetheless, life insurers in APAC still face challenges reconciling duration gaps between assets and liabilities in their portfolios, as well as a range of exchange-rate and interest-rate risks. In some markets, derivative investments are used as part of policies to manage these risks, which could expose them to margin calls amid an environment of sharp interest-rate increases and exchange-rate movements.

Japanese life insurers' derivative-related exposures are higher than those of other insurers in the region, primarily because of hedged foreign-exchange risks, mainly against the US dollar. Generally, 50%-90% of these currency risks are hedged and transactions are collateralised with Japanese government bonds (JGBs). The lack of leverage and the large volume of JGBs on Japanese life insurers' balance sheets mean that associated margin-call exposure is limited, even when the yen's exchange rate moves sharply – as it has in 2022.

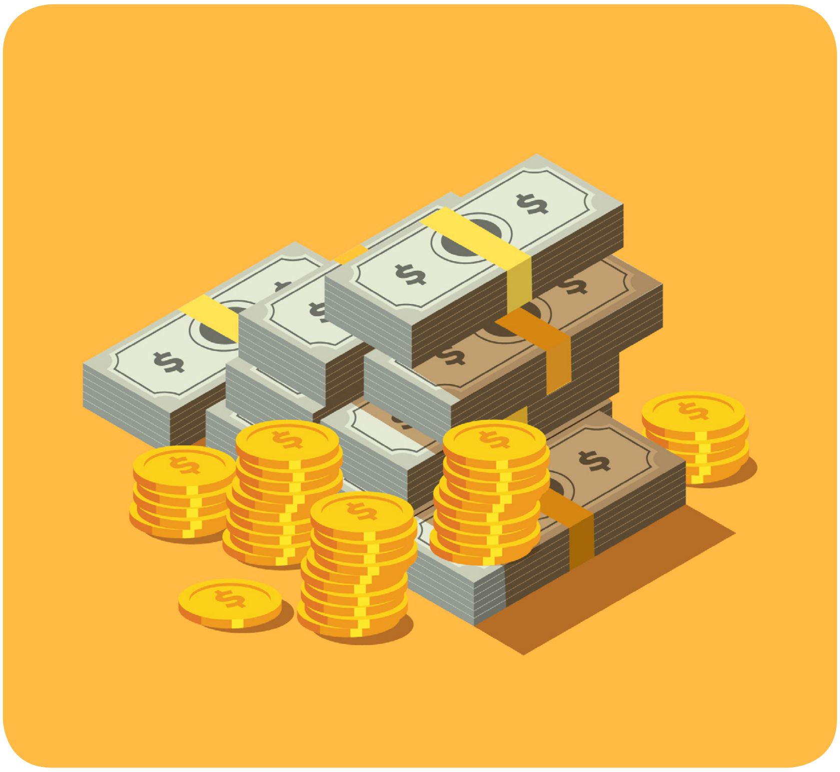
Meaningful levels of cash may be necessary when derivative trades are settled, but we expect the companies' holdings of cash and highly liquid assets, such as JGBs, to be sufficient to meet these liquidity needs, even in volatile market conditions.

Settlement dates are also generally spread widely over the year, further reducing risks.

Life insurers in Japan generally retain the majority of their interest-rate and equity-risk exposure, which can be considerable, on their own books.

We expect that hedged positions on these exposures will remain limited in the next few years, reducing associated liquidity risks.

Interest-rate and equity exposures are offset by excess capital buffers, with insurers' stress tests indicating they should be able to maintain adequate capital even in the event of substantial adverse shifts in interest rates and equity markets.



Korean life insurers have more limited exchange-rate exposure than their Japanese counterparts. Although they have a portion of assets in overseas investments to support and diversify yields, the share is generally below 15% of their total investments, by our estimates.

Some use interest-rate swaps or currency swaps to reduce risks associated with potential market volatility.

However, we view these as unlikely to pose a threat to their existing liquidity buffers, in light of the limited volumes involved.

In Australia, one insurer uses swaps to reduce the need for frequent trades to match assets and liabilities on an underlying portfolio of government bonds. However, we view its liquidity support for these funds as high.

Any margin calls are likely to be limited, given the availability of assets with sufficient duration to match the liabilities, which reduces the need to leverage a derivative strategy to achieve duration-matching.

Chinese life insurers face very little exchange-rate risk, as their investments in foreign currency-denominated assets are small relative to their overall invested portfolio or equity capital.

They also tend to adopt a buy-and-hold approach in managing duration between assets and liabilities, and are not active users of hedging to manage interest-rate risk. ■

Fitch Ratings-Hong Kong | 13 October 2022

AZERBAIJAN

• CBA talks on control of compulsory real estate insurance market

The Central Bank of Azerbaijan (CBA) is working on the digitalization of compulsory real estate insurance processes, Executive Director of CBA Ziya Aliyev said during a press conference, Trend reports via CBA.

According to him, this will allow CBA to regulate the market and processes of real estate insurance.

“Digitalization will allow Azerbaijani citizens to issue electronic insurance, which is a trend today. Work is underway to create an appropriate database and integrate electronic insurance with the systems of insurance bureaus.

Relevant instructions have been given in the regions of the country. Central Bank also considers it obligatory to stimulate and inform the population about compulsory insurance,” Aliyev said. ■

Source: Trend News Agency | 28 October 2022

CHINA

• CBIRC Directs Insurers to Report Data on Green Insurance Business

Insurers will have to report the number of green insurance policies issued, premiums collected, amounts insured, claims filed, and indemnity paid.

The CBIRC (China Banking and Insurance Regulatory Commission) has issued a notice defining green insurance for the first time and establishing a “Green Insurance Business Statistics System”.

Green insurance is an important part of green finance, playing a role in strengthening environmental and other risk management, facilitating the development of green industries and technology, strengthing environmental and ecological protection, and improving public and social security, the CBIRC said.

While the insurance industry has already been exploring green insurance, the CBIRC is seeking to strengthen its supervision and monitoring of green insurance activity, to improve the effectiveness and pertinence of green insurance policy formulation.

The new notice requires insurance companies to disclose statistical information on the green insurance business - including data on the number of green insurance policies issued, premiums collected, amounts insured, claims filed, and indemnity paid.

The information should cover ESG risk insurance business, green industry insurance business, and green life insurance business:

- ESG risk insurance business covers catastrophe insurance, carbon insurance, environmental pollution liability insurance, ship pollution liability insurance, safety production liability insurance.
- Green industry insurance business covers the industries in the Green Industry Guidance Catalogue (2019 edition) - such as clean energy industries, green construction, green transportation, energy saving and the environmental protection industry.
- Green life insurance business covers new energy vehicle insurance, non-motor vehicle insurance and other insurance services that serves green lifestyles.

The notice, published here, requires insurers to start reporting the statistical information from January 2023. ■

Source: Regulation Asia - 16 November 2022

• *Ping An publicly calls for break-up of HSBC*

Chinese insurer Ping An, HSBC's largest shareholder, has publicly called on the bank to spin off its businesses in Asia business and advocated job cuts to rein in costs. This is the first time the Chinese insurance giant has publicly expressed its opinion about HSBC, in which it holds more than 8%, the Financial Times reported. It was earlier reported that Ping An had been pushing the proposal for HSBC privately.

"We will support any initiatives including a spin-off that are conducive to improve HSBC's performance and value," Michael Huang, chair of Ping An Asset Management, told the Financial Times. Huang also said that HSBC must urgently institute cost-cutting measures to bring its expenses down to the level of its competitors. He added that several senior executives at HSBC lack experience with the Asian market.

According to Ping An, HSBC's return on tangible equity averaged 7% over the past five years, which is behind its rival banking groups. Huang said HSBC delivered returns of 8.3% last year, which was "far below" the 12.3% average of competitors. HSBC, chaired by Mark Tucker, is not keen on spinning off its Asian operations, having said that doing so would be too complicated and expensive for the group.

Huang suggested that HSBC lower its expenses "by reducing its operating costs such as manpower and IT" as well as targeting the costs of its global headquarters.

"This is the most important, urgent and absolutely needed action for HSBC to improve its business performance, reducing costs and increasing efficiency, particularly amid slowing growth in the global financial industry," Huang said. ■

Source: Insurance Business Mag - Asia |5 Nov 2022

INDIA

• *IRDAI's Exposure Draft for Reinsurance 2022*

by Celia Jenkins and Anuj Bahukhandi | Tuli & Co

Introduction

In its continuing objective to promote insurance penetration in the country and to enhance ease of doing business, the IRDAI has issued an exposure draft on the IRDAI (Re-insurance) (Amendment) Regulations 2022 of 21 October 2022 ("Draft Amendment"). The Draft Amendment proposes to "harmonize the provisions of various regulations applicable to insurance companies and Reinsurers including Foreign Reinsurance Branches (FRBs) and Lloyd's" and proposes changes to the Order of Preference to be followed by a Cedant[1] while reinsuring its risks as well as the minimum retention[2] to be maintained by Indian reinsurers, Foreign Reinsurers' Branches ("FRBs") and Lloyd's India.

The Draft Amendment, if notified, would amend: (i) the IRDAI (Re-insurance) Regulations 2018 ("Reinsurance Regulations"), (ii) IRDAI (Registration and Operations of Branch Offices of Foreign Re-insurers other than Lloyd's) Regulations 2015 ("FRB Regulations"), and (iii) IRDAI (Lloyd's India) Regulations 2016 ("Lloyd's Regulations").

Salient Amendments

A brief summary of the proposed key changes in the Draft Amendment are as follows:

1. The Draft Amendment proposes to amend the manner in which Cedants must obtain best terms for their cessions[3]. The proposed changes are as follows:

   a. Instead of the present requirement for seeking terms from Indian reinsurers, it is proposed that a Cedant obtain terms from at least three "Category 1" reinsurers (which includes Indian Reinsurers, FRBs, Lloyd's India and IIOs per R5(2)(A)(a) of the Reinsurance Regulations).

   b. It is reiterated at both R5(1) and R5(2) that except for facultative[4] reinsurance, no Cedant shall offer participation to any Indian Insurer, which is not registered with the IRDAI to "exclusively" transact reinsurance business.

2. The Draft Amendment proposes to significantly overhaul the Order of Preference which Cedants are mandatorily required to follow for all Cessions. The proposed Order of Preference is as follows:

   a. Category 1: Indian Reinsurers, FRBs, Lloyd's India, IIOs

   b. Category 2: Cross Border Reinsurers ("CBRs") who:

      i. "Agree to retain minimum 50% premium by way of premium deposit with the cedant. It will be the responsibility of the Insurers to maintain this premium in a separate designated/escrow account as well as to invest such amount into Government of India Securities;" or

      ii. "Agree to provide collaterals/ letter of credit/ bank guarantee for 50% premium to the cedant;" or

iii. "Agree to maintain a dollar denominated account in IFSC Banking Unit (IBU) in IFSC/ and maintain 50% of premiums in the account."

c. Category 3: To other Indian Insurers (facultative) and other CBRs.

3. The Draft Amendment proposes that the retrocession5] to the International Financial Service Centre ("IIOs") will be "reckoned" or counted towards the retention requirements of Indian reinsurers, FRBs and Lloyd's India. Presently every Indian reinsurer, FRB and Lloyd's India is required to retain at least 50% of its Indian business.

4. In terms of compliance requirements, the Draft Amendment proposes to do away with the requirement to obtain Board approval for the reinsurance programme and retention policy for the forthcoming year, instead requiring that such details be provided to the IRDAI in a simple format as specified. In addition, the requirement to submit soft copies of "each and every re-insurance contract" has been removed.

5. The Draft Amendment proposes to increase the overall cession limits for a financial year (for other than life insurance business), in the following manner:

a. For CBRs with rating greater than A+: From 20% to 25%

b. For CBRs with rating greater than BBB+ and up to A+: From 15% to 17.5%.

c. For CBRs with rating BBB+ and BBB, the cession limit of 10% remains unchanged.

6. The foregoing cession limits continue to be calculated on the total reinsurance premium ceded outside India per CBR.

7. The Draft Amendment proposes to insert a Third Schedule and Fourth Schedule to the Reinsurance Regulations, which respectively amend the FRB Regulations and the Lloyd's Regulations. In addition to reckoning retrocessions to IIOs in computing the minimum retention of FRBs and Lloyd's India, it is also proposed to reduce the assigned capital requirements from ₹100 crores to ₹50 crores in respect of opening of new FRBs and Lloyd's India branches.

The IRDAI has invited comments from various stakeholders and general public on the proposed Draft Amendment by 11 November 2022 in the format prescribed thereunder.

Concluding Remarks

The Draft Amendment proposes to make significant changes to the present reinsurance framework in India, by amending several significant provisions under the Reinsurance Regulations, FRB Regulations and the Lloyd's Regulations. Perhaps most significantly, the Draft Amendment proposes to revise the existing Order of Preference to be followed by Indian Cedants while reinsuring their risks, placing FRBs, Lloyd's India branches and IIOs at the highest category with the present Indian reinsurer, GIC Re and to relax the cession limits to be followed by Cedants while placing business with CBRs.

It remains to be seen whether the Draft Amendment will be notified in the present form, or if there are yet additional changes to be seen subject to comments from stakeholders. ■

Mondaq – 08 November 2022

INDIA

- ***Indian regulator calls for relaxation of entry capital for insurers***

The Insurance Regulatory and Development Authority of India (IRDAI) has asked the government to ease the minimum capital requirement of INR1 billion, according to a report by the Press Trust of India.

The regulator said doing away with the current entry capital requirement would help smaller and specialised insurers enter the market, boosting insurance penetration and density in the country. The move would also allow the sector to extend its reach in smaller geographies, as well as make room for creating specialised or a mono line for segments like motor and properties.

"Like in the banking system, we have microfinance institutions, regional banks, and small finance banks," IRDAI chairman Debasish Panda told PTI. "So, we have all categories of banks then there are non-banking financial companies. In the insurance sector also, we should have different size players to come into the market."

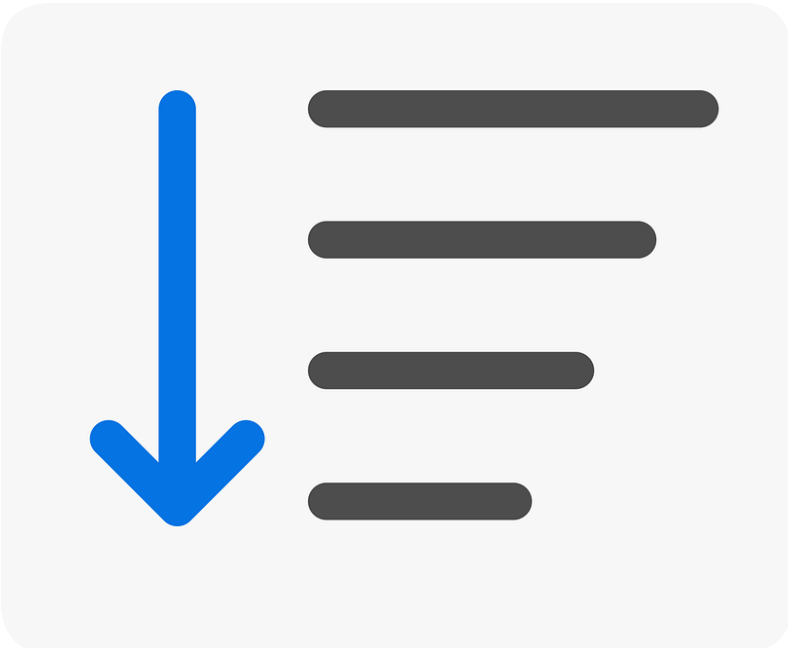
In lieu of having a minimum cap of INR1 billion, IRDAI wants to determine the amount needed for entry based on a company's size and business plans.

"The regulator can frame the regulations based on the size of the company that promoters are going to set up," Panda told PTI. "For the micro insurance company, it may be X amount, regional companies operating in a larger geography could be Y amount.". Panda also revealed the regulator's plans for the digital platform Bima Sugam, which has been billed as a "one-stop shop" for multiple insurance services.

The platform will be "plug and play with application programming interface," he said, accessible to all insurance intermediaries, including individual agents and web aggregators.

Last month, IRDAI had told its regulated insurers to become part of the Bima Sugam platform by January 2023. Previous reports said the project needs a capital of around INR850 million, with 30% expected to come from life insurers and another 30% from general insurers. ■

Source: Insurance Business Mag - Asia |8 Nov 2022



INDONESIA

• Indonesian non-life insurance market in H1 2022

According to the data published by the General Insurance Association of Indonesia (AAUI), all insurers have recorded a 20% increase in their half-yearly turnover.

As at 30 June 2022, non-life premiums have reached 46 038 billion IDR (3.1 billion USD) against 38 374 billion IDR (2.6 billion USD) during the same period of 2021.

The sector is dominated by the property damage class of business with a turnover of 14 959 billion IDR (1.01 billion USD), that is, 32.5% of the total non-life premium income.

Motor and credit insurances come in second and third positions, accounting for 8 759 billion IDR (589.35 million USD) and 6 396 billion IDR (430.36 million USD) of premiums respectively. ■

Atlas Mag - 28 Sep 2022

• AM Best: negative outlook for the Indonesian non-life insurance market

AM Best has maintained its negative outlook for the Indonesian non-life insurance market.

According to the rating agency, the poor performance of credit insurance is a systemic problem that continues to affect the market. Inadequate premium rates and overexposure to credit insurance during a period of economic stress have weakened the financial profiles of several local insurers and reinsurers.

The motor and health classes of business are also under pressure due to rising labor, spare parts and medical costs.

AM Best expects the sector to achieve higher growth in 2022. This would be driven by the resumption of activity after the Covid-19 pandemic. However, the rating agency expects market growth to be below pre-Covid-19 levels due to the global recession, inflationary pressures, and domestic monetary tightening. ■

Source: Atlas Mag - 8 Nov 2022

• Indonesian Life and Non-Life 5-years forecast to 2026

HEADLINE INSURANCE FORECASTS (INDONESIA 2019-2026)

Indicator	2019	2020	2021	2022f	2023f	2024f	2025f	2026f
Gross life premiums written, IDRbn	185,332.77	171,932.04	184,324.03	200,913.87	213,024.44	223,301.42	233,725.82	246,123.79
Gross life premiums written, IDR, % y-o-y	-0.4	-7.2	7.2	9.0	6.0	4.8	4.7	5.3
Gross life premiums written, USDbn	13.10	11.79	12.88	13.76	14.39	14.79	15.18	15.67
Gross life premiums written, USD, % y-o-y	0.2	-10.0	9.3	6.8	4.6	2.8	2.6	3.2
Gross non-life premiums written, IDRbn	75,066.67	67,087.99	72,785.41	82,426.76	87,079.48	91,723.08	96,441.86	101,371.08
Gross non-life premiums written, IDR, % y-o-y	7.4	-10.6	8.5	13.2	5.6	5.3	5.1	5.1
Gross non-life premiums written, USDbn	5.31	4.60	5.09	5.65	5.88	6.08	6.26	6.45
Gross non-life premiums written, USD, % y-o-y	8.1	-13.3	10.6	11.0	4.2	3.3	3.1	3.1

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

Indonesia Insurance Report Q4 2022 - by Fitch Solutions, August 2022 ■

• *Govt mandates deposit insurance agency to guarantee insurance policies*

The Financial Services Authority (OJK) is trying to accelerate the formation of a Policy Guarantee Agency (LPP) to provide protection for policyholders in the event an insurance company has its licence revoked or is in default.

To this end, the Deposit Insurance Corporation (LPS) has received a new mandate from the government to guarantee insurance policies. This was conveyed by the Minister of Finance Sri Mulyani Indrawati on 10 November 2022, according to a Bisnis report.

Previously, LPS was only in charge of guaranteeing bank deposits and resolutions. “LPS will get a new mandate, namely to operate a policy guarantee scheme,” the minister said.

Previously too, the government’s proposal was to establish a Policy Guarantee Agency (LPP) that would offer such protection. However, it is projected that the LPP could be established in the next 3-5 years at the earliest. The mandate for the establishment of the LPP is contained in the Bill on Policy Guarantee, which is one of 19 Bills in the 2020-2024 Mid-Term National Legislation Programme. The target for the enactment of the Bill is in the 2021–2024 period.

But insurance industry players hope that the government will establish the agency immediately because it can provide certainty of benefits, reduce the risk of default, and increase the credibility of the insurance industry.

The head of the Shariah life insurance division of the Indonesian Life Insurance Association (AAJI), Mr Paul Kartono said that the existence of a policy guarantee institution could boost insurance business three to four times. The life insurance industry’s turnover in 2021 reached IDR241.2tn ($15.6bn).

Cases of default by insurers and disputes have occurred in recent years, such as at Asuransi Jiwasraya, Asuransi Jiwa Bersama (AJB) Bumiputera 1912, Asuransi Jiwa Adisarana Wanaartha (WanaArtha Life), and Asuransi Jiwa Kresna.

Indonesia’s 2014 Insurance Law requires the establishment of a policy guarantee agency (LPP) by 2017. In January 2020, Ms Mulyani said that the government would formulate the establishment of the agency mandated. ■

Source: AIR - 14 Nov 2022

MALAYSIA

• *General Insurance Industry Gross Premiums up 10.3% In H1 2022*

The general insurance industry has registered an increase in gross direct premiums of 10.3 per centto RM 9.8 billion for the first six months of 2022 compared to the same period last year.

However, underwriting profit contracted by 21.2% to RM 810 million, largely due to losses in motor, medical and health Insurance business, the General Insurance Association of Malaysia (PIAM) said in a statement today.

In relation to premium, motor remained the largest business line at 43 per cent, followed by fire (29%) and miscellaneous (14%).

PIAM said personal accident (PA) premium saw significant growth of 44 per cent year-on-year (YoY) largely due to the Perlindungan Tenang Voucher programme launched with Finance Ministry.

Premium from fire insurance business rose by five per cent to RM2 billion in the first half of 2022 (H1 2022)versus a year ago, with its underwriting profit improving by 23 per cent per cent YoY.

PIAM said the H1 2022 premium for marine aviation and transit (MAT) insurance also notched up seven per cent to RM900 million, while medical and health insurance contracted six per cent to RM550 million compared toH1 2021.
The industry paid outRM15.2 million of claims daily in 2021 with motor representing a significant majority of the total at RM12 million per day.

"Owing to raised consumer awareness of the risks of damage to property and assets from flash floods in recent memory, motor (comprehensive) flood take-up rate more than doubled to 12 per cent inH1 2022compared to five per cent for full year 2021. ■

Malaysia Economic News - 4 November 2022

Malaysian Life and Non-Life forecasts

Life Forecast

- We expect life premiums to rise from MYR41.92bn in 2022 to MYR53.05bn in 2026, at an average annual rate of about 5.6%. Growth will be boosted in part by new users and, in part, by additional sales to existing users in a fairly mature market.
- We expect life insurance penetration to come in at 2.5% of GDP in 2022, with the moderately low figure suggesting further growth potential of the sector in Malaysia.
- Density should rise from USD291 per capita in 2022 to USD348 in 2026, with the figures being higher among households who actually use life insurance.

Non-Life Forecast

- We expect premiums to grow from MYR19.47bn in 2022 to MYR23.48bn in 2026, at an average rate of 5.8%.
- Premiums are expected to rise by less than nominal GDP, with the result that penetration will remain at 1.2% before dropping to 1.1% in 2026. These figures are low by international standards.
- Density should grow from USD135 per capita in 2022 to USD154 in 2026. ■

Malaysia Insurance Report Q1 2023 - by Fitch Solutions, October 2022

NEPAL

- ***Nepal Insurance Authority (NIA) comes into being***

The Nepal Insurance Board "Beema Samiti" has changed its name to Nepal Insurance Authority (NIA). This rebranding was coupled with a change in the functions, duties and powers of the regulator.

The name change followed the government's approval of a bill stipulating that the Beema Samiti should operate as an autonomous authority effective starting 8 November 2022. ■

Source: Atlas Magazine - 11 Nov 2022

PAKISTAN

- ***SECP Publishes Insurance Industry Statistics***

Securities and Exchange Commission of Pakistan issued the following news release:

The Securities and Exchange Commission of Pakistan (SECP) has released Insurance Industry Statistics for the calendar year 2021. The statistics provide a comprehensive view of the insurance industry to the relevant stakeholders in a holistic manner which will help them in making informed policy decisions related to the insurance industry, through presentation of consolidated insurance industry information.

The report states that as of December 31, 2021, insurance industry has 41 active operators consisting of 30 non-life insurers/general takaful operators, 10 life insurers/family takaful operators and one reinsurer.

During the year 2021, insurance industry has written gross annual premium of Rs. 432 billion as compared to Rs. 355 billion in 2020, recording year-on-year growth of 21.7%. Claims paid during 2021 were Rs. 189 billion (2020: Rs. 170 billion), out of which Rs.136 billion worth of claims were paid by the life insurance companies and remaining Rs. 53 billion paid by the non-life insurance companies.

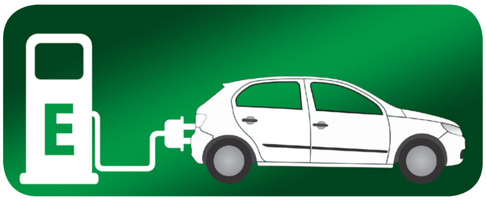
SECP Commissioner Sadia Khan said that Pakistan's insurance market holds enormous untapped potential for growth. She added that the sector is rife with opportunities, for both local and foreign investors, considering the size of population in Pakistan and the growing demand for affordable & innovative insurance solutions.

Insurance Industry Statistics for the year 2021 are an outcome of data provided by the insurance companies in the formats specified by SECP. The report being the first publication of its kinds, will be a regular feature going forward, published annually. ■

Source: Contify Insurance News – 30 Sep 2022

SINGAPORE

• Bill proposes that all new buildings must install 1 EV charger for every 25 parking lots



All new buildings with car parks must install a minimum number of electric vehicle (EV) charging points, equivalent to around one for every 25 parking lots, under a proposal tabled in Parliament on Wednesday (Nov 9).

The Electric Vehicles Charging Bill, if passed, will regulate the safe charging of EVs, ensure reliable charging services are available and expand the network of accessible charging infrastructure in Singapore. "This is in line with our target to deploy 60,000 charging points by 2030, and for all vehicles to be of cleaner energy by 2040," the Land Transport Authority (LTA) said in a statement. The move comes amid rapidly growing EV adoption here, with new electric car registrations forming 8.4 per cent of all new car registrations in the first five months of the year, more than twice the rate in 2021 and over 20 times that in 2020.

The Bill will require EV chargers to be provided if the development's building and electrical works fall under these two categories: Building works that erect or re-erect new buildings, or carry out works that increase the gross floor area of a development by at least 50 per cent, and Electrical works that result in an increase of the approved electrical load to more than 280 kilo-volt ampere (kVA) If the Bill is passed, subsidiary legislation will be tabled to require the development to supply sufficient power capacity of at least 1.3kVA for every car and motorcycle parking lot, LTA said.
That is equivalent to being able to support 7.4kW charging points with smart charging capability - around the average charging power of many chargers found in shopping centres and homes - for about one in five lots, it added.

The development will, however, only need to install a minimum number of charging points that draw on a combined power of at least one-fifth of the mandated 1.3kVA power capacity - equivalent to about one 7.4kW smart charging point for every 25 lots. Having more power capacity than needed would allow more charging points in the future, if necessary. Developments with fewer than eight parking lots will be exempted from having to install a minimum number of charging points.

LTA added that amendments will be made to existing laws so that management corporations (MCSTs) of strata-titled developments will be able to pass resolutions for certain proposals to install or uninstall EV chargers with a lower threshold of more than 50 per cent of the votes at a general meeting. The current threshold for MCSTs to pass EV-related resolutions is 90 per cent. Any proposals to enact by-laws on the use of parking lots for EV charging, such as designating charging lots to be used only by EVs, will also only require a simple majority of votes.

CERTIFICATION REQUIRED FOR EV CHARGERS; EV CHARGING BUSINESSES TO BE LICENSED
All EV chargers in Singapore, including those installed on private property, will need to be installed, certified and used ac-

cording to prescribed standards. They will also have to be registered and inspected regularly to ensure they conform to standards. Businesses that provide EV charging services, such as renting out chargers or providing battery swapping services, will have to obtain a licence before providing such services. They will have to comply with data sharing conditions, buy public liability insurance and ensure their chargers meet service standards. The Bill will also provide a transition period for the industry and the public to comply with the new rules. Upon the Bill's commencement, existing suppliers can continue to supply non-approved EV chargers for six months. Existing EV chargers that are not registered can continue to be used for six months and EV charging operators can carry on with their operations without a licence for 12 months.

In response to queries by TODAY, LTA said that the proposed Bill sets out a range of offences in relation to the supply, installation, certification, registration and use of EV chargers and such penalties vary depending on the severity of the offence. For example, an individual who knowingly or recklessly charges an EV with an unregistered charger would be liable upon conviction to a maximum fine of S$5,000 or imprisonment of no more than six months, or both. In the case of a more severe offence, such as tampering with an EV charger so as to cause danger to persons and property, an individual would be liable upon conviction to a maximum fine of S$100,000 or imprisonment of no more than five years, or to both. CLARIFICATION: In an earlier version of this report, it was stated that under the Bill, all new buildings including Housing and Development Board (HDB) blocks must install one electric vehicle charger for every 25 parking lots.

The Land Transport Authority has clarified that HDB blocks are not covered under the Bill. ■

Source: Today Online (Singapore) - 9 Nov 2022

• *Non-Life Premiums to Rise by 2026*

The data analysis company GlobalData is expecting an average increase of 7.2% in the turnover of the Singapore non-life insurance market over the next five years. The premium volume is projected to reach 6.6 billion SGD (5.1 billion USD) in 2026 against 4.7 billion SGD (3.5 billion USD) in 2021.

The rise in premiums would mainly depend on the evolution of the motor, property damage and personal accident and health (PA&H) classes of business which accounted for respective market shares of 24.6%, 19.5% and 18.6% in 2021.

Growing demand for private health insurance and property insurance for large infrastructure projects are also among the factors that would contribute to the sector's development.

According to GlobalData, non-life insurance penetration in Singapore stood at 0.8% in 2021. This rate remains lower than those recorded in other countries in the region: South Korea (5.1%), Japan (1.8%), China (1.2%) and Hong Kong (1.6%). ■

Source: Atlas Magazine – 17 Nov 2022

SYRIA

Syrian insurance market: 2021 results

The Syrian Insurance Market showed that all local insurers have recorded a 80% increase in their turnover in 2021.
The premium volume has jumped to 90.7 billion SYP (36.2 million USD) as at 30 June 2021.
The market is dominated by state owned company "Syrian General" which total premium income amounted to 47.671 million SYP with market share 52.5% compared with 60% for the previous year.
The market is dominated by the health class of business whose total premium that is, 32.8% of the total premiums written in Syria in 2021.

Syrian insurance market: Turnover per class of business in 2021

Figures in thousands

Company	2021 turnover		2020 turnover		2020-2021 evolution (1)	2021 shares
	SYP	USD	SYP	USD		
Motor	33488839	65303	20880159	40716	60.39%	36.91%
Health	29768300	58048	18949910	36952	57.09%	32.81%
Travel insurance	6998710	13647	301633	588	2220.27%	7.72%
Fire	6646162	12960	3832598	7474	73.41%	7.33%
Marine	6574786	12821	3681432	7179	78.59%	7.25%
Accident	3994855	7790	1855773	3619	115.27%	4.40%
Engineering	1698458	3312	146079	285	1062.70%	1.87%
Total non life	**89170111**	**173882**	**49647584**	**96812**	**79.61%**	**98.29%**
Total life	**1555316**	**3033**	**836069**	**1630**	**86.03%**	**1.71%**
Grand total	**90725427**	**176915**	**50483653**	**98443**	**79.71%**	**100%**

1) Evolution in local currency   Exchange rate as at 31/12/2021: 1 SYR = 0.00195 USD ; as at 12/31/2020: 1 SYR = 0.00195 USD

Source: Atlas Magazine – 17 Nov 2022

Syrian insurance companies: Turnover per company in 2021

Figures in thousands

Company	2021 turnover		2020 turnover		2020-2021 evolution (1)	2021 shares
	SYP	USD	SYP	USD		
Syrian Insurance Company	47670653	92958	30981508	60414	53.87%	52.54%
United Insurance Company	11309733	22054	2760870	5384	309.64%	12.47%
Solidarity Insurance	4194944	8180	1613138	3146	160.05%	4.62%
Arabia Syria Insurance	3814542	7438	3153189	6149	20.97%	4.20%
Syria Arab Insurance	3736700	7287	1805019	3520	107.02%	4.12%
Arope Syria Insurance	3662975	7143	1226958	2393	198.54%	4.04%
GIG Syria	3560918	6944	1088370	2122	227.18%	3.93%
Al Aqeelah Takaful Insurance	2863084	5583	1380695	2692	107.37%	3.16%
Arab Orient Insurance	2714537	5293	1422096	2773	90.88%	2.99%
Syrian Islamic Insurance	2480885	4838	1186028	2313	109.18%	2.73%
Adir Insurance	2084065	4064	748876	1460	178.29%	2.30%
National Insurance Company	2017316	3934	2841716	5541	-29.01%	2.22%
Trust Syria	615075	1199	275190	537	123.51%	0.68%
Grand total	**90725427**	**176915**	**50483653**	**98443**	**79.71%**	**100%**

52.5% *Public Sector Share 2021*

47.5% *Private Sector Share 2021*

(1) Evolution in local currency   Exchange rate as at 31/12/2021 : 1 SYP = 0.00195 USD ; as at 31/12/2020 : 1SYP = 0.00195 USD

Source: Atlas Magazine – 15 Nov 2022

Syrian insurance companies: Net Profit, Assets, Equity & ROE in 2021

Figures in SYP million

Company	Net Profit		Assets		Equity		ROE (%) 2021
	2021	2020	2021	2020	2021	2020	2021
Syrian Insurance Company	NA	NA	NA	NA	NA	NA	NA
United Insurance Company	4187	2735	19549	9265	9970	5430	42.0%
Solidarity Insurance	757	964	6805	4376	2486	1729	30.5%
Arabia Syria Insurance	865	479	16573	10971	3637	2772	23.8%
Syria Arab Insurance	7878	5508	20814	11176	16356	8477	48.2%
Arope Syria Insurance	1232	686	10599	6231	4092	2724	30.1%
GIG Syria	7109	4586	23188	11466	16234	8213	43.8%
Al Aqeelah Takaful Insurance	1128	1237	23889	14738	16555	10006	6.8%
Arab Orient Insurance	717	788	6905	4760	2878	2160	24.9%
Syrian Islamic Insurance	264	282	7273	4937	1692	1449	15.6%
Adir Insurance	613	308	6016	3379	2566	1955	23.9%
National Insurance Company	2720	2310	11739	8748	7144	4534	38.1%
Trust Syria	551	80	5302	3918	2169	1502	25.4%
Grand total	**28021**	**19963**	**158652**	**93965**	**85779**	**50951**	**100%**

• *Syrian insurance market: H1 2022 results*

Data published by the Syrian Insurance Supervisory Commission showed that all local insurers have recorded a 60% increase in their turnover in the first half of 2022. The premium volume has jumped from 42.318 billion SYP (82.52 million USD) as at 30 June 2021 to 67.675 billion SYP (131.97 million USD) one year later.

The market is dominated by the health class of business whose total premium income amounted to 30.652 billion SYP (59.77 million USD), that is, 45.4% of the total premiums written in Syria during the first half of 2022. With a 29% market share, motor insurance comes in second place with a turnover of 20.148 billion SYP (39.29 million USD).

In H1 2022, the Syrian market consists of 13 insurance companies. ■

Source: Atlas Magazine – 9 Nov 2022

TAIWAN

• Promoting the Risk-Based Internal Audit System for Insurance Industry

In order to enhance the effectiveness of internal audit function in financial institutions and give internal auditors execution flexibility, the Financial Supervisory Commission (FSC) adheres to the principle of differential supervision and continues to promote the adoption of risk-based internal audit system in financial institutions. Initially, domestic banks are allowed to apply for risk-based internal audit system since 2016, and there have been 21 domestic banks approved for the implementation by mid-October 2022. Now the insurance enterprises have been officially included.

Some amended articles and an interpretation to the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" are issued to encourage domestic insurance enterprises which are financially sound with an effective internal control system to apply for permission to adopt the risk-based internal audit system.

The risk-based internal audit system for insurance industry means that the domestic insurance enterprises could decide the audit frequency of internal audit according to their risk trend and internal risk assessment, so that they could focus on important risks and strengthen the audit depth, as well as to allocate internal audit resources more effectively.

The FSC said that adopting risk-based internal audit methodology helps the insurance industry not only to identify and evaluate their material risks but also improve their ability to exercise self-oversight. The FSC expects that the insurance industry will improve their internal control and internal audit mechanisms for sustainable growth to respond to the public's trust and expectation. ■

Source: Financial Examination Bureau, Financial Supervisory Commissions, R.O.C (Taiwan) - 1 November 2022

Taiwan life insurance industry to reach $135bn in 2026, supported by foreign currency: GlobalData

The Taiwanese life insurance industry will grow at a compound annual growth rate(CAGR) of 3.3% from TWD2.9tr ($106bn) in 2021 to TWD3.5tr($135bn) in 2026, in terms of direct written premiums(DWP), supported by foreign currency-denominated insurance, and the establishment of internet-only life insurers, predicts GlobalData.

GlobalData's Global Insurance Database reveals that while Taiwan's overall life insurance new business DWP declined by 4.4% in 2021, foreign currency-denominated insurance grew by 22%, accounting for a 68.5% share of the life insurance new business. An increase in interest rates by foreign monetary authorities, including the US central bank, is expected to support the uptake of these insurance products in the coming years.

Deblina Mitra, senior Insurance analyst at GlobalData, comments "The outlook for the Taiwanese life insurance industry looks optimistic over the next few years due to the implementation of favourable regulatory measures by the Financial Supervisory Commission(FSC). The most prominent among them is the proposal to establish internet-only insurance companies in 2021. The FSC is inviting applications to set up such companies until 31st October 2022, and post-approval they are expected to start operating by early 2023." ■

Source: Insurance Newslink - 16 October 2022

TURKIYE

• *Entry of new insurance companies shows interest in sector*

Eight new insurance companies were established in Turkey recently, indicating interest in the insurance sector, according to Mr Mehmet Akif Eroglu, chairman of the Insurance and Private Pension Regulation and Supervision Authority (SEDDK).

He said that there are also several licence applications in the pipeline, and that licensing work is continuing.

As of today, there are 70 companies actively operating in the Turkish insurance and pension sector, 45 of which engage in non-life business, 21 are in life insurance and pensions, and four are reinsurers.

Mr Eroglu also said that the Turkish insurance sector lags behind the economy. While the Turkish economy is in the top 20 in the world, the insurance sector ranks the 42nd biggest globally in terms of premium volume in 2021.

Market potential

He said that the Turkish market focuses on growth and increasing the penetration rate because it has enormous potential. Four out of five households do not have home insurance. Three out of four vehicles are without insurance. In addition, 50% of SMEs in Turkey lack insurance. The national earthquake insurance scheme DASK has a penetration rate of around 50%.

He said, "We are far behind developed countries in terms of penetration. As the regulator, we monitor the penetration rate separately for non-life and life business. While the world average is 3.8% excluding life, this rate is 1.44% in Turkey. While the penetration rate in the life branch is 0.47%, the world average is around 3%.

The Turkish financial system is dominated by banks. Although the insurance-pension sector ranks second, the gap is huge. We are trying to change that image as well," said Mr Eroglu. ■

Source: MEIR - 9 Nov 2022

• *Legislative amendment protects consumer choice when securing credit from lenders*

An amendment to the Commercial Code means that banks and other lending institutions will not be able to force customers into buying life insurance as a condition of being granted a credit facility.

Instead, lenders have to offer two loan proposals to prospective borrowers: with life insurance and without life insurance. Customers are free to decide between them, according to local media reports.

Borrowers who choose an insured loan will be able to acquire credit life insurance from an insurance company other than those designated by the bank or financial institution at which they apply for a loan.

Mr Murat Akçay, director of Alternative Distribution Channels at Viennalife, said, "Those who want to obtain credit can proceed with the most suitable option among different alternatives when purchasing credit life insurance." ■

Source: AIR |13 Nov 2022

UAE

• *Chambers & Partners: Insurance Litigation 2022*

by Simon Isgar , Adam Tighe and Amany Ahmed | BSA Ahmad Bin Hezeem & Associates LLP

In the following Chambers & Partners Law and Practice Insurance Litigation article, Simon Isgar, Adam Tighe and Amany Ahmed discuss a range of topics including; rules governing insurer disputes and the litigation process and rules on limitation, including the UAE court structures.

1. Rules Governing Insurer Disputes

1.1 Statutory and Procedural Regime

There are several statutory and procedural regimes that govern insurance disputes within the UAE, depending upon the dispute forum nominated by the parties, or, in certain circumstances, the dispute forum that applies by default (ie, in the absence of an election, or if certain threshold criteria are met or not met, as the case may be).

By way of background, the parties to an insurance contract (ie, the insurer and insured) within the UAE are permitted to nominate either (i) "onshore"/local court litigation (the Committee for the Settlement and Resolution of Insurance Disputes (the "Committee") is mandatory before onshore litigation commences; see under Onshore Courts), or (ii) arbitration before one of the arbitration centres within the UAE (namely, the Dubai International Arbitration Centre (DIAC), the Abu Dhabi Commercial Conciliation & Arbitration Centre, the International Court of Arbitration of the International Chamber of Commerce (ICC Court), the Abu Dhabi Global Market Arbitration Centre (ADGMAC) and other ad hoc arbitration as the applicable dispute forums. It is also possible for the parties to agree mediation.

It is worth noting that by virtue of Dubai Decree No 34 of 2021 Concerning the Dubai International Arbitration Centre (DIAC), as of 20 September 2021, the Arbitration Institute of the Dubai International Financial Centre and the Emirates Maritime Arbitration Centre were abolished, whereby such disputes will now be governed by DIAC (unless the parties thereto agree to another dispute resolution forum).

Onshore Courts

If the parties agree or nominate (ie, within the policy of insurance) to pursue any insurance dispute through the "onshore" courts, or if those courts are applicable by default (see below commentary related to arbitration), then the parties are required to initially raise a complaint before the Committee, which sits within the UAE Central Bank - Insurance Division (Article 110(3) of Federal Law No 6/2007 on the Regulation of Insurance Operations, as amended).

The process before the Committee begins with a quasi-reconciliation-style approach, whereby there is an onus on the parties to attempt to resolve their dispute without having to proceed to formal litigated proceedings. Any agreement reached between the disputing parties before the Committee is entered in a deed of reconciliation and attested by the chairman and board of directors of the UAE Central Bank - Insurance Division. If, however, the dispute cannot be resolved

before the Committee, the Committee will issue an award/decision on the dispute. The award/decision can be appealed to the emirate-specific first-instance court (see 1.2 **Litigation Process and Rules on Limitation for discussion on the UAE court structures**) "within 30 days from the day next to their notification of the Award, otherwise, the Award shall be considered final and enforceable" (Article 16 of Insurance Authority Board Decision No 33/2019, as amended).

Arbitration

As noted above, the parties to an insurance contract in the UAE are permitted to nominate arbitration as the applicable dispute resolution forum, as an alternative to proceedings before the local courts.

In practice, this option may prove more palatable for "foreign" individuals/entities as the election of arbitration allows the parties to:

- nominate the language of the proceedings (noting that onshore courts are conducted in Arabic language only);
- nominate foreign laws in respect of the dispute forum and seat (noting that local policies (direct risk) must apply the substantive law of the UAE and that the local courts are reticent to apply non-UAE laws);
- appoint independent experts (as opposed to experts being appointed by the local courts without any input or election from the parties); and
- elect internationally tried and tested procedural arbitration rules (ie, the International Chamber of Commerce Arbitration Rules).

Furthermore, disputes arising under, and pursuant to, an insurance contract with a valid arbitration clause are not required to proceed before the Committee prior to filing formal proceedings (Article 5(3) of Insurance Authority Board Decision No 33/2019, as amended).

The word "valid" has been emphasised above as it requires further discussion. There are regulatory provisions within the UAE that the parties to an insurance contract are required to follow to validate the nomination of arbitration as the dispute resolution forum. One such provision is that the arbitration clause needs to be "mentioned in a special agreement, separate from the general conditions printed in the insurance policy" (Article 1028(d) of Federal Law No 5/1985 on the Civil Transactions Law of the United Arab Emirates State (the "Civil Code"), as amended). Despite that wording, it should be noted that Federal Law No 6 of 2018 on Arbitration does not specify any such requirement. Rather, it states that "an arbitration agreement may be made... in the form of a separate agreement or included in a certain contract" at Article 5(1).

Given these apparent inconsistencies, it remains at the discretion of the UAE courts as to whether a separate arbitration agreement is required to validate the nomination of arbitration as the dispute resolution forum for insurance disputes. As a matter of practice, if the intention is to nominate arbitration as the applicable forum, then a separate arbitration agreement ought to be executed between the parties to the insurance policy/contract to avoid any uncertainties.

In any event, and from a procedural perspective, the inclusion of an "invalid" arbitration clause can result in additional time and cost, if a dispute on jurisdiction is raised. As an example, if an insurance contract contains an arbitration clause, although the clause is not mentioned in an agreement separate from the general policy conditions (ie, in accordance with the above-referenced Civil Code provision), the party intending to rely upon the arbitration clause may commence arbitration proceedings; however, the opposing party(ies) is/are at liberty to contest the jurisdiction based upon the (in) validity of the arbitration clause.

The arbitral tribunal may rule on a plea that the tribunal does not have jurisdiction based upon the invalidity of the arbitration clause/agreement either as a preliminary question or in a final arbitral award on the merits of the dispute. If the tribunal rules on a preliminary basis that it does have jurisdiction, the opposing party can appeal the decision to the local courts (Article 19 of Federal Law No 6/2018 on Arbitration). If the arbitration proceedings are dispensed with for want of jurisdiction, the filing party is responsible for the arbitration fees and would then be compelled to commence separate onshore court proceedings to resolve the dispute.

Financial Free Zone Courts

Separate to the onshore courts within the UAE are the two emirate-specific financial free zone courts (the Abu Dhabi Global Market (ADGM) Court for Abu Dhabi and the DIFC Court for Dubai). These free zone courts do not govern insurance disputes between the insurer(s) and insured(s) within the UAE; however, it is not unusual for the reinsurance treaties (ie, the agreement that governs the relationship between the insurer(s) and their reinsurer(s)) to nominate these courts to govern the disputes between the insurer/reinsurer. It is also possible for insurers and reinsurers to choose foreign governing law and foreign jurisdiction provisions in reinsurance agreements reinsuring UAE risks.

1.2 Litigation Process and Rules on Limitation

Court Structures

There are two streams of "onshore" courts within the UAE: the Federal Judiciary and the emirate-specific courts. The highest court within the Federal Judiciary is the Federal Supreme Court, which has exclusive jurisdiction over certain reserved matters, such as cases that concern the federal government or ministers/senior officials (Article 99 of the UAE Constitution of 1971).

Notwithstanding this, and save for any exceptions (ie, a valid arbitration agreement), UAE insurance disputes are heard (following the procedures before the Committee) before the emirate-specific courts, which comprise a Court of First Instance and two appellate courts (the Court of Appeal and the Court of Cassation).

All UAE onshore courts apply civil law, whereby the appointed judges are at liberty to issue judgments without reliance upon, or reference to, any previous court judgments or rulings.

Otherwise, and as noted in 1.1 Statutory and Procedural Regime, disputes between insurers and reinsurers can be heard before the ADGM Court (in Abu Dhabi) or the DIFC Court (in Dubai), which are independent common law courts, if that forum is nominated within the reinsurance treaty.

Limitation Periods

There is no single regulation within the UAE that outlines the applicable limitation periods. For each separate practice area (ie, insurance, construction, commercial, etc) there are separate regulations that specify the rules of limitation. From an insurance perspective, the Civil Code states that "claims arising from the insurance contract shall not be heard after the lapse of three years from the occurrence of the event from which the claim arose, or from the knowledge of the interested party of such event" (Article 1036(1)). Marine insurance has a two-year limitation period as a matter of general law (Federal Law No 26 of 1981 (the Commercial Maritime Code), Article 399(1)).

There is some level of jurisprudence within the UAE as to what constitutes the "commencement of a claim" for an insurance dispute (ie, claim notification to the insurer, or otherwise). Nevertheless, to avoid any uncertainty or limitation period defences being raised, the filing of formal court/arbitral proceedings ought to be adopted as the method to preserve the right of limitation (ie, file the claim within the three-year period).

1.3 Alternative Dispute Resolution (ADR)

The UAE is not typically a jurisdiction that has a strong reliance/emphasis on alternative dispute resolution procedures.

Notwithstanding this, it is becoming increasingly prevalent (perhaps as a means to try to reduce time and cost) that the parties to an insurance dispute are willing to agree to participate in mediation procedures. As is the case in many Western jurisdictions, the mediation procedures within the UAE are not binding, and the parties are not compelled to attend, or agree to, mediation; however, there are certainly benefits in commencing mediation procedures if they can serve to narrow the issues in a dispute and/or prompt the parties to reach a settlement. There are several mediators and mediation centres available within the UAE to accommodate any such intention of the parties. The authors have seen more mediation in respect of insurer and reinsurer disputes over the past few years.

2. Jurisdiction and Choice of Law

2.1 Rules Governing Insurance Disputes

As noted in 1.1 Statutory and Procedural Regime, the parties to UAE insurance contracts are at liberty to elect local courts or arbitration as the dispute resolution procedure. If the former is adopted, the disputes are governed by the laws of the UAE, which include the applicable federal (ie, the UAE Civil Code) and emirate-specific laws, and the laws specific to the insurance sector, to the extent applicable. If the latter is adopted, the procedural rules are governed by the laws that the parties elect within the arbitration agreement or the arbitration forum (which could be the laws of England and Wales, as one example) but the UAE laws would need to apply to the substantive dispute arising from the direct insurance policy.

2.2 Enforcement of Foreign Judgments

The process for enforcing foreign judgments within the UAE (whether relating to insurance matters or otherwise) is dependent upon whether there are any treaties between the UAE and the country where the judgment (to be enforced) was issued. If there is a treaty between the UAE and the foreign country, the rules of the treaty will be applied. Otherwise, and in the absence of a treaty, the enforcement of a foreign judgment within the UAE is governed by Article 85, "Execution of Foreign Judgments, Orders and Bonds", of Cabinet Decision No 57/2018 on the Regulation of Federal Law No 11/1992 on the Civil Procedure (the "Civil Procedures Law"). It is important to note, however, that it is not possible to enforce a foreign judgment in the absence of the following (Article 85(2)) (the "Enforcement Conditions"):

- the courts of the UAE are not exclusively competent in the dispute in which the judgment or order was rendered and the foreign courts that issued it are competent in accordance with the rules of international jurisdiction established by their law;
- the judgment or order is delivered by a court in accordance with the law of the country in which it was issued and duly ratified;
- the litigants in the case in which the foreign judgment was delivered were summoned and were duly represented;
- the judgment or order has the force of res judicata in accordance with the law of the court that issued it, provided that the judgment has acquired the force of res judicata or provided for it in the same judgment; and
- the judgment does not conflict with a judgment or order rendered by a court of the UAE and does not contain anything contrary to public order or morals.

2.3 Unique Features of Litigation Procedure

At the outset, insurers that have not been issued a licence from the UAE Central Bank - Insurance Division to issue insurance policies within the UAE are not permitted to issue policies (for UAE-based risks) directly to UAE entities and citizens/residents as those risks must be insured by insurance companies licensed and regulated by the UAE Central Bank - Insurance Division. Foreign reinsurers are, however, permitted to enter reinsurance treaties with local/cedent insurance entities to reinsure UAE-based risks.

In the context of the above caveat, insurers licensed to insure against UAE-based risks within the UAE are to be mindful of the "pre-litigation" procedures before the Committee (as highlighted in 1.1 Statutory and Procedural Regime); namely, the 30-day period within which the parties to the dispute are permitted to challenge any adverse award/decision of the Committee. If the insurance company does not challenge the dispute within the specified period, any award/decision of the Committee shall be considered final and binding.

3. Arbitration and Insurance Disputes

3.1 Enforcement of Arbitration Provisions in Commercial Contracts

Generally, arbitration clauses are recognised by UAE law. The authors have provided commentary related to the applicability of arbitration provisions in contracts of insurance. Notwithstanding this, and for ease of reference, arbitration clauses need to be mentioned in a special agreement, separate from the general conditions printed in the insurance policy (Article 1028(d) of the Civil Code), to be, without a doubt, enforceable within the UAE. This is not the case for insurers and reinsurers, for which a clause within the applicable reinsurance treaty will be construed as a separate, and independent, agreement to arbitrate and not otherwise.

Again, from a practical perspective, if proceedings are commenced before the onshore courts, and one of the parties wishes to rely upon an arbitration clause to dispute the jurisdiction, the onshore courts would be more likely to dismiss those proceedings if the parties have entered into an arbitration agreement separate from the general insurance policy provisions (than if an arbitration clause was merely included within the insurance policy). In those circumstances, the filing party would be compelled to commence separate arbitral proceedings to resolve the dispute as a matter of contested jurisdiction.

3.2 The New York Convention

The UAE is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "Convention"). The Convention was adopted in the UAE pursuant to the operation of Federal Decree No 43/2006 on the Adherence of the United Arab Emirates to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

The enforcement of arbitration awards issued within a foreign country is governed by Article 85 of the Civil Procedures Law and is therefore required to satisfy the Enforcement Conditions, as referenced in 2.2 **Enforcement of Foreign Judgments.**

An application to execute a foreign arbitral award requires the submission of a petition before the execution judge. The judge of the Court of Execution shall issue their order within three days from submission of the petition. Furthermore, the order from the Court of Execution may be appealed in accordance with the rules for filing an appeal (Article 85(2) of the Civil Procedures Law).

3.3 The Use of Arbitration for Insurance Dispute Resolution

Nomination of Arbitration

At the time of writing, there were 62 insurance companies within the UAE, with 35 being national/local companies and 27 being "foreign" insurance companies. From experience, foreign insurance companies (and reinsurance companies, in respect of reinsurance treaties) are more likely to nominate arbitration as the dispute resolution forum given that it allows (as highlighted in 1.1 Statutory and Procedural Regime) the parties to:

- nominate the language of the proceedings;
- nominate foreign laws in respect of the arbitration forum;
- appoint independent experts; and
- elect internationally tried and tested procedural arbitration rules.

In the above regard, arbitration is a common method of insurance dispute resolution adopted within the UAE. It is difficult to determine from a macro level if that preference is heightened within any particular line of insurance business; however, there is no limitation to nominating arbitration within any line of insurance business written in the UAE. Marine and aviation tend to attract arbitration as a dispute forum, as does property/casualty insurance lines.

Rules and Privacy
If arbitration is nominated as the dispute resolution forum, the parties are permitted to elect between several governing arbitration rules, including DIAC, the Abu Dhabi Commercial Conciliation & Arbitration Centre, and the ADGMAC.
Unless the parties otherwise agree, arbitration proceedings within the UAE shall be held at private meetings (Article 33(1) of Federal Law No 6/2018 on Arbitration).

Appeals
In order to raise an objection against an arbitral award, a lodgement of an action in nullity before the Court of Appeal, or during the examination of the request for recognition of the award, needs to be filed (Article 53(1) of Federal Law No 6/2018 on Arbitration). The applicant is required to prove the reason(s) to invalidate the arbitration award. Such reasons include demonstrating that the arbitrators relied upon an invalid arbitration agreement, or if there was a failure of the arbitral panel to apply the law agreed between the parties.

Otherwise, the Court of Appeal is permitted to nullify the arbitral award if the subject matter of the dispute is not capable of settlement by arbitration, or if the award is in conflict with the morals of the UAE (Article 53(1) of Federal Law No 6/2018 on Arbitration).

4. Coverage Disputes

4.1 Implied Terms
Generally, UAE law does not recognise the concept of implied terms, other than “good faith”. By virtue of Article 246 of the Civil Code, all insurance policies/contracts within the UAE are to be implemented “according to the provisions contained therein and in a manner consistent with the requirements of good faith”.

4.2 Rights of Insurers
Insurers are permitted to obtain sufficient details/particulars relating to the insurable “risk” prior to the inception of an insurance policy. This discovery/due diligence process often takes the form of proposals/questionnaires to which the (to be) insured party is required to respond. If the insured party conceals, in bad faith, certain matters, or has presented misstatements, such that the risk was underestimated, the insurer may be permitted to rescind the contract (Article 1033 of the Civil Code).

4.3 Significant Trends in Policy Coverage Disputes
An increasing number of insurers/reinsurers have tightened up existing policy terms and conditions in addition to adding new provisions to avoid uncertainty and reduce the risk of coverage disputes.

4.4 Resolution of Insurance Coverage Disputes
The resolution of coverage disputes follows the same process as any other insurance dispute, as highlighted in 1.1 Statutory and Procedural Regime. Disputes related to direct insurance in the UAE are resolved through the Committee or through a valid agreement to arbitrate. Reinsurance disputes tend to be resolved by the chosen dispute forum or jurisdiction clause within the reinsurance treaty.

4.5 Position if Insured Party Is Viewed as a Consumer
The rights of the insurer and insured do not change in circum-

stances where the law views the insured party as a consumer.

4.6 Third-Party Enforcement of Insurance Contracts

Pursuant to Article 252 of the Civil Code, contracts within the UAE are not permitted to impose an obligation upon a third party; however, they are permitted to establish a right in favour of a third party. Article 1035 of the same code provides a course of action where a third party makes a claim against the insured. In most lines of insurance, a third party may bring a direct claim against an insurer if the third party is named as a beneficiary in the policy.

One example of where a right is conferred upon a third party is within motor vehicle insurance contracts, which are governed by the Insurance Authority Board of Directors' Decision No 25/2016 Pertinent to Regulation of the Unified Motor Vehicle Insurance Policies (the "MV Law").

The MV Law states at Article 2 that an insurance company is permitted to issue a motor vehicle policy against third-party liability, hence it operates to cover liability towards a third party.

4.7 The Concept of Bad Faith

Despite there being a statutory obligation to exercise good faith in commercial contracts (as noted in 4.1 Implied Terms), the Civil Code does not define what is required to demonstrate good faith, nor is there any regulatory concept of bad faith. Notwithstanding this, the concept of bad faith does exist, and is commonly featured within UAE court pleadings; however, it is at the discretion of the court as to whether the conduct of the party is tantamount to bad faith. In the instances where bad faith has been ruled against the parties to a contract, the conduct has been deliberate and/or intended to cause harm/loss.

4.8 Penalties for Late Payment of Claims

Pursuant to Article 9(2) of the Insurance Authority Decision No 3/2010 Instructions Concerning the Rules of Professional Conduct and Ethics to be followed by Insurance Companies Operating in the State, insurers are required "to develop an appropriate mechanism to deal with the claims filed including... determining an adequate period for deciding upon the claims".

If the insurer delays in settling compensation owing to an insured party, in accordance with the terms of the insurance policy, as soon as the accident occurs or as soon as the insured risk takes place, the insurer may be liable for a penalty (to be issued from the UAE Central Bank - Insurance Division) in the sum of AED50,000 (pursuant to the table enclosed with Cabinet Decision No 7/2019 on the Administrative Fines imposed by the Insurance Authority (the "IA Fines")). Furthermore, any such fine can be doubled in the case of repeated violations within one year (Article 3 of the IA Fines).

4.9 Representations Made by Brokers

If a broker misrepresents an insurance product to their client, the client would be bound by the written and agreed/signed terms of the policy (irrespective of any misstatements made by their broker); however, the insured party may have recourse against their broker (ie, in a professional negligence/misrepresentation suit).

The client, as an insured, may also raise and file a dispute to the

Committee to address the broker's conduct.

4.10 Delegated Underwriting or Claims Handling Authority Arrangements

Generally, there is little, if any, delegated underwriting authority in the UAE. The concept of managing general agents/managing general underwriters (MGAs/MGUs) is not recognised in the UAE, other than in the DIFC and ADGM free zones for wholesale reinsurance. Loss adjusters are a common feature and are instructed by insurers/reinsurers to investigate and negotiate/settle claims. In limited circumstances, they may have some delegated authority to settle claims on behalf of insurers.

With regard to health insurance lines of business, insurance companies within the UAE rely upon the services of third-party administrators (TPAs) to process insurance claims. If there are coverage disputes, the insured party would not ordinarily pursue the TPA for recourse given that they act as an agent of the insurance company. In that scenario, from a practical perspective, the insured party would raise a notification directly with the insurance company and if the coverage is not extended to the insured party, a complaint would be raised before the Committee (for insurance policies that nominate local courts as the dispute resolution forum) or proceedings may be filed before the arbitration centre (according to the nomination within the insurance policy), as applicable.

5 Claims Against Insureds

5.1 Main Areas of Claims Where Insurers Fund the Defence of Insureds

It is common for insurance policies (particularly within property all-risks policies) within the UAE to contain a "claims co-operation" clause, whereby the insured is expected to take reasonable steps to mitigate their losses, which invariably means defending any claims initiated against them. If the insured party does not have sufficient funds to defend such proceedings, the insurance company may (at its sole discretion) fund those proceedings, provided the coverage extends to the insured and the limit of indemnity has not been exhausted under the policy. In any event, this is not a common occurrence within the UAE.

5.2 Likely Changes in the Future

The above position is unlikely to change within the foreseeable future, although more ADR is expected to be used by the overseas reinsurance market.

5.3 Trends in the Cost or Complexity of Litigation

The formation of the Committee that deals with insurance-related disputes is a sort of mandatory pre-action protocol, which must be exhausted before local litigation is commenced. It is likely that the Committee process will reduce costs and encourage the parties to settle sooner.

5.4 Protection Against Costs Risks

Claimants within the UAE are not able to purchase UAE-based policies of insurance to protect against cost risks in litigated proceedings in the UAE. This may be possible, however, in the DIFC and ADGM jurisdictions, but is uncommon.

6. Insurers' Recovery Rights

6.1 Right of Action to Recover Sums From Third Parties

Insurance contracts within the UAE typically include a "right of subrogation" clause within their terms. That provision allows the insurer to essentially "step into the shoes" of the insured party and commence proceedings against a third party to recover damages incurred under the insurance policy.

As an example, if a fire event occurs within an insured premises and there is an at-fault/liable third party (ie, the manufacturer of a faulty light bulb that set alight and caused the fire damage), the insurer (provided the policy is responsive and the limit of indemnity has not been exhausted) may opt to pay out the claim to the insured party and commence proceedings against the liable third party to recover the losses that it incurred (only up to the value thereof) under the policy of insurance.

6.2 Legal Provisions Setting Out Insurers' Rights to Pursue Third Parties

The statutory right of subrogation in the UAE arises from Article 1030 of the Civil Code, wherein the "insurer may subrogate the insured in what he has paid in compensation as a result of the lawsuits, the insured may have against the author of the prejudice, which has been the source of the insurer's liability".

Any such subrogated claim may be brought in the name of the insurer; however, the insurance policy, containing the right of subrogation clause, would need to be tendered as evidence.

7. Impact of Macroeconomic Factors

7.1 Type and Amount of Litigation

The health sector has undoubtedly seen the biggest increase in claims since the onset of the COVID-19 pandemic, either from primary costs (ie, treatment of COVID-positive patients) or from the secondary related costs (ie, mental health treatment costs). Although the emirate-specific health authorities (the Dubai Healthcare Authority for Dubai and the Health Authority Abu Dhabi for Abu Dhabi) have remarkably covered the cost for the primary COVID-19-related health costs, the insurance sector is now compensating claimants for the secondary health-related costs, subject to the terms of their insurance policies.

Outside of the healthcare insurance sector, general insurance providers noticed a marked increase in claims during the COVID period under various coverages, particularly with disease and contamination riders/endorsements.

7.2 Forecast for the Next 12 Months

The forecast for health insurance policy renewals is that they will further aim to exclude any secondary COVID-related costs, such as mental health claims.

7.3 Coverage Issues and Test Cases

There have been few, if any, test cases arising from the pandemic. Given that the UAE government has covered the cost for the preponderance of COVID-related treatment costs, there have not been any coverage disputes, or test cases, related to these matters. However, many health (and, in some cases, life) insurers adapted their underwriting of medical risks based on insureds having tested positive for COVID-19.

7.4 Scope of Insurance Cover and Appetite for Risk

Unsurprisingly, given the upturn in claims arising from these insurance products as a consequence of COVID, there have been significant changes to the following lines of business:

- policies that cover business interruption have included stricter wording as to what constitutes business interruption and disease/contamination, and have introduced further applicable exemptions/exclusions to avoid similar scenarios; and
- health insurance policies have tightened their language to stem the avalanche of mental health and well-being claims.

8. Environmental, Social and Governmental (ESG) Risk

8.1 Impact on Underwriting and Litigating Insurance Risks

The authors have not noticed any specific changes to the underwriting and litigation of insurance risks within the UAE as a result of climate change events. Notwithstanding this, on a related topic, insurers within the UAE have amended their policy terms (particularly motor vehicle insurers) to exclude coverage for accidents that occur as a result of "cloud seeding", which are typical weather modification events that occur in the UAE for the purpose of extracting moisture from the atmosphere. These events often lead to an increased number of accidents (such as car crashes and flooding) due to the sudden onset of rain, hence the motivation to exclude such occurrences from the insurance policies.

9. Significant Legislative and Regulatory Developments

9.1 Developments Affecting Insurance Coverage and Insurance Litigation

From a regulatory perspective, the most notable change within the UAE insurance sector over the past 12 months has been the merging of the Insurance Authority within the UAE Central Bank; however, the merger does not appear to have caused any disruptions to the insurance litigation market. The formation of the Insurance Disputes Committee has, to some extent, impacted on UAE insurance litigation, where claims can be settled at a fraction of the cost and on a more timely basis.

The authors have otherwise noticed momentum from the UAE Central Bank - Insurance Division to digitise and implement emerging technology within the insurance sector. The digitisation of the insurance market within the UAE was encouraged with the implementation of the Insurance Authority Board of Directors' Resolution No (18) of 2020 Concerning the Electronic Insurance Regulations. Furthermore, with the introduction of the UAE Central Bank - Insurance Division's "Insurtech Sandbox" initiative, which is a pilot run to facilitate the implementation of insurtech products, it is anticipated that new processes and applications may be introduced within the insurance sector in the not-so-distant future.

The push towards digitisation and the implementation of technology-based programmes/initiatives within the UAE insurance sector is likely to lead to the promotion of business within the UAE, and, inevitably, an upturn in insurance claims and insurance litigation. ■

Source: Mondaq - 26 October 2022

UAE

• UAE insurance market development measures

The Central Bank of the United Arab Emirates (CBUAE) has decided, during a meeting with insurance industry representatives held on 14 November 2022, to introduce new measures aimed at improving the performance of local insurers.

The initiatives proposed by the CBUAE include:

- The establishment of an insurance Ombudsman service called "Sanadak". This structure is intended to provide customers with easy access and quick claims processing
- Achieving a 30% emiratization by 2026 through the creation of 1 500 new jobs in the insurance sector for Emirati citizens
- Implementing a financial infrastructure transformation program to drive the digitization of the sector and further enhance the efficiency of insurers.

Source: Atlas Magazine – 18 November 2022

• Dubai Aerospace Sues 11 Insurers, Including Lloyd's, AIG, Chubb, for Jets Stuck in Russia

By Kirstin Ridley and Carolyn Cohn

Aircraft leasing firm Dubai Aerospace Enterprise (DAE) has filed a London lawsuit against 11 insurers, including Lloyd's of London, AIG, Chubb and Swiss Re, two months after it wrote off almost $600 million for 19 aircraft stuck in Russia.

The High Court claim also names Fidelis Insurance Ireland, HDI Global Speciality, Abu Dhabi National Insurance Co., Great Lakes Insurance, Global Aerospace Underwriting Managers, Starr Europe Insurance and AXIS Speciality Europe.

A spokesperson for Lloyd's said the insurer was "not at liberty to share information on any specific claim, policy or policyholder." Munich Re, Great Lakes' parent, AIG and Swiss Re declined to comment.

The other insurers and DAE did not immediately respond to requests for comment.

But lessors have vowed to pursue insurers since losing control of more than 400 leased planes worth almost $10 billion after Western countries sanctioned Russia over the war in Ukraine and Moscow blocked the jets from leaving.

The claim has been lodged in London four months after Dublin-based AerCap, the world's biggest aircraft lessor, filed a $3.5 billion insurance lawsuit over more than 100 of its jets seized in Russia.

DAE, which said in August it had written off $576.5 million for its planes, noted in its half-year results statement in August that it had "no way to determine whether these aircraft will be returned at any point in the future."

"The group has insurance in respect of the aircraft in question under a number of insurance policies and the group has filed insurance claims to recover amounts due under the policies," it added.

Details of the claim, which was filed last week, are not yet publicly available. ■

Source: Insurance Journal - 28 October 2022

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ZIMBABWE

Insurance Market Overview

by Hussein Elsayed

Official Name: Republic of Zimbabwe (ZWE)

Surface Area: 390 757 Km2

Location: Zimbabwe is a landlocked country located in Southeast Africa, between the Zambezi and Limpopo Rivers, bordered by South Africa to the south, Botswana to the south-west, Zambia to the north, and Mozambique to the east.

Capital: Harare

Currency: | Code: Zimbabwean dollar

Population: 2022 estimate: 15 million people

Religion: 84.1% Christianity; 10.2% No religion; 4.5% Traditional faiths; 1.2% Others

Language: Zimbabwe has 16 official languages, with English, Shona, and Ndebele the most common.

Climate: Although Zimbabwe lies wholly within the tropics, due to its altitude the climate is more temperate than tropical. On the highveld, which includes most of the larger towns, and the middleveld, the summers are warm and winters cool, often with frost at night. The summer season is from September to April and the hottest month is October. Frequent heavy showers and thunderstorms occur between December and March.

Economic Overview

Zimbabwe's economic development continues to be hampered by price and exchange rate instability, the misallocation of productive resources, low investment, and limited structural transformation. High inflation, multiple exchange rates, unsustainable debt levels, and the ineffective control of public spending have increased the cost of production, reduced incentives for productivity-enhancing investment, and encouraged informality.

Trade integration has declined, and foreign direct investment remains low, limiting the transfer of new technologies and investment in modernizing the economy. Unsustainable debt levels and longstanding arrears to international financial institutions (IFIs) limit the country's potential for growth. External debt is estimated at 76% of GDP in 2022. Over 70% of the debt is in arrears, constraining the access to concessional finance needed to support productive investment. Against this, the government has prepared an Arrears Clearance, Debt Relief and Restructuring Strategy and resumed token payments to IFIs and Paris Club creditors.

Macroeconomic volatility, a high dependence on low-productivity agriculture, the lack of creation of high-productivity jobs, and intermittent shocks—such as droughts and the pandemic—have all contributed to increasing vulnerability in both urban and rural areas. Furthermore, Zimbabwe's social assistance programs have low coverage and may benefit from improved targeting.

Recent Developments

Economic activity slowed in 2022, constrained by worsening agricultural conditions and price instability. Real GDP growth is projected to slow to 3.4% in 2022 from 5.8% in 2021. Mining, trade, and tourism took advantage of high commodity prices and the relaxation of COVID-19 restrictions, helping to drive growth. However, due to limited rains, agricultural production contracted after growing at double digits in 2021.

Rising inflation, the depreciation of the local currency, and higher interest rates have dampened consumption and investment. Strong remittance inflows mitigated to some extent the adverse impact on private consumption and, together with higher gold exports, have kept Zimbabwe's external current account in surplus.

To tame inflation, the Central Bank tightened monetary policy, raised the interest rates (from 80% to 200%), further liberalized the forex market, and issued gold coins as a store of value. These measures have stabilized the parallel market and narrowed the parallel market premium to below 35% in September 2022.

Economic Outlook

Inflation is estimated to average 213% in 2022 and remain in triple digits in 2023. Real GDP growth is expected to grow at 3.6% in 2023 and 2024, supported by a better agricultural season, slowing inflation, and the relaxation of pandemic requirements.

Agricultural production is projected to return to growth as rain levels normalize and fertilizer prices go down. However, downside risks to the outlook are high, reflecting the global slowdown of growth, volatile commodity prices, climate change, and the ability of the government to control inflation and forex market distortions in an election period. In 2023, the country will hold an election.

Continuing wage pressures and demands for higher spending on agriculture remain key fiscal risks. The poverty rate is expected to decline modestly in the medium term, but vulnerability due to climate shocks and inflationary pressure remains high. Shocks to agricultural output due to a changing and more unpredictable climate, and economic shocks, such as inflation and supply-chain disruptions, will continue to strain household finances.

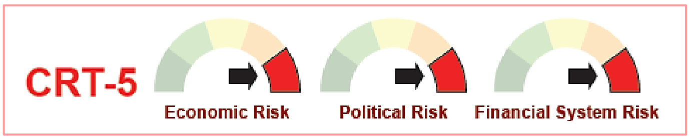
Source: The World Bank - Last Updated: Oct 03, 2022

ZIMBABWE – DATA & FORECASTS

	2018	2019	2020	2021e	2022f	2023f	2024f
Population, mn	15.05	15.35	15.67	15.99	16.32	16.67	17.02
Nominal GDP, USDbn	24.3	21.9	21.8	24.9	27.4	30.2	32.9
GDP per capita, USD	1,615	1,428	1,390	1,558	1,679	1,812	1,935
Real GDP growth, % y-o-y	4.8	-8.3	0.8	4.6	2.0	2.4	3.3
Consumer price inflation, % y-o-y, ave	10.6	255.3	621.5	143.3	175.0	194.0	31.5
Consumer price inflation, % y-o-y, eop	42.1	521.2	348.6	60.7	195.0	55.0	8.0
Exchange rate ZWL/USD, ave	1.00	8.50	58.55	108.60	375.00	555.00	95.00
Exchange rate ZWL/USD, eop	1.00	16.77	81.80	146.83	575.00	472.00	96.00
Budget balance, ZWLbn	-1.3	0.5	-5.7	-39.1	-204.4	-449.6	-77.7
Budget balance, % of GDP	-5.3	0.1	-0.3	-1.1	-1.3	-3.2	-2.5
Goods and services exports, USDbn	5.2	5.3	5.3	5.5	6.0	6.4	6.8
Goods and services imports, USDbn	7.6	5.4	5.5	6.1	6.3	6.7	7.2
Current account balance, USDbn	-1.4	0.9	1.1	0.8	1.2	1.2	1.0
Current account balance, % of GDP	-5.7	4.2	5.0	3.3	4.4	4.0	3.1
Foreign reserves ex gold, USDbn	0.2	0.2	0.2	1.2	1.1	1.1	1.1
Import cover, months	0.4	0.5	0.4	2.4	2.2	2.0	1.9
Total external debt stock, USDbn	12.6	12.2	12.7	14.2	14.6	15.7	16.5
Total external debt stock, % of GDP	51.9	55.8	58.5	57.1	53.5	51.9	50.2

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

Country Risk



BEST'S COUNTRY RISK REPORT

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Zimbabwe, a CRT-5 country, has very high levels of economic, political, and financial system risk.
- After a contraction in 2020, Zimbabwe's economy grew by 6.3% in 2021 and is expected to grow by 3.5% in 2022, but faces headwinds from rising consumer prices.
- Inflation is expected to decrease to 86.7% in 2022, from 98.5% in 2021, driven by an increase in commodity prices, currency depreciation, and expansionary monetary policy.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius at CRT-3, and Botswana, Namibia, Seychelles, and South Africa, at CRT-4.

Regional Comparison:

Zimbabwe CRT-5 | Sierra Leon CRT-5 | Cameroon CRT-5 | | Mozambique CRT-5 | Togo CRT-5 | Cote d'Ivoire CRT-5

Source: Best's Country Risk Report, 11 August 2022

WorldRiskIndex 2021: Top 25 African country overview

Global rank	Country	WorldRisk-Index	Exposure	Vulnerability	Susceptibility	Lack of coping capacities	Lack of adaptive capacities s
11	Cape Verde	17.72	37.23	47.59	28.86	72.71	41.21
17	Djibouti	15.48	25.78	60.03	36.19	84.33	59.58
20	Comoros	14.91	23.62	63.13	45.93	85.39	58.06
23	Niger	13.90	19.27	72.15	61.72	87.91	66.83
25	Cameroon	13.07	20.35	64.21	47.58	88.58	56.66
26	Nigeria	12.66	19.64	64.46	49.70	88.58	55.10
28	Gambia	12.40	19.75	62.78	43.58	83.02	61.73
30	Chad	11.94	15.76	75.75	64.96	92.14	70.13
31	Benin	11.71	17.92	45.33	54.09	81.42	60.49
35	Burkina Faso	11.19	16.59	67.48	57.08	84.39	60.98
36	Togo	10.99	16.60	66.23	55.77	86.14	56.79
37	Mali	10.71	15.61	68.64	49.75	88.60	67.58
39	Madagascar	10.44	14.97	69.71	65.83	86.32	56.97
40	Burundi	10.42	14.88	70.02	62.29	90.43	57.34
41	Kenya	10.33	16.63	62.13	50.80	85.50	50.10
42	Angola	10.28	15.61	65.86	52.89	86.89	57.80
44	Cote d'Ivoire	9.98	15.57	64.10	47.26	85.61	59.43
45	Senegal	9.79	16.50	59.31	44.64	77.87	55.42
47	Sierra Leone	9.40	13.65	68.87	55.15	85.39	66.07
48	Ghana	9.32	16.38	56.88	41.60	78.75	50.29
49	Zimbabwe	9.30	14.51	64.11	55.02	88.44	48.88
50	Mozambique	9.11	13.26	44.73	62.60	88.45	55.13
51	Mauritius	9.04	23.85	37.92	17.39	58.21	38.17
52	Malawi	8.94	13.97	64.00	54.49	83.21	52.30
52	Tanzania	8.94	13.35	66.98	59.46	84.68	56.79
54	Liberia	8.92	13.48	66.17	55.63	87.16	55.73
56	DR Congo	8.78	11.86	74.04	67.76	92.80	61.55
	Africa	8.93	13.51	64.05	49.73	85.39	55.28
	Asia	5.80	12.15	44.47	23.05	75.65	35.91
	Oceania	15.60	28.52	49.52	29.73	79.82	44.92
	World	6.60	13.13	46.37	23.72	75.08	38.42

Max. value / category = 100, classification according to the quintile method

very low ■ low ■ medium ■ high ■ very high

Natural Hazards:

Earthquake

There is a minimal natural catastrophe hazard in Zimbabwe. The risks of earthquake and windstorm are low.

There are four defined seismic regions in south and central Africa - Lake Kariba, Lake Tanganyika, Lake Malawi and Central Mozambique - and two broad regions, one in Zambia and the other in Tanzania.

Zimbabwe is not on any main fault line, and the risk of serious earthquake is low except in the Zambezi Valley, in particular the Kariba area, on Zimbabwe's northern border. There have also been instances of significant seismic activity in the Sabi/Save Limpopo region as a result of incidents with epicentres over the border in Mozambique.

Flood

Flood has traditionally been regarded as a peril with low catastrophe possibilities; drought is considered a more common event. Historically, the only areas likely to be affected were remote farming areas located in the river valleys of north-eastern, eastern and south-eastern Zimbabwe or occasional flash floods in other areas during the rainy season. Such flooding was usually localised.

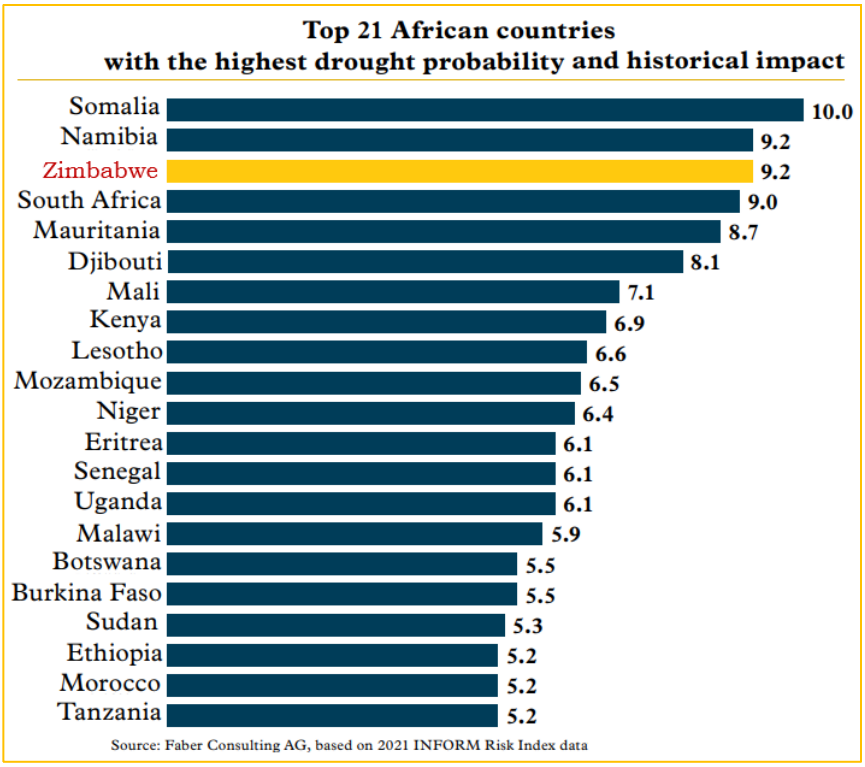
Zimbabwe has signed an agreement with the African Risk Capacity (ARC) and the World Food Programme (WFP) to get insured against natural disasters risks. Premiums paid by WFP and the State of Zimbabwe amount to 200 000 USD and 1 million USD respectively, that is a total of 1.2 million USD.

This project could entitle maximum compensation of 6.3 million USD to be paid to populations most exposed to natural events such as drought and floods.

Windstorm

Zimbabwe is regularly exposed to hailstorms which vary widely both in intensity and location. Although most damage occurs in underdeveloped rural areas with low populations and little insured property, occasionally a large hailstorm will sweep through a developed area.

Storms are often associated with lightning, which is a significant peril in Zimbabwe, where an average of 90 to 120 lightning-related fatalities are recorded annually. Significant loss and damage is suffered by businesses and domestic premises. Equipment supplying electrical power or telecommunication services is particularly vulnerable.



Bushfire

There are no statistics available relating to economic or insured losses due to bushfires in Zimbabwe.

The risk of serious insured damage by bushfire, although included in most insurance programmes, does not really exist, other than to farms and tree plantations (subject to special insurance cover).

Agricultural risks that would be particularly sensitive include tobacco plantations, sugar plantations and forestry.

The bushfire risk can be quite acute in some areas during the dry season and, when fires are used to clear land or create fire-breaks, they occasionally get out of control. Market practitioners note that a drought is expected.

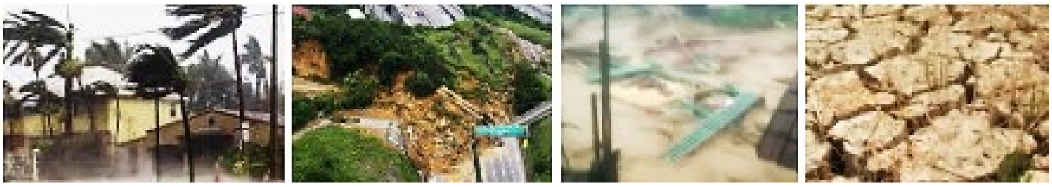
Subsidence

This peril is available but is not commonly requested. There is the potential for claims as significant building on the outskirts of Harare has meant that areas previously considered unsuitable for building are now fully built up.

There are also mining operations in various parts of the country, but these are in less populated areas and any risk would be limited to the mining towns themselves.

Hail

Hailstorms are a frequent occurrence in Zimbabwe, but although damage, especially to the assets of rural subsistence farmers, is regularly incurred these incidents do not often result in significant claims.
Agricultural risks that would be particularly sensitive include tobacco plantations and sugar plantations.



Zimbabwean Insurance Market

Historical Landmarks and Developments

- **19th C** Insurance first came to Zimbabwe, or Southern Rhodesia as it was then known, at the end of the 19th century. Due to its status as a British colony, most of the early development came from chief agents and representatives from the United Kingdom, as well as from neighbouring South Africa, which was also part of the British Empire at that time.

- **1940s** Branch offices were established by both UK and South African-based insurers, as well as a few from Australia, New Zealand and the United States.

- **1987** In accordance with the insurance act, all direct companies had to be locally registered, with a minimum 51% indigenous shareholding.

- **2005** The Insurance and Pensions Commission (IPEC) was established on 1 September.

- **2008** Towards the end of the year the stock market collapsed and trading was suspended. Most insurance company investments and capital were wiped out.

- **2009** The Zimbabwe dollar was suspended indefinitely and a multi-currency system was introduced. This had a positive impact on the recovery of the insurance sector.

- **2013** New capital requirements of USD 1.5mn were introduced to be complied with by 30 June 2014.

- By the end of **2014**, one insurance company had been unable to comply with the minimum capital requirement; the company was suspended in 2014 and then deregistered in 2015. Three other insurance companies and one reinsurer were also suspended.

- **2015** It was announced that VAT would be applied to non-life premiums with effect from 1 September 2015. This was subsequently changed to VAT on broker commissions. It was also clarified that stamp duty should be deducted at 5% of premiums with a maximum of USD 100,000.A "Commission of Inquiry" was launched to investigate the processes surrounding the loss of value for life and pension products due to the abandonment of the Zimbabwe dollar in 2009; although this could have had repercussions for the non-life industry, the scope was limited to the life and pensions industries. The remaining Zimbabwe dollars in circulation were demonetarised by the Reserve Bank of Zimbabwe; outstanding currency was purchased at a rate of USD 1 for ZWD 250trn.

- **2016** It was announced that investments in two power generation projects would count towards the prescribed asset requirement.

- **2018** The intermediated money transfer tax was increased from USD 0.05 per transaction to 2%.
  Banks were instructed to ring-fence local currency accounts (RTGS accounts) from "Nostro" currency accounts. A parallel market rate for RTGS currency developed with rates of between two and six per actual USD 1 of foreign currency. The minister of finance and economic development suggested a new Zimbabwe currency would be developed.

- In **February 2019**, to combat the ongoing currency crisis and inflation, the government introduced the Real Time Gross Settlement (RTGS) dollar, which was briefly pegged against the US dollar, but later allowed to float. On 24 June 2019, with annual inflation running at 175%, the government published the Reserve Bank of Zimbabwe (Legal Tender) Regulations, 2019 (SI 2019-142). These reintroduced the Zimbabwe dollar in the form of bond notes and coins, the RTGS dollar and electronic balances and banned all other currencies as legal tender.
  - In **June 2019**, the official exchange rate was in the region of USD 1 = ZWD 9.00 but increased to USD 1 = ZWD 12.5 by early September 2019. The change in currency is likely to lead to underinsurance and almost all policies will have to be reissued in the new local currency instead of US dollars.

Market sources suggest that as the Insurance (Amendment) Regulations, 2017 (No 19) express capital and solvency requirements in US dollars, the requirements will fluctuate with the exchange rate. The regulations will have to be amended to express the requirements in the new currency and the currency issues may prompt the regulator to increase minimum capital requirements.

- On *13 March* **2020**, IPEC issued Statutory Instrument 69 of 2020, "Guidance for the Insurance and Pension Industry on Adjusting Insurance and Pension Values in Response to Currency Reforms of 2019." This guidance requires long-term insurance companies to separate policyholder and shareholder funds. The guidance also provides rules for profit allocation between shareholders and policyholders and the equitable distribution of revaluation gains, which is a significant improvement to the 2008/2009 scenario.

- In *February* **2021**, Zimbabwe's government approved changes to the Insurance Bill 2020, which is aimed at strengthening reporting and solvency requirements in order to stabilize growth in the insurance sector. The updated legislation includes new guidance on the issuing of disability cover under life insurance policies as well as new rules surrounding fund placements.
- In *June 2021*, the Insurance and Pensions Commissioner announced the launch of Zimbabwe Integrated Capital and Risk Programme (ZICARP), aligning the industry's capitalization with the risk profile of entities, as is international practice.

- In *February* **2022**,The Insurance and Pensions Commission has signed an agreement with the International Finance Corporation, a member of the World Bank, to promote agricultural insurance in Zimbabwe. The IFC will assist IPEC in the creation of a regulatory framework and the development of weather insurance products for farmers. IFC will also be tasked with studying the risks that producers face, their current coping mechanisms, and assessing the interest of the industry's stakeholders in agricultural insurance. This initiative is part of the Global Index Insurance Program (GIIF), which has already been deployed in other African countries: Mozambique, Cameroon, Senegal, Zambia and Nigeria.
- In *July 2022,* the Zimbabwe Government approved the Compensation Framework for 2009 policy holders and Pension Scheme members who complained about the lack of transparency in the manner in which their long-term contracts were converted from the ZWD to USD back in 2009. The government will contribute USD175mn towards the pre-2009 compensation.

Regulatory Environment

Industry Regulator

The Insurance and Pensions Commission (IPEC) is the statutory body that regulates the insurance and pensions business in Zimbabwe.

- The IPEC's powers are provided under the Insurance and Pensions Commission Act (Chapter 24:21).
- The legal framework governing the operations of the Commission consist of the following:
  i. Constitution of Zimbabwe
  ii. Insurance and Pensions Commission Act (Chapter 24:21)
  iii. Pension and Provident Funds Act (Chapter 24;09);
  iv. Insurance Act (Chapter 24:07);
  v. Money Laundering and Proceeds of Crime Act (Chapter 9;24);
  vi. Public Entities Corporate Governance Act (Chapter 10:31),
  vii. Public Finance Management Act (Chapter 22:19);
  viii. Companies and Other Business Entities Act (Chapter 24:03),
  ix. Public Procurement and Disposal of Public Assets Act (Chapter 22: 23),
  x. Labour Act (Chapter 28:01).

- The responsibilities of the IPEC include registering, regulating and monitoring insurance industry players; registering, regulating and monitoring pension industry players; providing information to the public; encouraging and promoting investment in insurance, pension and provident funds; it also advises the minister of finance on insurance and pensions issues.
- The IPEC has the powers to register and regulate insurers, mutual insurance societies and insurance brokers under the terms of the Insurance Act (Chapter 24:07). It also registers and regulates pension and provident funds under the Pension and Provident Funds Act (Chapter 24:09).

Key Legislation

Key legislation governing the insurance sector includes:

- Insurance Bill 2020 (replacing the Insurance Act)
- Insurance Act Chapter 24:07
- Pension and Provident Funds Act
- Statutory Instrument 39 of 2018, Insurance (Amendment) Regulations, 2018 (No 21)
- Statutory Instrument 40 of 2018, Insurance and Pensions Commission (Levy) Regulations, 2018 (No 1)
- Insurance Regulations 1989 Statutory Instrument 49 of 1989
- Statutory Instrument 95 of 2017, Insurance (Amendment) Regulations 2017 (No 19)

Industry Associations

- The Insurance Council of Zimbabwe (ICZ)
- Life Offices Association of Zimbabwe (LOA)
- Zimbabwe Insurance Brokers Association (ZIBA)
- Zimbabwe Association of Reinsurance Organisations (ZARO)
- Zimbabwe Association of Funeral Assurers (ZAFA)
- The Insurance Institute of Zimbabwe (IIZ)
- Insurance Institute of Harare (IIH)
- Insurance Institute of Bulawayo (IIB)
- Society of Fellows

Pools:

The major pools currently in operation are listed below.

- **Special Risks Insurance Pool** - run by the Insurance Council of Zimbabwe (ICZ) covers risks that are unacceptable in the market, such as security organisations and commuter omnibuses. Exclusions are war, nuclear risks, computer fraud and industrial disease. The committee meets once a week to consider and rate each risk. One company issues the policy and all other participating companies assume their agreed percentage of each risk. Market sources note that covers such as professional indemnity for insurance brokers and actuaries that used to be covered by the pool are now being written by the direct writers for their own account. The pool would also consider new risk types for which there was no current capacity in the market; this could include cyber insurance and drones · National Bureau of Zimbabwe for Yellow Card cover - run by ICZ. Please see the International Motor heading in the Motor section for more detail.

- **Motor Insurers' Pool for visiting motorists** - run by ICZ. Please see the International Motor sub-header in the Motor section for more detail.
- **Motor Insurers' Bureau for uninsured drivers** - run by ICZ. This pool, although still in operation, is largely inactive. Should a claim be made against it all motor insurers in the market would contribute in proportion to their market share of the motor account.
- **Road Traffic Act (RTA) Pool** - this is a pool providing motor third party insurance where the cover is distributed via Zimpost (post office). This pool is now very much reduced.

Types of Licence

- The legislation currently regulates both long and short-term (life and non-life) business and separate licences are required.
- Composite companies are allowed, but assets must be strictly separated.
- Several of the reinsurers are composites.
- Personal accident (PA) is classed as non-life business, but PA riders may be dealt with in the life sector.
- In the Zimbabwean insurance market both life and non-life insurers are able to write health type covers or riders. Most reimbursive private medical insurance is written by medical aid societies, which are separately licensed by the Ministry of Health and Child Care.
- No separate licence is needed to write inwards reinsurance.

Capital Requirement:

Starting from 15 November 2019, companies should have the following minimum capital:

- 75 million USD instead of 5 million USD for life insurers and reinsurers,
- 37.5 million USD instead of 2.5 million USD for non-life insurers,
- 4.5 million USD instead of 0.3 million USD for microinsurance companies.

Compulsory Insurances

- Motor third party bodily injury and property damage.
- Passenger liability in respect of public service passenger vehicles.
- Workers' compensation (state scheme).
- Professional indemnity insurance for insurance brokers.
- Professional indemnity insurance for pension fund administrators (other than insurance companies).
- Vessels carrying passengers or cargo, or those hiring out vessels.
- Clinical trials liability.

Statutory Tariffs

There are no statutory tariffs applicable in the market but both the Insurance and Pensions Commission (IPEC) and the Insurance Council of Zimbabwe historically expressed concern over rating structures in the non-life sector. To this end minimum rating structures were introduced for motor and property risks (specifically assets all risks covers and associated loss of profits and accident covers), in addition to major property accounts.

INSURANCE MARKET PERFORMANCE & STATISTICS

Registered entities

For the year-ended 31 December 2021, the insurance sector was made up of 2, 522 players, which reflects an increase of 17% from the 2,156 reported as at 31 December 2020.

The increase is attributed to new registrations in 2021, i.e. one (1) short term insurer, three (3) micro insurers, one (1) reinsurer, one (1) reinsurance broker and three hundred and sixty-four (364) agents. Four (4) insurance brokers were de-registered during the period under review.

Table 10 below shows the architecture of the insurance sector as at 31 December 2021.

Table 10: Architecture of the Insurance sector as at 31 December 2021

Class of Business	Number of Registered Players as at 31 December 2021	Number of Registered Players as at 31 December 2021
Life Assurers*	12	12
Funeral Assurers	8	8
Short-Term Insurers	16	17
Composite Insurers**	2	2
Micro Insurers	2	5
Short-Term Reinsurers	4	5
Composite Reinsurers***	4	4
Insurance Brokers	32	28
Reinsurance Brokers	7	8
Agents	2, 069	2, 433
Total	**2. 156**	**2. 522**

**Only 11 out of 12 Life Assurers submitted returns. Heritage Life failed to submit its 2021 4th Quarter return.*

***These are short term insurers (FBC and Alliance Insurance) also doing life insurance business so the total for short term insurance companies is 19.*

****These are reinsurers doing both short term and life business.*

Gross Premium Written as at 31 December 2021

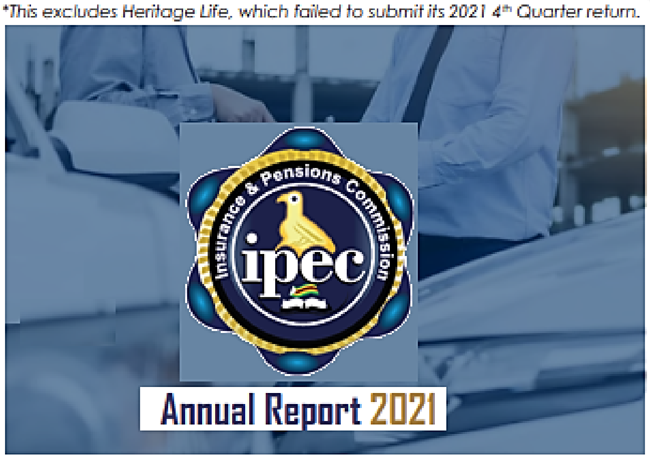
The Insurance sector wrote gross premium amounting to ZW$49.19 billion (in nominal terms) during the year-ended 31 December 2021, indicating an increase of 165% from ZW$18.56 billion for the year-ended 31 December 2020.

The breakdown of the gross premium written by the industry is highlighted in Table 11 below.

Table 11: Gross Premium Written as at 31 December...

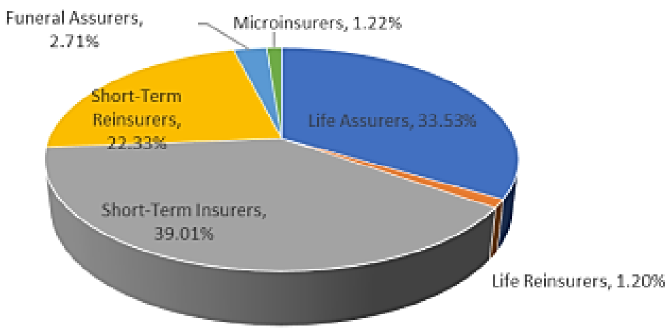
Class of Business	Dec 2020 (ZW$ Million)	Dec 2021 (ZW$ Million)	Nominal Growth %
Life Assurers*	3,651.58	16,496.75	352%
Life Reinsurers	153.08	589.15	285%
Short-Term Insurers	9,107.00	19,191.43	111%
Short-Term Reinsurers	5,299.00	10,982.95	107%
Funeral Assurers	274.14	1,334.73	387%
Micro Insurers	79.26	598.23	655%
Total	**18,564.06**	**49,193.23**	**165%**

**This excludes Heritage Life, which failed to submit its 2021 4th Quarter return.*



Short term insurers wrote the highest gross premium (39.01%) while life reassurers wrote the lowest premium (1.20%), as shown in Figure 7 below.

Figure 7: Distribution of the Gross Premium Written by Business Class as at Dec 2021



Compliance with Minimum Capital Requirements (MCR)

The sector's average compliance level with the minimum capital requirements was 96% as at 31 December 2021. The sectors, which had 100% compliance with the MCR were reinsurance brokers, life assurers, short-term insurers, reinsurance companies and micro-insurers. Funeral assurance companies had the lowest compliance level at 75% whilst insurance brokers were at 96% compliance. Table 12 below shows compliance levels with the MCR.

Table 12: Compliance with Minimum Capital Requirements (MCR)

Class of Business	MCR (ZW$ Million)	No of Entities	No of Compliant Entities	% Compliance Status
Life Assurers*	75	12	11	92%
Funeral Assurers	62.5	8	6	75%
Short-Term Insurers	37.5	19	19	100%
Composite Reinsurers	112.5	4	4	100%
Non-composite Reinsurers	75	5	5	100%
Micro Insurers	4.5	5	5	100%
Insurance Brokers	1.5	28	27	96%
Reinsurance Brokers	1.5	8	8	100%
Average Compliance Level				96%

Heritage Life failed to submit 2021 4th Quarter returns.

The non-compliant entities were Orchid Funeral, Passion Funeral and Rainbow Insurance Brokers.

Insurance sector assets

Total assets for the insurance sector grew by 159% (in nominal terms) from ZW$ 50.17 billion as at 31 December 2020 to ZW$ 129.90 billion as at 31 December 2021.

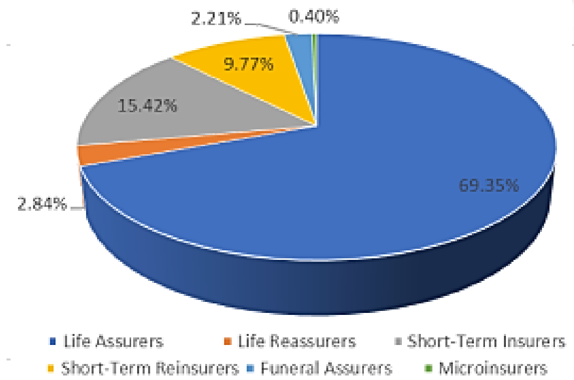
Table 13 below shows the breakdown of the total assets by class of business.

Table 13: Assets for the Insurance Industry as at 31 December…

Class of Business	Dec 2020 (ZW$ Million)	Dec 2021 (ZW$ Million)	Nominal Growth%
Life Assurers*	32,600	90,089	176%
Life Reassurers	1,297	3,688	184%
Short-Term Insurers	8,869	20,031	126%
Short-Term Reinsurers	6,403	12,696	98%
Funeral Assurers	868	2,875	231%
Micro Insurers	131	517	295%
Total	50,169	129,895	159%

**This excludes Heritage Life, which failed to submit its 2021 4th Quarter return.*

Figure 8: Distribution of the Assets by Business Class as at 31 Dec 2021



Life Assurers dominated the insurance sector in terms of assets as they held, 69.35% of the sector's total assets as shown in Figure 8 above. Micro insurers held the least assets (0.40% of sector's total assets).

Reinsurance
Short-term insurance companies had an average retention ratio of 53.67%, which was within an acceptable range given that it matched best practice. Short-term reinsurers had a retention ratio of 64.75%, whilst life and funeral assurance companies had 97.65% and 100% respectively. Companies are encouraged to make use of reinsurance facilities to spread risk.

Earnings
The industry managed to record profits after taking into consideration their technical results and management expenses. The combined profit after tax amounted to ZW$40.37 billion (in nominal terms), translating to ZW$25.12 billion in real terms.

Life assurers recorded the highest profit after tax, amounting to ZW$31.70 billion whilst reinsurance brokers had the least profit after tax amounting to ZW$ 0.09 billion as shown in Table 14 below:

Table 14: Insurance Industry Earnings as at 31 December 2021

Class of Business	Profit After Tax (ZW$ Billion)
Life Assurers*	31.70
Short-Term Insurers	4.54
Funeral Assurers	0.15
Reinsurers	3.38
Microinsurers	0.12
Insurance Brokers	0.40
Reinsurance Brokers	0.09
Total	**40.37**

**This excludes Heritage Life, which failed to submit its 2021 4th Quarter return.*

Zimbabwe Insurance Industry Risk Scoring

RISK	Mitigation Measures	Risk Rating
Reputational Risk • Delays in finalising the Pre-2009 Compensation as recommended by the Commission of Inquiry • Failure to remit benefits to non-resident pensioners	• Holistic approach to compensation considering interests of all affected stakeholders. • Commission engaging relevant stakeholders to ensure priority of pensioners on forex auction.	High
Economic Risks • Macroeconomic environment • Long-term savings affected by the prevailing macroeconomic environment	• Continue to provide policy advice to Government on effective ways to create an enabling environment for the pensions and insurance industry to thrive. • Implement various frameworks and guidelines to preserve value for the protection of member benefits.	Medium
Operational Risk • Disruptive operating environment exposing gaps in systems, policies and procedures. • Heightened cyber security risk though the use of technology	• Enhance internal controls, systems and policies. • Cyber Security Framework and Guidelines developed to guide industry • Commission evaluating on technology-enabled surveillance	Medium
Liquidity Risks • Growth of premium debtors (from ZW$147 million to ZW$3.4 billion during the review period) • Growth in contribution arrears – grew by 147% from ZW$1.7 billion to ZW$4.2 billion. • Continued suspension of Old Mutual and PPC shares	• Pursuing legislating against issuing insurance on credit-No Premium No Cover. • The Commission has been training trustees and enlightening them of their rights and responsibilities • Engaging sponsoring employers, Government; Pensions Bill Empowers Commission to garnish sponsoring employer's accounts. • Recommended listing of Old Mutual and PPC on the VFSE	Medium
Compliance Risks • Minimum Capital Requirements • Prescribed asset requirements • Foreign currency business disclosure	• Enhanced guidelines to ensure strict compliance with rules and regulations • Strict implementation of approved Compliance Roadmaps.	Low

Source: IPEC 2021 ANNUAL REPORT - Published 16 June 2022

Zimbabwe Insurance Competitive Landscape

Zimbabwe's insurance industry offers growth potential, though this is dependent on an improvement in Zimbabwe's economic environment.

FitchSolutions

In part because of the higher capitalisation requirements and in part because of the generally challenging business environment, we consider it likely that there will be some consolidation in each of the main segments, potentially as a result of departures/closures of smaller local groups.

The impact will be greatest in the fragmented non-life segment, which will continue to be dominated by sub-scale local groups focusing mainly on basic lines. The life segment will continue to be dominated by the local operation of Old Mutual - providing group/employee benefit products - and local group Nyaradzo in funeral insurance.

Life Insurance:

Life Insurance Though small in value terms, Zimbabwe's life insurance market is relatively diverse with a mix of domestic and regional insurers operating in the industry.

In terms of products, Zimbabwe's life segment is unusual in that it is dominated by group/employee benefits offerings. The second largest product is funeral insurance, which is defined by the regulator as belonging to the life segment. The majority of life premiums come in the form of group policies, also called 'employee benefits' by the domestic market, rather than individual policies.

According to the most recent calculation, the employee benefits line of business accounted for nearly three-quarters of total gross life premiums written.

Top 10 Life Insurance Companies by Gross Premiums, USDmn **(2014-2019)**

	2014	2015	2016	2017	2018	2019
Old Mutual	150.9	160.8	166.9	166.6	184.9	40.6
Nyaradzo	61.7	75.5	81.4	95.4	108.4	33.9
Econet Life	0.1	3.3	6.3	10.4	19.3	8.6
FML	34.0	32.6	36.7	35.2	43.5	7.6
Zimnat	15.6	18.9	18.3	22.0	26.5	7.0
Doves	9.0	11.0	14.5	17.0	21.7	6.2
Fidelity	13.9	14.1	13.0	11.2	15.0	2.7
ZB Life	8.8	10.1	10.7	11.7	13.8	2.6
Moonlight	13.6	13.3	12.8	11.7	11.9	2.4
CBZ	9.1	13.4	9.5	10.1	11.1	1.6

Source: IPEC, Fitch Solutions

Zimbabwe's life market is highly concentrated and, with a 35.2% market share in 2019, the latest available data, **Old Mutual** has been the dominant player for some time. With market leadership in both the life and non-life sectors alike, combined with substantial banking and asset management operations, Old Mutual is well established in Zimbabwe. This multi-faceted approach, together with a geographic footprint that spans the UK, Sub-Saharan Africa and other countries, gives the company economies of scale, a broad reach and the resources needed to be able to offer varied and innovative products to consumers. However, it is coming up against tough competition as rivals broaden their offering.

In 2013**, Nyaradzo** emerged as a major player in the life segment; however, this seemingly spontaneous arrival belies the reality that Nyaradzo has long operated funeral insurance cover, but only in 2013 did the company fall under IPEC regulation. Its rise has, therefore, not been as meteoric as it may at first appear.

It is nevertheless a considerable element of the life sector and in 2019 accounted for 29.4% of the market with premiums of USD33.9mn, making it the second largest provider.

This market presence and possession of an established company brand offers Nyaradzo opportunities for further expansion into traditional life insurance products. Beyond Nyaradzo, it is difficult to see where any challenges to Old Mutual may come from.

According to 2019 data, **Econet Life** is now ranked third, with a 7.5% share and premiums of USD8.60mn in 2019. **First Mutual Limited** is ranked fourth with a share of 6.6% and premiums of USD7.60mn; **Zimnat** is ranked fifth, with 6.1% of the market (with premiums of USD7.0mn) in 2019.

The market leadership exerted by Old Mutual is likely to continue over the coming years, although market share is perhaps unlikely to see significant growth, in a context where its dominance has been eroded slightly in recent years. While we can envisage circumstances in which smaller companies might leave the segment, there is only a modest likelihood of new entrants.

The group/employee benefits market will continue to be dominated by Old Mutual. Nyaradzo is the clear leader in funeral insurance, the other main element of the life segment (as defined by the regulator).

The market will remain underdeveloped by virtually all metrics at the end of the forecast period. The general business and economic environment will remain challenging.

Non-Life Insurance:

According to the IPEC, there are 21 non-life insurance providers authorised to act in the market, including nine short-term reinsurers, 4 microinsurance providers and 8 non-life reinsurance companies.

As is the case in much of Sub-Saharan Africa, the non-life segment is dominated by basic lines. The motor insurance market is currently the largest sub-sector, accounting for 44.0% of premiums written in 2021 (according to our latest estimates). Property insurance, currently the second largest single constituent, accounts for only 3.0% of the non-life market. The dominance of motor insurance lines is indicative of the underdeveloped state of the non-life sector, while more technical areas such as health insurance are only just starting to gain significant traction. Retention ratios are low across the non-life sector in Zimbabwe, but most notably so in transport lines, where practically all premiums are ceded. In the nascent health sector, only 0.1% of premiums were retained.

Zimbabwe's non-life insurance market is more fragmented than the life market with no single player dominating, although the 5 largest players have increased their market shares to account for 72% of written premiums.

In 2020, **Zimnat Lion** consolidated its position as the largest non-life provider with a market share of 19.3%. **Nicoz Diamond** claimed the second place spot in 2020 with a market share of 15.9%, followed by Old Mutual, and a market share of 14.8% in 2020.

The final companies in the top 5 are **Cell** with11.8% of market share and **Alliance**, with a 10.3% market share.

These companies offer a wide range of products including motor, health, property and travel as well as various liability lines. The diversified nature of the market has kept competition active, pressing down prices and generally benefiting the consumer. However, a major step towards consolidation came in December 2017, when First Mutual Limited announced that it had received regulatory approval for its purchase of Nicoz Diamond - a move that was completed in 2018 and followed by the merger of Nicoz Diamond with First Mutual's other non-life holding, **Tristar Insurance Company.**

Top 10 Non-Life Insurance Companies by Gross Premiums, USDmn **(2015-2020)**

	2015	2016	2017	2018	2019	2020
Zimnat Lion	24.3	24.9	28.3	41.8	31.9	30.0
Nicoz Diamond	29.1	29.3	31.6	40.6	22.2	24.7
Old Mutual	35.9	36.8	37.9	41.4	18.8	23.0
Cell	21.3	18.7	17.6	26.7	19.4	18.3
Alliance	32.8	32.4	31.7	31.6	19.0	16.1
Econet	na	na	na	2.1	8.2	12.3
FBC	na	na	19.0	22.1	11.4	7.4
CBZ	9.6	10.2	10.4	12.7	7.7	7.0
Clarion	3.0	3.2	3.9	7.1	2.7	4.9
ECGC	0.0	0.3	1.3	2.1	1.7	2.4

na = not available/applicable. *Source: IPEC, Fitch Solutions*

Looking forward, *"Fitch Solutions"* believes that stricter regulatory and capital requirements will encourage further merger and acquisitions (M&A) activity, alongside the establishment of partnerships. While M&A strategies are more aggressive, partnerships through joint ventures, for instance, enable the less-capitalised companies to gain access to the larger financial resources of the partnering firms. Accordingly, this will give the smaller players that are under pressure from IPEC a chance of survival, in exchange for access to their existing client base and established distribution channels.

As it stands, the regulatory changes indicate that competition in the sector is likely to be hampered, with large-scale market leaders such as Old Mutual most likely to benefit.Foreign investment would likely take the form of acquisition, leading to market consolidation.

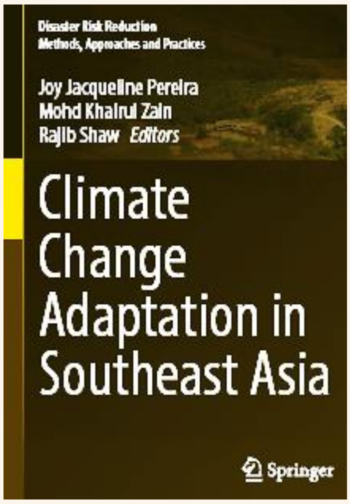
If the new government proves genuinely pro-reform - and economic prospects brighten - then this will generate significant potential for further foreign participation, though a lack of progress to date does little to inspire investor confidence.

The Zimbabwean non-life market has the potential for high growth rates, given its current low base, but has been a victim of the country's economic volatility and political mismanagement.

Source: Business Monitor International Ltd – 6 October 2022

Book Review

Title: **Climate Change Adaptation in Southeast Asia**
Edited by: Jacqueline Pereira, Mohd Khairul Zain & Rajib Shaw
Publisher: Springer
Publishing Date: 2022
Number of Pages: 232
Keywords Climate change adaptation | Climate risks | Disaster risks



This book highlights the current issues, challenges, and priorities for climate change adaptation in the ten member states of the Association of Southeast Asian Nations (ASEAN). The status of each country was prepared by a consortium of researchers in consultation with National Focal Points of the ASEAN Working Group on Climate Change (AWGCC). National documents on adaptation actions, including local scenario and priorities, were reviewed where available and supplemented with an assessment of scientific publications to identify vulnerable ecosystems and regions. Adaptation needs and priorities were determined through stakeholder consultation in the respective countries. This allows for local-level perspectives to be captured and brought to the attention of policy and decision-makers at the national and regional levels. An important lesson from this exercise is that universities and research institutions at the national level have a critical role to play in bridging the gap between science and policy in climate change adaptation. These institutions also have the capacity to continuously facilitate transfer of the best available science for advancing climate change adaptation at the local level.

CH1: Southeast Asia: An Outlook on Climate Change | P 1-24

Climate change and disaster risks are mainstreamed in the three major pillars of the Association of Southeast Asian Nations (ASEAN) and complement the UN 2030 Agenda for Sustainable Development. All ASEAN Member States (AMS) have ratified the Paris Agreement. The projected climate change impacts for Southeast Asia are less severe for global warming of 1.5 °C compared with 2 °C or more. Overall, there is only a medium level of readiness in handling the projected impacts for global warming of 1.5 °C in the region, except for prioritized adaptation measures to address reduction in rice yields in several AMS. Transitioning to a 1.5 °C world requires astute adaptation, linking climate change and disaster risk reduction, amplified engagement with targeted stakeholders, and smart partnerships to hasten the process of developing truly effective climate change adaptation plans in AMS. Greater ambition is also required to create a healthy environment in AMS. Potential strategic initiatives that could benefit AMS will require mobilization of resources and technical support. All nations of the world have a critical role to play in limiting global warming to 1.5 °C.

CH2:Climate Change Adaptation in Brunei Darussalam | P 25-41

Brunei Darussalam's greatest vulnerability to climate change probably lies in the energy sector, which sees the problem of having to move away from the use of, and reliance on, fossil fuels and petroleum products, the country's main source of income. This is followed by vulnerabilities in the water and agriculture sectors. Although adaptation actions for climate change are mainly focused on responding to the impacts of climate change, it can also include preventative measures to slow down the progression of climate change and mitigation measures to reduce the effects. There is need for more regionally relevant studies to be carried out on the potential impacts of climate change in the Bornean region. This would be invaluable for accurately predicting how climate change will affect the region and provide better information in preparation for climate change. A local level pilot focused on agriculture is proposed, to be located in any of the 66 suitable Agricultural Development Areas of Brunei.

CH3:Climate Change Adaptation in Cambodia | P 43-56

Cambodia, a tropical country with high average temperatures and two distinct seasons, a dry and rainy season. Despite the fact that climate change impacts have occurred in the communities, the adaptation mechanism of the local government and community remains very limited. A local level pilot is proposed in Kampong Speu, which is a vulnerable province with a high incidence of poverty. Farmers are expected to face the impact of drought and local communities have limited understanding of related root causes and the potential disasters. The expected loss and damage is still under investigation but anticipated social problems include loss of livelihood, high rates of school dropout, and other aspects of social vulnerability.

CH4:Climate Change Adaptation in Indonesia | P 57-75

A large proportion of Indonesia is prone to climate change. Vulnerabilities portrayed at the national and regional levels may not link well with those portrayed at the local level. Most studies at the national and regional levels successfully identify vulnerable hot spots. However, they fail to understand the causes of social vulnerability. It is important to understand the causes of social vulnerability as each individual and community have different levels of access to resources, coping capacity, and recovery capacity. A comprehensive vulnerability assessment is necessary especially at the local level to better understand causes of social vulnerability, which are often context specific. Two areas are proposed for enhancing local level climate change adaptation in Indonesia, Lombok Island in West Nusa Tenggara Province and Probolinggo in East Java Province.

CH5:Climate Change Adaptation in Lao PDR |P 77-102

Lao PDR is highly vulnerable to the impacts of climate change. In the last three decades, Lao PDR has experienced more intense and frequent floods, and droughts. In the Lao PDR National Strategy on Climate Change 2010, floods and droughts were identified as priority areas for adaptation, which have greatly affected the agriculture, forestry, water resources, and health sectors. Vulnerability assessment for Lao PDR will provide crucial information for effective adaptation strategies. Improving weather forecasting and development of early warning systems would be beneficial to mitigate the impacts of climate change, especially for the vulnerable sectors that have been identified. This will prepare the people of Lao PDR for climate hazards such as floods and droughts, and also reduce the impact of these hazards. The Se Done Basin, which covers the provinces of Saravane and Champasak in the southern part of Lao PDR is proposed as a local level pilot, where the focus is on strengthening the water resource information system.

CH6:Climate Change Adaptation in Malaysia | P 103-116

The National Policy on Climate Change promotes balanced adaptation and mitigation to achieve climate-resilient development. Notwithstanding, actions on climate change adaptation in Malaysia appear to lag behind climate change mitigation. The existing environmental management plans, national conservation strategies, disaster management plans as well as sector-based programs such as water, agriculture, forestry, transportation and fisheries, among others have elements of climate change adaptation. However, a specific national strategy for climate change adaptation is not yet been formulated nor is there a National Adaptation Plan developed to drive comprehensive and systematic action. On the research front, there is great uncertainty associated with the downscaling of regional climate data, and this calls for judicious use of climate projections for high investment decisions. Novel approaches are required for dealing with the anticipated impacts of climate change at the local level. A local level pilot is proposed in Kota Kinabalu, Sabah. The pilot is intended to address climate change risks associated with biomass and biofuel production, waste management, burden of diseases and coastal adaptation as well as institutional capacity, technology and resource challenges.

CH7:Climate Change Adaptation in Myanmar | P 117-127

Myanmar is exposed to multiple natural hazards including cyclones, earthquakes, floods, droughts, landslides, tsunamis, and fires. The western coast of Myanmar is subject to frequent tropical storms and cyclones during monsoon seasons. Socioeconomic sectors related to adaptation in Myanmar include agriculture, forest, biodiversity, coastal zones, public health, water resources, and education. The agriculture sector in Myanmar, particularly agricultural production and food security, is very vulnerable to the negative impacts of climate change. Potential local level pilots have been identified in the dry zone and coastal region.

CH8:Climate Change Adaptation in the Philippines | P 129-173

Climate change adaptation in the Philippines has evolved from “no regret” solutions to serious mainstreaming into policies and development plans, which specifically address the country’s and the local governments’ vulnerabilities. Several priorities identified in the National Climate Change Action Plan (NCCAP) through a gap analysis following an inventory of climate change researches have already been done in the country, and areas that need further studies, as well as new and emerging issues, are highlighted in this chapter. The most number of research conducted in the Philippines under the NCCAP is in the areas of environmental sustainability and food security. The proposed pilot is to take San Vicente, a municipality located in the northwestern side of the Palawan Province, as a single socioecological system. A holistic adaptation approach for building resilience to climate change will be taken, bearing in mind the concepts of multifunctionality, transdisciplinarity, participation, complexity, and sustainability, specifically targeting the sub-components of resilience.

CH9:Climate Change Adaptation in Singapore | P 175-196

The Nationally Determined Contribution (NDC) has stated that Singapore has pledged to reduce its emission levels by 36% in 2030. This is complemented by actions to adapt adequately to climate change as Singapore is one of the most densely populated countries. This chapter highlights the early warning measures that are being put into place to minimize adaptation costs for this island state. In an effort to cultivate its own body of knowledge and expertise in climate science and climate modelling, the Meteorological Service Singapore set up the Centre for Climate Change Research Singapore to study the impacts climate change on the island’s biodiversity and greenery, its network and building infrastructure, and more importantly, its water resources and drainage. Two pilots are proposed that would benefit both the island state and ASEAN Member States. The first is on the feasibility and opportunities for mobilizing private sector finance options to advance urban infrastructure adaptation. The second is on developing a holistic approach for assessing food security challenges and response options using scenario development, downscaled climate projections, and modelling of major food crop markets and commodity prices.

CH10:Climate Change Adaptation in Thailand | P 197-216

Thailand has a long coastline that is exposed to the impacts of climate change. The country ranks sixth in terms of the severity of projected effects of climate change due to sea level rise. The diversity of its regions is the most pronounced attribute of Thailand’s physical setting, with the mountainous region located in northern Thailand. With 25 major river basins and agriculture as a gross national product, Thailand is the world’s largest exporter of rice, and is often called “the rice bowl of Asia.” Agriculture employs 49% of the population and contributes 10% of GDP. The focus of research in vulnerability and adaptation in Thailand is to enable the integration of climate change adaptation into national development policies and planning. The Ban Klong Sai Village of Maharaj City located in the Ayutthaya Province is proposed as a local level pilot for flood adaptation. The aim is to monitor the sustainability of integrating disaster risk reduction and climate change with respect to community livelihood, good governance, and other aspects.

CH11:Climate Change Adaptation in Vietnam | P 217-233

Vietnam is exposed to frequent and intense hydro-meteorological hazards such as storms, floods, and droughts. The proposed local level adaptation pilot is the Quang Ngai Province, which has experienced very high incidences of typhoons, floods, riverbank and shoreline erosion, mountain landslides, and flash floods. The coastal areas are also exposed to sea level rise, drought, and saline intrusion. Loss and damage due to sea level rise is linked to fishery productivity, degradation of mangrove forests, saline intrusion in brackish and freshwater aquaculture zones, and inundation of transportation infrastructure. Adaptation has been given serious attention in the country. However, lack of capacity and resources are major barriers. There is a need for capacity building, transfer of technology, and financial support to advance adaptation in Vietnam.

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