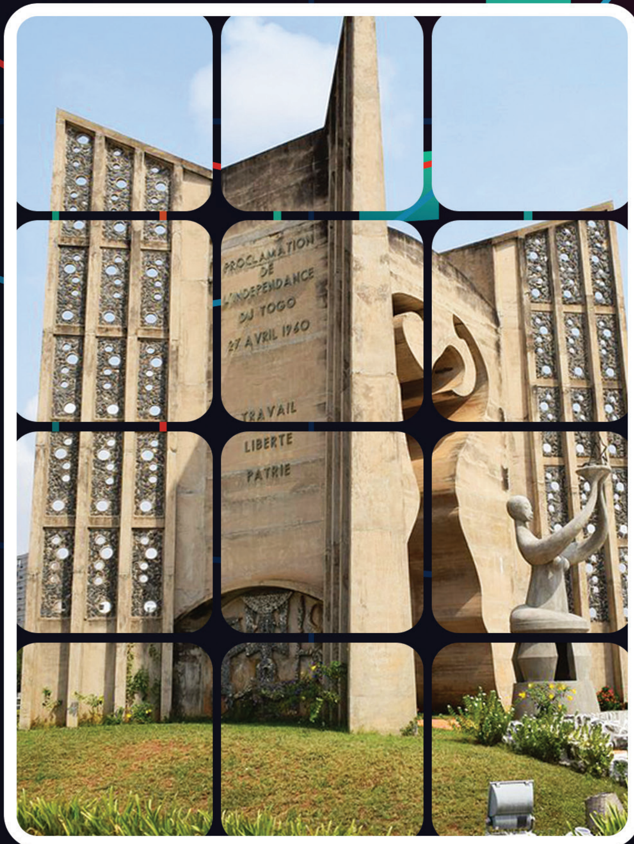
FAIR Review

Issue No. 197 (Sep. 2023/Q3)

Market Overview of Togo

Market Overview of UAE



It's a Risky Business, We've Got You Covered.

Financial Strength Rating of 'A' Strong (Stable Outlook) by Fitch Ratings

Financial Strength Rating of 'A-' Excellent (Stable Outlook) by A.M. Best

MALAYSIAN REINSURANCE BERHAD (200401025686) (664194-V)

(A wholly owned subsidiary of MNRB Holdings Berhad)

www.malaysian-re.com.my

ISSN 1687-2231

FAIR Review

FAIR in Brief

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

Vision:

FAIR aims to become a driving force for international insurance cooperation by promoting collaboration and adoption of international standards.

Mission:

FAIR will lead the effort to achieve harmonization of insurance markets by promoting the adoption and implementation of international standards among members facilitating the sharing of information and expertise and enhancing cooperation to be of added value to members.

FAIR's added value is based on:

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

FAIR Review

The "FAIR Review" is published quarterly by the central office and circulated to over 6000 of FAIR's members & friends from various insurance markets. It is devoted to disseminate the research work, articles and information, to enhance professional knowledge among insurance professionals.

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

Issue No. 197
Sep. 2023

Secretary General
Mr. Mo'men Mukhtar

Editorial Consultant
Mr. Hussein ElSayed

Media Manager
Mr. Ahmed Sirag AlHadi

Contact us

129 ElTahrir St.,
Doqi, Giza - Egypt

Phone: (202) 37485429
37485436

Whatsapp : (20) 1099575725

media@fair1964.org
www.fair1964.org

Printed in: Toukhy Misr Printing
Tel.: +202 23935626

Contents

Global Markets

Understanding Catastrophe Bonds (CAT Bonds) 4
SUSTAINABLE UNDERWRITING : How Insurers Can Account for ESG Risks and Enable Dynamic Pricing 10
S&P drops ESG scores from debt ratings 14
European Commission Adopts European Sustainability Reporting Standards 15
EIOPA Consults on Supervisory Expectations of Reinsurance from Third-country Reinsurers 16
Lloyd’s closes down Austria, Finland, and Poland branch offices 17
Report reveals UK insurers continue to face issues with BEVs adoption 17
Ukraine Black Sea Attacks Signal Expanding War; Russia Insurance Costs Likely to Rise 18
Harvard Loses $15M in Excess Coverage Because of Late Notice of Claim 20
XPRIMM Insurance Report (CEE, SEE, ex-USR) Full Year 2022 22

Africa News

Property Insurance Industry Outlook in Middle East and Africa in 2022 - by GlobalData 25
MENA Insurance Market 26
Factors affecting the profitability of reinsurance companies in sub-Saharan Africa 29
ALGERIA: Bill regulating insurance activity finalized 46
ANGOLA: Angola, IFC sign agreement on introduction of crop insurance 46
EGYPT:
FRA issues regulations on digital transformation of non-bank financial sector 47
P&C insurance premiums jump by 60% in 1H2023 47
ETHIOPIA: Ethiopia Insurance Competitive Landscape 48
GHANA: Reinsurer shows modest overall profitability 52
MADAGASCAR:
ARO Madagascar: 2022 results 53
Insurance Market Statistical Key Highlights 54
MALAWI: African Risk Capacity launches the first Flood Risk Insurance Product in Africa 55
NIGERIA:
NAICOM, NCDMB, others partner to boost local content insurance 56
Nigerian insurance market structure 59
SENEGAL:
Growth of insurance market estimated at 10% in 2022 60
New minimum capital requirement increases pressure on small insurers 60
Insurers form oil & gas risk pool 61
SOUTH AFRICA: South Africa’s Parliament passes National Health Insurance Bill 63

Asia News

Business interruption ranked highest risk for Asia's tech sector 66

Property Insurance Industry Outlook in Asia-Pacific in 2022 - by GlobalData 67

AUSTRALIA:

APRA releases report on insurance claims trends 68

Regulator to review reinsurance in prudential framework 69

AZERBAIJAN: CBA: in 2023 the market may show almost two-fold growth in four years 70

CHINA:

IFRS 17 to trigger product changes for Hong Kong, China insurers 71

China unveils plans to support its reinsurance goals 73

China's 1st forest biodiversity insurance launched 74

INDIA: Nat cat losses to challenge property insurance growth in India 75

KAZAKHSTAN: Drought-affected farmers may have their loan repayment period extended 77

NEPAL: NRB agrees to provide refinancing to flood-damaged hydropower projects 78

PAKISTAN:

Regulator to amend the law to boost motor third-party insurance 80

Pakistan Insurance Key View 81

PHILIPPINES:

Gov't, insurance sector working on insurance pricing 82

Insurance penetration stays low despite higher premiums 85

SOUTH KOREA: Korean insurers' net income from overseas operations jump by 35% in 2022 85

UZBEKISTAN: 1Q2023: voluntary non-life insurance generates over 80% of the market GWP 86

African Insurance Market Report: Togo 88

Asian Insurance Market Report: United Arab Emirates 98

Book Review: Index Insurance Readings 113

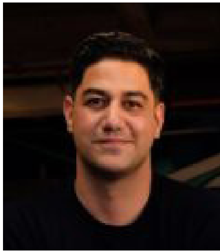
Issue Sponsores:

ARAB RE - Lebanon	*Back Cover*
Malaysian Reinsurance Berhad (Malaysian Re)	*Inside Front Cover*
Suez Canal Insurance Company	*24*
MiLLi RE - Turkey "FAIR Non-Life Reinsurance Pool"	*65*
OMAN Re	*87*
S.C.R - Morocco "FAIR Aviation Pool"	*97*

Global Markets

• *Understanding Catastrophe Bonds* (CAT Bonds)

By Niji Sabharwal | January 18, 2023



Niranjan "Niji" Sabharwal is the co-founder and CEO of AgentSync, an insurance producer license management software. Niji believes solving problems at scale requires the right proportions of people, processes, and technology. He holds a B.A. in business economics from the University of California Santa Barbara. Contact Niji at sales@agentsync.io

Since the mid '90s, insurers have used catastrophe bonds (CAT bonds) to provide a financial safety net in response to cataclysmic events like hundred-year floods, category four and five hurricanes, major wildfires, and even terrorism.

Disaster films are very popular in America. Twister, The Perfect Storm, and The Day After Tomorrow were all box office hits that drove flocks of moviegoers to witness carnage on the big screen from the safety of their cushy theater seats (despite the sticky, popcorn-butter-soaked floor). Unfortunately, in recent years, these cinematic catastrophes have been coming to life. And as the insurance industry tries to help people who're impacted, the industry itself isn't safe from the consequences of increased catastrophic events.

CAT bonds are the most popular investment instrument carriers use within the burgeoning Insurance-Linked Securities (ILS) market, which consists of products created to help the insurance industry handle enormous financial setbacks resulting from the most extreme circumstances. Reinsurance sidecars and life insurance securitization are two other investment vehicles included in the ILS market, but here we'll just cover CAT bonds as they are currently the most widely used.

What are CAT bonds and why would an insurance carrier issue them? We'll cover these questions, discuss how and why these bonds were conceived, and what the future holds for this high-yield bond.

What are catastrophe bonds (CAT bonds)?

These bonds are unique debt instruments that convey risk from a sponsor to investors. CAT bonds can be a "last resort" for insurers in a catastrophic situation like Hurricane Katrina when claims can push a carrier toward insolvency.

As the name implies, catastrophe bonds (CAT bonds) are geared toward financially devastating events that affect both businesses (including insurers) and private citizens. For example, the "once in 100 years hurricanes" we used to believe happened every century are now annual events. These storms have put a considerable financial strain on the insurance industry worldwide. Due to the frequency and enormity of the disasters we're now facing, many insurers are looking for stronger financial backing above and beyond traditional reinsurance policies.

CAT bonds are high-yield bonds that are, in large part, non-investment grade bonds. Investment grade ratings are important because they help the investor understand the risks involved. Credit rating agencies like Moody's and Standard & Poors (S&P) rate bonds according to bond risk variables, and CAT bonds tend to fall into the riskier category. They're sometimes labeled "junk" bonds, which is a Wall Street term for a high-risk bond; however, some CAT bonds have crept into investment-grade territory. These investments are also more often variable rate bonds and can mature anywhere from one to five years, but most mature at the three-year mark.

Important aspects of CAT bonds

In order to understand the basics of a CAT bond, there are a few terms that are helpful to know. In some cases, investment instruments such as these can be multifaceted, and have special nuances that are particular to that bond deal. However, the following should help you gain a solid foundational knowledge.

Sponsors

A sponsor is the organization that issues a bond to the investor market. This can be a carrier, a reinsurer, a state catastrophe fund, a country, a non-profit, or even a corporation. An example of a state catastrophe fund is the California Earthquake Authority (CAE), which has sponsored numerous CAT bonds over the years in order to protect insurers in the event of a major earthquake.

Another example of a sponsor is search engine giant Google, which has issued three CAT bonds since 2020. While Google (and its parent company, Alphabet, Inc.) are not insurance companies, they issued CAT bonds to protect corporate operations in California. The technology giant could face substantial losses in the event of a catastrophic earthquake and it appears they felt the ILS market was their best bet for financial security.

Investors

Hedge funds and institutional investors are keen on these instruments for a variety of reasons, namely their high yields. In general, this is not a "mom and pop" bond as CAT bond complexity requires a good deal of due diligence and sophistication before investing. In fact, a married "mom and pop" filing jointly will need a combined income that exceeds $300,000 for the two most recent tax-filing years or a joint net worth that exceeds $1 million. If it's just mom or just dad, he or she needs $200,000 in income and still would need a million dollars in net worth. These investors would be considered accredited, as they meet the requirements, and would be able to purchase CAT bonds.

CAT bonds are also separated from the general stock market's

performance, which assists with portfolio diversification. To a CAT bond investor, keeping tabs on major weather events is more relevant than the ups-and-downs of the Dow Jones or S&P 500. The majority of CAT bond investors are located in the United States, but buyers worldwide also participate in this market.

Specified set of risks

Risks, as they pertain to the CAT bond definition, are the risks bondholders face that could trigger payment to the sponsor. These risks include major natural disasters such as earthquakes, floods, windstorms, tornados, and hurricanes.

Special-purpose vehicle/special-purpose insurers

The SPV/SPI is "bankruptcy remote" (isolates financial risk for the sponsor) and has the legal authorization to act as the insurer. This means it is actually able to write reinsurance. In many instances, these vehicles are domiciled in Bermuda, Cayman Islands, or Ireland. Malta is on the map as well. The reasons for these exotic locales are tax and accounting purposes – as one source put it, SPVs find a home in Bermuda because of the country's "adaptive regulatory environment." Local legislation in these countries offer the CAT bond sponsor favorable benefits that cannot be obtained in the United States or other countries with tighter regulations.

How to set up a CAT bond

Let's begin with a simple hypothetical scenario in which the sponsor is an insurer. This particular insurance company has a problem. Many of its customers own homes in hurricane prone counties in Louisiana and they're concerned if another Category 5 smashes into these areas, they'll have some serious financial problems on their hands. After much deliberation, the company decides to try the CAT bond market to help shore up its financial defenses against potential hurricane force winds blowing down their doors (or rather tearing up their balance sheets).

Creating and issuing a CAT bond requires setting up multiple special entities and hiring various professionals who are important in the creation and sale of the bond. CAT bonds are intricate financial debt instruments, however, the basic elements can be broken down into the following phases:

- Creating a SPV/SPI. In this example, this hypothetical insurer is looking for help reducing its risk of hurricane-induced losses. It creates an SPV that acts as the intermediary between bond investors and the insurer. This vehicle is the center of the action between investors, the insurer, and trust accounts (which we discuss later on). The insurer pays premiums into the SPV and, if a catastrophic event is triggered, the principal amount (provided by the investors) will flow to the insurer from the SPV.
- Setting up a trust. When bonds are sold, the principal is collected in the SPV and placed in a trust, which can then be reinvested into low-risk accounts like a money market. Returns from this external trust vehicle flow back to the SPV and on to investors in the form of variable rate payments. To sweeten the pot, investors also receive a premium payment through the SPV from the sponsor for bearing the risk of losing their principle in the event of a catastrophe.
- Selecting a structuring agent. The sponsor selects a structuring agent, typically an investment bank, to assist with the bond design and sales. The bond purchasers buy from the structuring agent, who is licensed to sell bonds. An independent modeling

agent is essential to craft models to forecast sponsor event risks, and they work alongside attorneys to ensure securities compliance. As you can see, there are a few "cooks in the kitchen" when structuring and issuing a CAT bond.

- Determining the trigger. The structuring agent and sponsor then work together on the sponsor protection dollar amount and select the triggering event that will activate a payout to the sponsor from bond investors. In addition, the trigger has to occur within the time frame agreed upon in the contract. Many of these trigger events are tricky to substantiate and some require independent third parties to confirm the aggregate dollar amounts. An example is Property Claims Service (PCS), which assists with data verification.

What are CAT bond triggers?

A "trigger" precipitates payout from bondholders to the CAT bond sponsor. The most common are indemnity and industry loss triggers, followed by parametric and modeled loss triggers.

Depending on how the bond is constructed, the payout to a sponsor after the trigger occurs is either a portion of the principal of the bond or the whole amount. If a trigger is activated, bond holders could lose their investment. If a specific triggering event does not occur within the agreed upon time frame, investors then recieve their principal back at the bond maturity date. Famed author and financial journalist Michael Lewis has dubbed this world of investing as gambling in "Nature's Casino."

Types of CAT bond triggers

There are several types of triggers in the world of CAT bonds. These include:

Indemnity triggers

The indemnity trigger activates a payout to the sponsor based upon what losses are suffered by the actual sponsor. This trigger may result in a longer payout process to the issuing sponsor of the bond due to the length of time it can take to verify the sponsor's actual losses. A catastrophe is complex and messy and the insurance portion is no different. Despite this, indemnity incidents along with industry loss events are the most common triggers for CAT bonds.

Industry loss triggers

The industry loss trigger activates a payout to the sponsor based upon what the insurance industry as a whole loses as a result of a catastrophic event. The losses must exceed an amount, called an attachment point, which the sponsor sets beforehand. Again, data collection on this trigger can take a long time to compile as data trickles in after a serious disaster. State governments and individual insurers will release initial assessments, but this number often changes as more facts and data points are compiled.

Parametric triggers

A less common trigger, the parametric trigger, is activated when an event surpasses a certain predetermined threshold. For example, if an earthquake is equal to or greater than 5.0 on the Richter Scale or hurricane wind speeds are more than 120 mph. These measurements are easier to confirm quickly with modern technology, resulting in faster payouts to sponsors.

Modeled triggers

These triggers are similar to indemnity tiggers with one major difference. Rather than being based on actual claims, this trigger relies on computer and/or third-party models. These models are estimations and will render data much faster than the indem-

nity tiggers. Modeled triggers only compose around 1 percent of the current trigger mechanism pie, and were more common in the early years of CAT bond development.

In addition to the above types of triggers, CAT bonds can be structured as per event or can provide coverage for multiple catastrophes over a specified period of time. For example, a trigger could be set off when a third hurricane strikes in a certain region within a specific time frame, or by combined losses from three named storms in a season. The sophistication level and creativity of triggers continues to evolve as much as the world's weather does.

History of CAT bonds

The first CAT bond was introduced over 25 years ago by George Town Re Ltd. Interestingly enough, this debt instrument was triggered by multiple natural disasters resulting in a $1 million investor payout to its sponsor, St. Paul Re, to help cover claims. Fun fact: this loss would be over $1.8 million in 2022 dollars, thanks to inflation.

CAT bonds were created, in part, as a response to insurers' staggering losses during Hurricane Andrew in 1992. At the time, it was the costliest natural disaster to ever strike the United States. Clocking in at over $25 billion in damages, Andrew and its ensuing wrath resulted in the failure of numerous insurance carriers. Further disasters such as the 1994 California Northridge Earthquake reinforced a sense of urgency within the insurance industry to find a solution for the largest and costliest situations.

Since then, the CAT bond market has bounced along steadily and somewhat quietly until Hurricane Katrina roared ashore in 2005. Katrina caused over $65 billion in insured losses, triggering an explosion in CAT bond growth, resulting in a 136% increase in issued bonds in 2006. The financial crisis of 2008 to 2009 resulted in a slowdown, especially in wake of the Lehman Brothers collapse, but bonds stormed back by 2010.

As the world grows even more dangerous, risks are expanding into other areas such as terrorism and pandemics. In fact, PoolRe, a U.K. terrorism reinsurer, issued the first CAT bond to cover insurance carrier losses suffered as a result of terrorist acts. A pandemic, in the wake of Covid-19, is now a real risk, and the appetite for pandemic CAT bonds is growing as well.

Taking full advantage of the high yields they so covet, institutional investors continue to place money into CAT bonds. Additionally, the insurance industry continues to use CAT bonds to buffer themselves as losses pile up from unabated disasters.

How do CAT bonds benefit carriers?

As losses mounted in the early '90s insurance industry, Wall Street came to the rescue after other financial safety plans became inadequate. Reinsurance was just not enough anymore; the industry needed new options.

Obviously, the biggest CAT bond benefit is capital to keep a carrier solvent, but there are other advantages as well. The overall cost of capital can be lower for a sponsor if a carrier decides to explore this special bond market. A CAT bond helps an insurance carrier obtain money from a variety of different sources. For example, hedge funds will naturally compete with reinsurers, driving down reinsurance costs. As the pool of capital increases for a carrier to choose from, it creates more flexibility and options for CAT bond sponsors.

CAT bond deals are typically structured as multi-year agree-

ments, whereas most reinsurance contracts are for a period of 12 months. The extended time afforded by a CAT bond allows the issuing sponsor to enjoy set prices for a longer period. Last but not least, insurers are also required to have a minimum reserve account on standby and these bonds assist in reducing that amount.

What does the future look like for CAT bonds?

The future of the CAT bond market appears to be strong; however, as with any financial instrument, it's difficult to predict. As our climate changes and storms continue to grow stronger, it's safe to say that more catastrophic events will unfold across the world. Humans also continue to build homes in areas that are prone to wildfires and hurricanes, resulting in costly disasters. CAT bonds may remain a popular solution for carriers as they seek alternative financial remedies for rising claims from damaging events.

In 2021, the CAT bond market reached new heights as $12.8 billion in new bonds were issued; numerous insurance companies entered the market for the first time. This new bond amount eclipsed 2020 numbers by 15 percent, which was also a record year. Also in 2021, The World Bank assisted the country of Jamaica with bringing a disaster bond to market.

We are nearly halfway through 2022 and growth in the ILS market shows no signs of slowing.

One big question for the future is how rising inflation will affect the CAT bond market. Could interest rate increases significantly impact the market in 2023?

Bonds have an inverse relationship to interest rates that, at first look, could seem confusing. As interest rates rise, a fixed interest rate bond does not get investors as excited, so the bond price goes down. On the other hand, in a low interest rate environment (which has been most of the last two decades) fixed interest rate bonds become more attractive as the bond price increases. As of this writing, interest rates are rising sharply to combat inflation numbers the world has not seen in over 40 years.

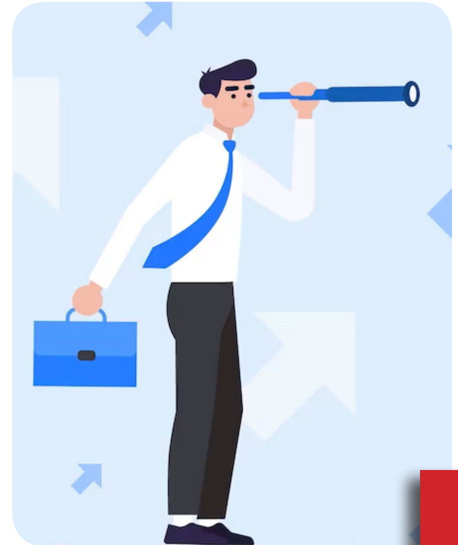
This brings us to the CAT bond and how the current inflationary markets will impact them. As we mentioned earlier, these bonds are typically fixed, short-term, and high yield bonds. As rates rise, the price of the bond decreases, but bonds with shorter terms tend to be less sensitive to rate changes (CAT bonds are typically 3-5 years). Nevertheless, due to the changing financial environment, some feel that CAT bonds could approach eight or nine percent yields in 2023.

Please note that at AgentSync, we provide data-driven tech solutions to insurance businesses. While we hope you find our perspective useful and interesting, we aren't providing legal or financial advice. Do your own research and due diligence to follow the guidelines and regulations of your jurisdiction. You'll definitely want to hire outside counsel before investing in CAT bonds!

Whether you want to dive into the CAT bond market or not, let AgentSync help reduce your compliance risks and speed up your onboarding and licensing process. We can help insurance carriers, agencies, and MGAs lower operational costs and get producers and adjusters licensed faster. Check out our solutions today. ■

Source:
Insurance Journal - January 18, 2023

INSURANCE JOURNAL



SUSTAINABLE UNDERWRITING: *How Insurers Can Account for ESG Risks and Enable Dynamic Pricing*

By integrating more data from a more diverse range of sources and automating workflows, insurers can develop meaningful ESG scores for rating and pricing risk

In brief:

- Traditional underwriting approaches are not sufficient to identify and manage the complex risks presented by climate change.
- Tomorrow's top performers will integrate AI-enabled tools and machine learning into their underwriting workflows to enable dynamic pricing and realize the benefits – including increased efficiency, improved risk selection and more profitable pricing.
- Given the imperative for change, insurers can seize ESG as an opportunity to drive broader transformation in the underwriting function.

Environmental, social and governance (ESG) matters are having a major impact on the insurance industry, with profound effects being felt across the business, from new product development to investment strategies to brand positioning. ESG is shaping the C-suite agenda, too, with more insurers questioning whether they should provide coverage to coal plants, oil pipelines and other carbon-intensive businesses. These can be difficult decisions when certain customers can cause increased loss ratios due to climate-driven natural catastrophes, litigations related to social and governance issues.

Underwriters are very much on the front lines of the ESG revolution. It's hard to overestimate the difficulty and complexity in assessing the wide range of risks from climate change. Those risks range from the physical damage caused by more frequent and severe storms to the disruptions caused by the transition to a greener economy. Property underwriters are focused on reducing their exposure to the physical impacts of climate change (e.g., coastal real estate threatened by hurricanes) and adjusting their pricing in line with these risks. Liability underwriters are carefully watching the growing number of ESG-related lawsuits and seeking forward-looking insights as to what sectors might face such litigations in the future.

But, according to recent research from Capgemini, relatively few insurers have begun factoring sustainability into their underwriting practices. Fewer than half of P&C insurers embed ESG scores in the underwriting process. Less than a third (30%) offer preferential conditions for customers that adopt sustainability initiatives and even fewer (27%) restrict access to "brown" or unsustainable companies.

Underwriters assessing price and risk in an ever-evolving landscape need a clear ESG underwriting policy and a repeatable approach that is standardized, transparent and automated. Realizing that vision requires insurers to incorporate richer data from more sources and deploy predictive models so underwriters can more effectively and accurately evaluate and price submissions. Ultimately, such an approach will enable dynamic pricing capabilities, which will be necessary to achieve underwriting excellence for the ESG era.

More broadly, more intelligent un-

derwriting is just one way insurers can play a proactive, leadership role in helping to create a more sustainable economy and help society mitigate the biggest threats from climate change. It can also help the industry develop effective risk advisory and prevention solutions that all types and sizes of businesses need.

Continuing the modernization journey

In one sense, ESG is another force driving the need for underwriting transformation. Insurers have long been working to automate core underwriting processes and integrate real-time and non-traditional data sets into their pricing and risk selection models. Similarly, they've been adopting the most advanced analytics tools in more sophisticated ways (e.g., predictive modeling, visualization). They were primarily motivated by the need to develop highly personalized, even individualized, products rather than the one-size-fits-nearly-all offerings of the past. The pressure to get to market faster was another factor.

The requirements of ESG have increased the urgency of the drive to automate, integrate and streamline. Personalization remains a priority, too; after all, different types of businesses in different regions will present distinctly different risk profiles.

And there's no talking about underwriting transformation without talking about the need to break free of the constraints of outdated legacy systems, which continue to challenge many insurers looking to modernize their underwriting functions.

Moving from integrated data to ESG scoring

Outside transformational goals, underwriting leaders face practical questions relative to ESG – primarily, how to deliver useful data to underwriters so they can more effectively model new types of risks. New sources can include more detailed climate and weather information, real-time data from sensors connected to the Internet of Things (IoT), third-party liability databases, and even unstructured data from call center interaction or claims adjustment documents. Using artificial intelligence (AI) on these enhanced data sets will enable insurers to gain richer visibility into all of their different customers' risk profiles, on climate-related and other types of risks.

Ideally, this transparent data can be fed directly into current environments (including the workbenches underwriters use every day) and embedded into existing workflows to generate ESG scores that evaluate customers' risk exposures relative to ESG. Using AI-powered analytical tools to uncover new insights and machine learning to continually sharpen their models will allow insurers to produce ever more precise risk assessments and pricing. The end goal is to establish an ESG scoring process that is fully digitized for roll-out at scale and to model these complex risks and tailor pricing and risk selection processes to the full range of commercial customers.

Fundamentally, ESG scores measure a company's exposure to long-term environmental, social, and governance risks. The score can indicate the probability of companies experiencing future losses from harmful events, assisting underwriters as they make decisions about account and portfolio pricing and profitability. ESG scores can also be used to target the right behavioral incentives (e.g., switching to EV fleets, installing solar panels) that can lead to premium

discounts. All types of insurers need these capabilities, including specialty carriers and reinsurers, which could apply the principles of ESG scoring across their entire portfolios.

And ESG scores are useful not just for modeling the risks for oil and gas, automotive, construction, agriculture and other carbon-intensive sectors; insurers also need ESG scoring models that are easily applicable to average commercial customers.

We are not talking about the ESG scores being developed and released by many different rating agencies and investor groups during the last year or two. Rather, we mean a rating or underwriting toolset or framework that enables insurers to model ESG risks much more efficiently and effectively. Certainly, third-party ESG ratings might be a useful input; just one of many examples of new data that will enhance insurers' overall underwriting approach.

Recent market developments point the way forward. Global insurers have developed underwriting processes and risk advisory services that identify risks requiring ESG assessment and provide tools for underwriters at the appropriate levels of authority. A large brokerage is partnering with a global carrier on a ESG risk rating measure.

In our view, these are starting points of a journey where ESG factors are embedded into underwriting processes, with more granular data continuously improving the accuracy of ESG scores. Underwriters with access to multiple scores and support from analytics team will be able to best assess and price risk.

The power of dynamic pricing

When scoring models are intuitive and work smoothly within existing workflows, they enable underwriters to evaluate risk and dynamically price exposures, which point toward the reality of real-time risk visibility. Dynamic pricing is particularly powerful relative to the complex risks associated with climate change. But it offers benefits of modeling any type of risk, making it a high-priority capability for insurers. Specifically, dynamic pricing allows insurers to responsively modify pricing and ratesas macroeconomic conditions change, competitive threats emerge and customer needs and preferences evolve. They can also improve risk selection through the use of more granular and timely data, including new variables such as changes in carbon emissions and new IoT data, that reflect individual behaviors and policyholder risks.

How to realize the vision

Insurers that are ready to advance their underwriting capabilities and

move toward dynamic pricing should consider the following incremental steps.

Build the roadmap: Create a focused innovation team or engage external partners to develop the long-term underwriting vision, including real-time risk visibility, data-driven workflows, predictive analytics and no-touch processing.

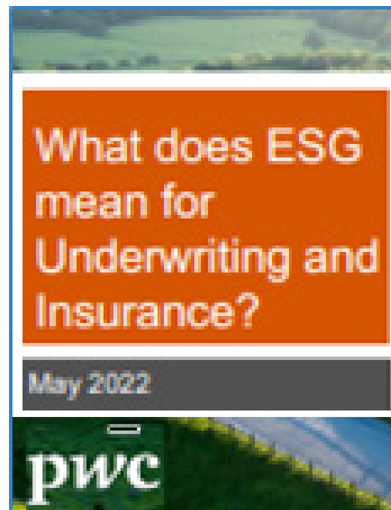
Prep the tech: Design data storage and data ingestion capabilities along with APIs to integrate with core underwriting systems, including workbenches and pricing platforms, which allows insurers to take advantage of new data streams and will help boost adoption.

Prototype and pilot to test and learn: Focus on a specific product line, sector or geography for experimenting with new underwriting models; consider adding data sources incrementally to your underwriting workbench or specific workflows and generate insights accordingly.

In conclusion
Just as it has become a huge factor in banking and asset management, ESG will become more prevalent in insurance, both as a source of new risk and of strategic opportunity. Consumers and investors alike expect insurers to help facilitate the transition to a greener economy.

But a new underwriting approach is necessary for ESG largely because climate-related risks are unlike other risks insurers face. More data and more powerful analytics are necessary because climate-related threats must be modeled into the future, rather than being assessed primarily based on past events.

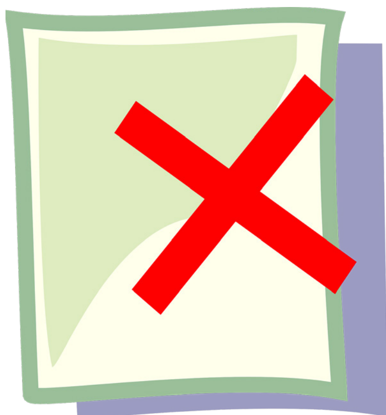
Further Reading & Related Publications:



Articles:

- Risk rating trends highlight blindspot in ESG perspective of global companies 06/06/2022
- The ESG Risk Rating - 08/03/2022
- 5 ways risk managers can improve their company's ESG rating - 15/07/2022

• *S&P drops ESG scores from debt ratings*



S&P Global Inc. will no longer publish ESG scores along with its credit ratings, as the company adjusts its approach in response to investor feedback.

The update, which took place last Friday, was triggered by expressions of confusion from investors who use S&P's corporate credit ratings, according to a person close to the process who asked not to be identified discussing feedback that hasn't been made public.

A spokesperson for S&P referred to a statement in which the company said the "update does not affect our ESG principles, criteria or our research and commentary on ESG-related topics, including the influence that ESG factors can have on creditworthiness."

The development comes as ratings providers try to navigate a changing landscape in which there's little consensus on how to assess the long-term financial impact of environmental, social and governance factors on issuers.

S&P had sought to address such concerns a few years back by adding an alphanumerical scale intended to enhance its text descriptions of an issuer's ESG credentials. That decision met with enough investor resistance to merit scrapping the alphanumerical model and instead publishing only text descriptions, the person said.

ESG indicators were introduced by S&P Global Ratings in 2021 following similar moves by Moody's Investors Service and Fitch Ratings. They were meant to be easy-to-visualize scores that conveyed the relevance of environmental, social and governance factors in a credit rating analysis.

Especially when it comes to risks stemming from climate change, there's evidence to suggest that ratings companies may be lagging behind. In a report published last September, the European Central Bank found that most ratings firms have made progress, but they still do a poor job of explaining their climate calculations, including transition and physical risk.

And economists at Cambridge University examining the impact of climate change on economic growth and sovereign debt markets found issuers may be facing billions of dollars in additional interest costs that credit ratings currently aren't capturing.

However, S&P's efforts to introduce an ESG scale to inform its debt ratings wasn't universally understood by investors, the person familiar with the process said.

Meanwhile, S&P is among firms to have felt the ire of Republicans intent on banning ESG. Last year, Utah's governor and its federal lawmakers objected to a decision by the company to publish ESG indicators for U.S. states, calling it an undue politicization of the ratings process.

S&P's decision to update its approach to publishing ESG indicators is unrelated to political attacks or legal threats, the person said. The rating company's ESG indicators include categories such as human rights, social integration, low-carbon strategies, climate measures and sustainable finance. ■

Source: InvestmentNews - August 9, 2023

• European Commission Adopts European Sustainability Reporting Standards

by Suzanne Kearney , Aisling Carey , Golda Hession , Lisa Boyle , Maura McLaughlin and Christopher McLaughlin (Arthur Cox)

The European Commission has adopted a delegated regulation setting out the first set of European Sustainability Reporting Standards ("ESRS") under the Corporate Sustainability Reporting Directive ("CSRD").

The ESRS specify the requirements for companies within scope of sustainability reporting obligations under the Accounting Directive as amended by the CSRD.

ESRS

The first set of ESRS is comprised of:

Two cross-cutting ESRS:

- General Requirements (ESRS 1) – including double materiality, the value chain and how to prepare and present sustainability information; and
- General Disclosures (ESRS 2) – including governance, strategy, impact, risk and opportunity management, and metrics and targets.

Ten ESRS on specific ESG matters:

- Environmental – climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy;
- Social – own workforce, workers in the value chain, affected communities, consumers and end-users; and
- Governance – business conduct.

The cross-cutting ESRS 2 (General Disclosures) will be mandatory for all in-scope reporting companies. All other ESRS and the individual disclosure requirements and datapoints within them are subject to a materiality assessment, meaning that the company will report only relevant information and may omit the information in question that is not material for its business model and activity. The ESRS take a "double materiality" perspective, obliging companies to report both on their impacts on people and the environment, and on how social and environmental issues create financial risks and opportunities for the company.

The first set of ESRS will apply to all in-scope reporting companies, regardless of the sectors in which they operate.

The first set of ESRS will apply from 1 January 2024, for financial years beginning on or after 1 January 2024 (first sustainability statement published in 2025) for companies within scope of the first phase of reporting under the CSRD, including large EU listed companies currently subject to the EU Non-Financial Reporting Directive. Other companies will be required to report against the ESRS in accordance with the phased timeframe for application of the sustainability reporting obligations as set out under the CSRD.

The CSRD requires the Commission to adopt by June 2024: sector-specific standards, proportionate standards for listed SMEs, and standards for non-EU companies.

Guidance

The Commission has published [Q&A on the adoption of the ESRS](). EFRAG (previously the European Financial Reporting Advisory Group), technical advisor to the European Commission on the development of the ESRS, is expected to publish non-binding technical advice on the application of the ESRS, including on the materiality assessment and on reporting with regard to value chains. EFRAG will also host a portal for technical questions that reporting companies may have about the application of the ESRS.

Legislative Process

The European Parliament and EU Council will now scrutinise the delegated regulation for 2 months (extendable by 2 months). Unless they reject it, it will be published in the Official Journal and will apply from 1 January 2024 as noted above.■

This article contains a general summary of developments and is not a complete or definitive statement of the law. Specific legal advice should be obtained where appropriate.

Source: Mondaq - 04 August 2023

• *EIOPA Consults on Supervisory Expectations of Reinsurance from Third-country Reinsurers*

by Stephen D'Ardis - Arthur Cox

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation on its draft supervisory statement on supervision of reinsurance arrangements entered into with third-country (i.e. non-EEA) reinsurers.

The statement sets out EIOPA's expectations for national competent authorities, such as the CBI, and industry in the event of using third-country reinsurance. EIOPA is seeking comments on the draft statement via an online survey by 10 October 2023

Highlights from the draft statement are:

Insolvency and collateral

When assessing the third-country reinsurer, insurers should identify the legal consequences of insolvency of the reinsurer (in particular, the power of a liquidator to disavow contracts). An important part of this assessment will be the status of collateral – if the applicable law prevents the undertaking from enforcing against the collateral in the event of the reinsurers insolvency, it may not be possible for the requirements of Article 214 of the Solvency II Delegated Regulation to be fulfilled.

Regulatory assessment

Insurers will need to assess whether the third-country reinsurer is duly licensed and can conduct business in the relevant Member State, as well as the reinsurer's experience with this type of risk transfer and the existence of any regulatory action against the third-country reinsurer. Detailed assessments will be expected when there is a material exposure to a single reinsurer or the arrangement is complex.

Monitoring

on-going monitoring of third-country reinsurers will be expected. For example, ratings downgrades or breach of the reinsurer's national solvency requirements may call into question whether the insurer should still recognise the reinsurance as a risk-mitigation technique (RMT) when calculating its SCR.

Reinsurance agreement

Insurers should assess if the agreement complies with Articles209-211 of the Solvency II Delegated Regulation and whether it is intra-group, short or long-term, and reinsurance or retrocession. This assessment should at least consider any further retrocession arrangements, any side letters, termination rights, claims hierarchy and collateral arrangements. If any of these issues indicate that the effective transfer of risk is jeopardised, insurers will need to provide further evidence to the national competent authority justifying recognition of the contract as an RMT. Insurers should also document their assessment of the reinsurance agreement in this regard (a point which was recently identified as good practice by the Central Bank of Ireland).

Risk mitigation tools

Where the insurer has concerns or identifies material risks, it could consider (or the NCA could request) a number of different options, including pre-emptive limits on reinsurance exposures, localisation of collateralised assets in the insurer's jurisdiction or regular commutation of reinsurance liabilities. ■

Source: Mondaq - 25 July 2023

• *Lloyd's closes down Austria, Finland, and Poland branch offices*

Lloyd's Insurance Company S.A. (Lloyd's Europe) announced that it will close down European branch offices in Austria, Finland, and Poland, effective from July 31, 2023.

Lloyd'sInstead, the company said it will only provide services to these locations, but just without a formal office in each location.

"…it will no longer provide non-life insurance business services on a Freedom of Establishment basis in Austria, Finland and Poland but will solely operate on a Freedom to provide Services basis."

The National Bank of Belgium (NBB), acting as Lloyd's Europe's home supervisor, has confirmed its approval of this strategic change, which allows Lloyd's Europe to pursue insurance and reinsurance opportunities in Austria, Finland, and Poland through open market placements and coverholders both within and outside these countries.

As part of the operational changes, Lloyd's Europe will be closing its branch offices in Austria, Finland, and Poland following the termination of their Freedom of Establishment authorisations.

Power of Attorney granted to the current General Representatives in each respective country will also be terminated.

However, all (re)insurance business located in Austria, Finland, and Poland will continue to be managed from the Lloyd's Europe head office in Brussels.

The company will maintain contact points through its offices in Germany for Austria, and Sweden for Finland, to support local policyholders and handle any necessary local requirements in these countries.

This change applies specifically to managing agents and coverholders placing business in Austria, Finland, and Poland on behalf of Lloyd's Europe.

Source: Reinsurance News (Reinsurancene.ws) - 1 August 2023

• *Report reveals UK insurers continue to face issues with BEVs adoption*

A new report from UK-based automotive risk intelligence company Thatcham Research has found that insurers are still finding it difficult to adopt battery-electric vehicles (BEVs) as there is a lack of low-cost or available repair solutions and diagnostics following an accident.

The finding is part of the 'Impact of BEV Adoption on the Repair and Insurance Sectors' report, which was funded by the UK Government's innovation agency, Innovate UK. According to Thatcham, 9,400 vehicles were possibly hit by accidents last year, which led to the inclusion of a new battery during repair.

This figure is expected to increase up to 260,000 vehicles a year by 2035. Thatcham also noted that BEV incident claims are around 25.5% costlier than internal combustion engine (ICE) equivalents and take approximately 14% longer duration to repair. Due to their potential fire risk, damaged BEVs that require repair have to be kept outside at least 15m from other objects. An outside storage facility for 100 ICE vehicles would have space to safely quarantine just two BEVs, thereby marking a potential 98% cut in repair capacity.

Furthermore, the report found that a replacement battery is more expensive than the used price of the car after just one year. This makes replacing the battery an expensive affair.

Thatcham Research engineering research head Adrian Watson said: "Without meaningful change, there is a strong likelihood that claims costs will continue to rise disproportionally.

"Much of the motor insurance industry is yet to adapt to mass BEV adoption challenges, and the implications remain unquantified on repair capacity, training and skills, cost, and the lifetime sustainability of BEVs. "This lack of awareness means many BEVs are often deemed irreparable, leading to premature write-offs because of high battery cost and the lack of value the UK ecosystem can recover from them." ■

Source: MarketLine NewsWire - 6 July 2023

• *Ukraine Black Sea Attacks Signal Expanding War; Russia Insurance Costs Likely to Rise*

By Bloomberg News

The footprint of President Vladimir Putin's war on Ukraine is growing fast after a weekend in which sea drones crippled a Russian naval vessel and oil tanker.

For the first time, the attacks put at risk Russia's commodity exports via the Black Sea, a route that accounts for most of the grain and 15% to 20% of the oil that Russia sells daily on global markets. Significantly higher insurance and shipping costs are likely to follow for Moscow, but there are risks to European and global markets, too.

The expansion comes as Ukraine's counteroffensive advances more slowly than Kyiv officials planned, and as Saudi Arabia's attempt to catalyze peace talks by hosting a multinational conference showed just how hard it is likely to be to end the bloodshed on terms both sides can accept.

"We're in an escalation phase now and the situation is unpredictable," said Alexander Gabuev, who heads the Russia Eurasia Center of the Carnegie Endowment for International Peace, a Washington think tank.

"Since the start of its counter-offensive, Ukraine has been trying to deliver a message to the Russian elites and population that the war can strike into their territory," Gabuev said. Now it "is trying to target Russian critical infrastructure, including sea routes in the Black Sea that are vital for Russian exports."

Although the extent of this escalation and its consequences are for now unclear, they may become significant and hit non-Russian economic interests as hard as Moscow's, if not Ukraine's. Wheat futures in Chicago climbed more than 3% on Monday before paring gains, while crude oil prices in New York were little changed.

"Freight rates will be ballooning next week as the risks of carrying anything across the Black Sea proliferate," said Viktor Katona, head crude analyst at market intelligence firm Kpler Ltd. The cost of shipping Russian crude from Novorossiysk to the west coast of India could rise by as much as 50%, he said.

Oil Exports

Russia exports around 500,000-550,000 barrels a day of crude and 450,000 barrels of refined products, mostly fuel and diesel, from Novorossiysk. The port also loads about 250,000 barrels a day of crude from Kazakhstan that gets delivered to the port via pipelines and from there is shipped to Romania for refining, Kpler data show.

Nearby the port, the Caspian Pipeline Consortium, or CPC, alone loads tankers with about 1.3 million barrels of crude per day and is the main route for exporting oil from Kazakhstan to Europe.

"Some 2.5 million barrels a day of crude and products flows are endangered by the flareup," Katona said, adding that a potential halt of the CPC would do much more damage to Western interests.

Russia is also the world's top wheat exporter, and the bulk of its grain is delivered from Novorossiysk and the Kavkaz anchorage in the Kerch Strait. The country is in the midst of a second bumper harvest, making this a crucial time for getting grain to global markets.

Kyiv's decision to take the war to Russia in the Black Sea follows Putin's July 17 withdrawal from a United Nations-brokered grain

deal and a concerted missile campaign against Ukrainian ports since. Ukraine's grain exports have been severely reduced as a result, while Russia's were unaffected.

The Kremlin's goals are clear: to make shipping grain from Ukraine uninsurable and destroy the nation's port infrastructure, both on the Black Sea and along the alternate route that the government in Kyiv has been developing on the Danube River.

'Military Threat'

"Two can play that game," Ukraine's defense ministry said in a Saturday post on X, formerly known as Twitter.

"It's time to say to the russian killers, "It's enough." There are no more safe waters or peaceful harbors for you in the Black and Azov Seas," the ministry said in another post the same day.

Ukraine's State Hydrographic Service warned on Friday that the Russian Black Sea ports of Taman, Anapa, Novorossiysk, Gelendzhik, Tuapse and Sochi should now be considered subject to "military threat."

The statement came just hours after a naval drone struck the Olenegorsky Gornyak, a landing ship. The vessel was stationed outside Novorossiysk and briefly halted marine traffic at the port for the first time since the war started almost 18 months ago.

On Saturday, another sea drone hit the Sig, a Russian-flagged oil tanker that supplies fuel to Moscow's forces in Syria. Ukraine said the Sig had been en route to deliver fuel to Russian forces in Crimea's Kerch strait. Putin annexed the peninsula in 2014.

Scrambled Aircraft

Both attacks represent a further expansion of the war's scope, a development that began earlier and is likely to concern Kyiv's allies. Russia's missile strikes on new grain facilities at the Danube ports of Reni and Izmail took the war to within just a few meters of Ukraine's border with Romania, a North Atlantic Treaty Organization member.

Fellow NATO member Poland also had to scramble aircraft recently, in response to a breach of its airspace by low-flying helicopter gunships from neighboring Belarus, now home to Russia's Wagner group of mercenaries.

Kyiv, for its part, has conducted a series of drone attacks on Moscow since May, and more recently hit the Russian port town of Taganrog, on the Azov Sea, with a missile.

At the same time, both sides appear to have taken care to ensure no catastrophic line was crossed. Russia used slower and less powerful Shahed loitering munitions to attack Izmail, on the Danube. That reduced the risk of a major accidental strike on NATO territory, relative to using cruise or ballistic missiles.

Similarly, Ukraine's sea drone targeted the engine room at the rear of the Sig, making a major oil spill from its tanks, which sit further forward, less likely.

Further escalation is likely nonetheless. On Sunday morning, Ukraine was hit by an unusually large barrage of missiles against Kyiv and other cities across Ukraine. ■

Source: Insurance Journal - 7 August 2023

More Headlines:

- Marine loss from Russia-Ukraine conflict insignificant compared with aviation loss: Miller
- Aviation lessors contest insurance dispute hearings in Russia: Reuters
- Marsh McLennan to help Ukraine access global insurance market

• *Harvard Loses $15M in Excess Coverage Because of Late Notice of Claim*

By William Rabb | August 11, 2023

Even the smartest institutions in the land can miss deadlines – and can lose $15 million in insurance coverage because of it, a federal appeals court decided Wednesday.

The U.S. 1st Circuit Court of Appeals upheld a lower court ruling that found that a Zurich American Insurance Co. subsidiary does not owe coverage to Harvard University in its long-running and high-profile affirmative action litigation. The reason? Harvard did not provide notice to its insurer within 90 days of the end of the policy period, as required by the policy.

"Zurich had every right to deny coverage based on lack of timely notice," Circuit Judge Bruce Selya wrote for the panel of judges. Harvard's arguments in its appeal "lacked force" and were "little more than gaslighting," the opinion said.

Harvard in 2014 had purchased a one-year, $25 million liability policy from AIG unit National Union Fire Insurance, which covered litigation costs for claims brought against the university. The institution also obtained a $15 million excess policy from Zurich American, to cover legal costs after the AIG policy was exhausted.

Both policies were claims-based, not occurrence-based, and both required Harvard to report legal claims no later than 90 days after the end of the policy period. The policies covered Nov. 1, 2014 to Nov. 1, 2015.

The now-monumental lawsuit that successfully challenged Harvard's admissions policy, which culminated with a landmark ruling by the U.S. Supreme Court in June, was filed Nov. 17, 2014. Harvard notified AIG but failed to notify Zurich until May 2017, well after the 90 day notification window, the appeals court explained.

Zurich denied the coverage and Harvard sued. A federal district court in November 2022 decided against the school, and Harvard appealed.

The university's attorneys argued that although Harvard did not provide formal notice of the suit, Zurich probably knew about it through news reports. The university asked for discovery to show what Zurich officials may have known about the case at the time. But the district court and the appellate judges ruled against that motion, noting that such information was irrelevant because the policy required written notice.

Harvard also argued that Massachusetts law gives insureds some leeway on late notices, as long as late notice does not prejudice the insurer's claim investigation. But the appeals court said that deadlines are even more important in claims-based policies, so that insurers can accurately set premiums.

A claims-made policy covers claims made during the policy period, regardless of when the incident or act occurred, the court explained. The purpose is to minimize the time between the insured event and the payment. If a claim is made against an insured, but the insurer does not know about it until years later, the primary purpose of insuring claims rather than occurrences is frustrated, the court noted, citing a 1989 Massachusetts Supreme Judicial Court decision, Charles T. Main vs. Firemen's Fund Insurance.

“Not all liability insurance policies are on an equal footing, and the ‘no harm, no foul’ principle does not apply to failures to give timely written notice under claims-made insurance policies,” said the 1st Circuit’s opinion in the Harvard case. “In Massachusetts, notice provisions of claims-made policies — which require that notice of a claim be given by the end of the policy period or a defined period ending shortly thereafter — are of the essence of those policies. Those provisions are intended not merely to facilitate an investigation into the facts underlying a claim but also — just as importantly — to promote fairness in rate setting.”

In a landmark decision, the Supreme Court, by a 6-3 vote, in June struck down the use of race as a factor in deciding which students are granted admission to college. The case, Students for Fair Admissions vs. Harvard, essentially ended the affirmative action program and already had a widespread impact on college admissions.

Harvard may have little trouble paying its legal costs, some have suggested. The university’s endowment from donors stood at $53 billion in 2021, the largest in the country, according to U.S. News & World Report. Zurich American Insurance Group, on the other hand, also is well capitalized, with a $6.5 billion profit in 2022, the group has reported. ■

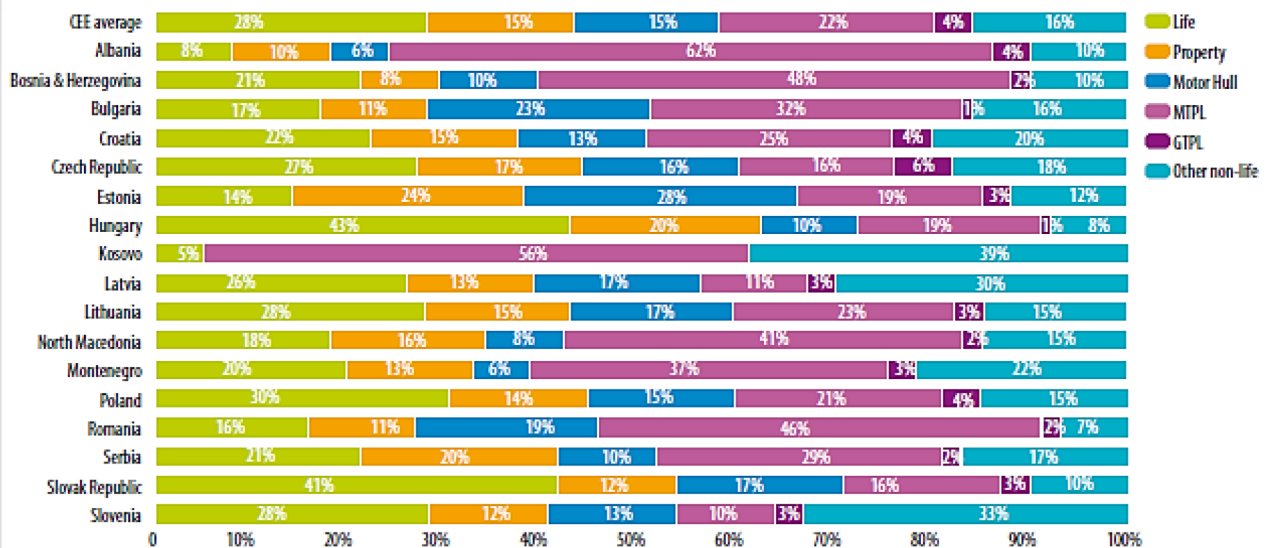
Source: Claims Journal - 11 August 2023

- ***XPRIMM Insurance Report (CEE, SEE, ex-USR) Full Year 2022***

CEE - OVERALL MARKET DATA

Country	GWP		Change	Claims		Change	Regional market share	
	2022	2021		2022	2021		2022	2021
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Albania	184.13	159.55	15.40	59.80	55.24	8.24	0.42	0.39
Bosnia & Herzegovina	450.48	418.44	7.66	203.83	177.39	14.90	1.03	1.03
Bulgaria	1,847.32	1,666.17	10.87	734.62	663.10	10.78	4.21	4.08
Croatia	1,682.43	1,558.76	7.93	1,024.11	970.83	5.49	3.83	3.82
Czechia	8,296.62	7,229.13	14.77	4,852.99	4,104.45	18.24	18.90	17.71
Estonia	550.90	486.39	13.26	382.57	355.46	7.63	1.26	1.19
Hungary	3,568.33	3,604.02	-0.99	2,012.39	1,905.13	5.63	8.13	8.83
Kosovo	134.00	117.40	14.14	64.30	61.00	5.41	0.31	0.29
Latvia	994.72	849.41	17.11	641.49	541.36	18.49	2.27	2.08
Lithuania	1,233.98	1,040.70	18.57	682.37	547.23	24.69	2.81	2.55
North Macedonia	207.92	188.71	10.18	83.15	75.69	9.86	0.47	0.46
Montenegro	108.28	98.81	9.58	45.58	43.31	5.22	0.25	0.24
Poland	15,428.70	15,050.30	2.51	9,464.10	8,980.03	5.39	35.15	36.87
Romania	3,336.74	2,878.10	15.94	1,577.96	1,542.49	2.30	7.60	7.05
Serbia	1,141.51	1,015.53	12.41	557.06	456.88	21.93	2.60	2.49
Slovakia	1,925.48	1,839.10	4.70	1,178.16	1,019.58	15.55	4.39	4.51
Slovenia	2,798.56	2,615.73	6.99	1,812.85	1,633.71	10.97	6.38	6.41
Total CEE	43,890.10	40,816.27	7.53	25,377.29	23,132.90	9.70	100.00	100.00

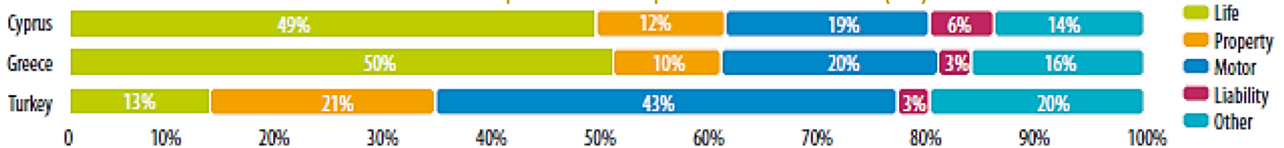
*2021 GWP, XPRIMM estimates using the 3Q2021/2020 growth rate in RSD



SEE - OVERALL MARKET DATA

Country	GWP		Change	Claims		Change	Regional market share	
	2022	2021		2022	2021		2022	2021
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Cyprus	1,053.25	961.92	9.49	466.65	428.26	8.96	5.97	7.65
Greece	4,835.90	4,640.40	4.21	na	na	-	27.39	36.92
Turkey	11,766.99	6,967.56	68.88	na	na	-	66.65	55.43
Total SEE	**17,656.13**	**12,569.88**	**40.46**	**na**	**na**	**-**	**100.00**	**100.00**

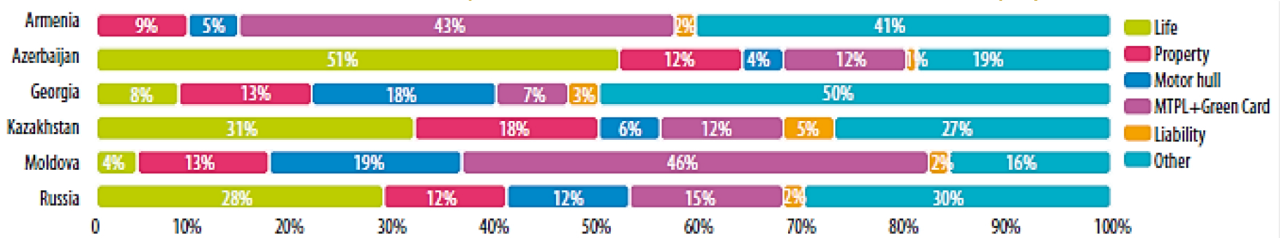
SEE GWP portfolio per countries (%)



Ex-USSR - MARKETS OVERALL DATA

Country	GWP		Change	Claims		Change	Regional market share	
	2022	2021		2022	2021		2022	2021
	EUR m.	EUR m.	%	EUR m.	EUR m.	%	%	%
Armenia	145.42	91.01	59.78	70.06	52.54	33.35	0.50	0.34
Azerbaijan	535.95	438.05	22.35	239.15	238.11	0.44	1.84	1.65
Belarus	631.13	598.96	5.37	423.63	369.49	14.65	2.17	2.26
Georgia	315.36	220.51	43.02	171.63	124.35	38.02	1.08	0.83
Kazakhstan	1,825.26	1,670.42	9.27	398.37	267.75	48.78	6.26	6.30
Kyrgyzstan	23.61	13.17	79.24	3.72	2.76	34.96	0.08	0.05
Moldova	121.26	95.87	26.49	44.44	32.95	34.87	0.42	0.36
Russia	24,013.49	21,509.46	11.64	11,806.43	9,479.94	24.54	82.38	81.09
Tajikistan	na	na	-	na	na	-	-	-
Turkmenistan	na	na	-	na	na	-	-	-
Ukraine	1,017.07	1,581.13	-35.67	333.79	564.25	-40.84	3.49	5.96
Uzbekistan	520.97	305.28	70.65	217.10	101.03	114.89	1.79	1.15
Total Ex-USSR	**29,149.51**	**26,523.86**	**9.90**	**13,708.32**	**11,233.17**	**22.03**	**100.00**	**100.00**

Ex-USSR GWP portfolio on selected countries (%)



For more details click on image to read the full report (+90 pages)

xprimm INSURANCE REPORT

CEE • SEE • ex-USSR Country Profiles

Full Year 2022

CEE, SEE and ex-USSR INSURANCE MARKETS IN 2022: Challenges all the way 10

CEE INSURANCE MARKETS

Albania 24
Bosnia and Herzegovina 26
Bulgaria 28
Croatia 30
Czechia 32
Estonia 34
Hungary 36
Kosovo 38
Latvia 40
Lithuania 42
Montenegro 44
North Macedonia 46
Poland 48
Romania 50
Serbia 52
Slovak Republic 54
Slovenia 56

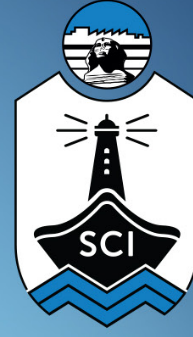
SEE INSURANCE MARKETS

Cyprus 60 Türkiye 64 Greece 62

EX-USSR INSURANCE MARKETS

Armenia 66
Azerbaijan 68
Belarus 70
Georgia 74
Kazakhstan 78
Kyrgyzstan 80
Moldova 82
Russia 84
Ukraine 88
Uzbekistan 90
Turkmenistan 91
Tajikistan 92

قنـــاة السويس للتأميـن
Suez Canal Insurance



أمان من زمان

16569

المركز الرئيسى : ٣١ شارع محمد كامل مرسى - المهندسين - الجيزة
تليفون : ٣٧٦٠١٠٥١ - ٣٧٦٠٦٨٦٨ فاكس : ٣٣٣٥٤٠٧٠ - ٣٣٣٥٠٩٨١
@SCI.1979 @sci.1979

Fitch Ratings

الرقم الضريبي : 200-022-296

Africa News

Unique Data. Expert Analysis. Innovative Solutions. One Platform.

Property Insurance Industry Outlook in Middle East and Africa in 2022

GlobalData's 'Property Insurance Industry Outlook in the Middle East and Africa in 2022' report provides a comprehensive overview of the Middle East and Africa property insurance industry.

- This report provides the market size of the property insurance industry in the Middle East and Africa region.
- Middle East and Africa property insurance grew at a CAGR of 1.7% during the review period (2016-20).
- The report provides details on the market size of property insurance premiums for the 20 largest markets in the Middle East and Africa region along with their profitability ratios.
- South Africa is the largest market accounting for 26% of the region's property insurance premiums in 2020. Oman recorded the highest loss ratio in the region in 2020.
- The regional industry reported notable developments in parametric insurance and risk-based insurance modeling and premium pricing. The report provides an insight into key trends, the impact of climate change, technology developments, and potential disruptors in the property insurance industry.
- The report discusses the impact of COVID-19 on the industry as well as other challenges that impacted the property insurance industry in the Middle East and Africa region. In South Africa, business interruption-related claims remained a key contesting point for insurers. As of July 2020, pandemic-related claims worth up to ZAR4 billion ($232 million) have been rejected. Some insurers have appealed to the court that business interruption claims due to lockdowns were not covered in the interruption policies.
- The report throws light on the regulatory requirements in the region including licensing rules, capital requirements, taxation regime, and ownership quotas.
- The report also highlights recent M&As in the Middle East and Africa's property insurance industry.

Download our free report for more detailed insights.

MENA Insurance Market:

- ***Ranking of the Top 100 Insurers by Turnover 2022***

In USD

Ranking		Companies	Country	Turnover		2021/2022 evolution [1]
2022	2021			2022	2021	
1	2	**Tawuniya**	Saudi Arabia	3 821 304	2 721 215	40.43%
2	1	**Bupa Arabia**	Saudi Arabia	3 700 740	3 031 078	22.09%
3	3	**GIG Kuwait**	Kuwait	2 710 835	1 808 694	51.63%
4	4	**Orient Insurance**	United Arab Emirates	1 652 697	1 363 213	21.23%
5	5	**Abu Dhabi National Insurance**	United Arab Emirates	1 395 361	1 161 665	20.11%
6	7	**Sukoon (Ex Oman Insurance)**	United Arab Emirates	1 195 097	963 367	24.04%
7	6	**Wafa Assurance**	Morocco	982 888	972 512	14.70%
8	9	**Al Rajhi Takaful**	Saudi Arabia	924 080	734 879	25.75%
9	8	**RMA**	Morocco	761 415	821 835	5.15%
10	15	**Medgulf**	Saudi Arabia	760 181	595 506	27.65%
11	11	**Walaa** [2]	Saudi Arabia	703 546	622 831	12.96%
12	10	**Mutuelle Taamine Chaabi**	Morocco	692 496	674 999	16.43%
13	19	**National Life & General Insurance**	Oman	598 381	379 272	57.78%
14	14	**Axa Assurance Maroc**	Morocco	568 301	595 712	8.27%
15	13	**Sanlam Assurance**	Morocco	561 390	601 458	5.93%
16	12	**Misr Insurance**	Egypt	551 684	610 631	8.31%
17	16	**AtlantaSanad**	Morocco	509 451	577 886	0.05%
18	17	**Misr Life Insurance Co.**	Egypt	483 297	487 239	18.91%
19	21	**Qatar Insurance Co.** [3]	Qatar	439 777	364 233	21.01%
20	18	**Gulf Insurance Group** [4]	Saudi Arabia	417 359	387 325	7.75%
21	20	**Al Ahleia Insurance**	Kuwait	410 794	375 629	10.64%
22	25	**Doha Insurance QSC**	Qatar	405 004	306 200	32.56%
23	22	**Dubai Insurance Co**	United Arab Emirates	399 959	333 868	19.79%
24	24	**Allianz Life Egypt**	Egypt	324 978	321 070	21.34%
25	36	**Al Etihad Cooperative**	Saudi Arabia	313 356	230 477	35.96%
26	45	**Bankers**	Lebanon	312 113	178 895	74.47%
27	26	**Emirates Insurance**	United Arab Emirates	309 358	304 410	1.62%
28	27	**Islamic Arab Ins. (SALAMA)**	United Arab Emirates	304 452	296 196	2.78%
29	52	**Arabian Shield** [5]	Saudi Arabia	294 604	148 640	98.20%
30	28	**QLM Life & Medical Ins.**	Qatar	285 850	280 496	2.14%
31	35	**Wataniya Insurance**	Saudi Arabia	277 596	240 229	15.55%
32	39	**SAICO**	Saudi Arabia	276 798	207 058	33.68%
33	33	**GIG Bahrain**	Bahrain	274 787	244 470	12.45%
34	29	**Metlife Egypt**	Egypt	265 164	260 118	22.21%
35	34	**Al Buhaira National Ins.**	United Arab Emirates	256 671	244 384	5.02%
36	30	**Malath Insurance**	Saudi Arabia	251 487	250 883	0.24%
37	23	**Al Ain Al Ahlia Ins.**	United Arab Emirates	251 391	328 351	-23.44%
38	32	**Union Insurance**	United Arab Emirates	236 391	245 021	-3.53%
39	42	**Allianz Saudi Fransi**	Saudi Arabia	225 890	203 218	11.16%
40	48	**ACIG**	Saudi Arabia	221 214	157 806	40.18%
41	43	**Dar Al Takaful** [6]	United Arab Emirates	219 859	192 223	14.37%
42	72	**UCA**	Saudi Arabia	218 857	109 118	100.57%
43	40	**SAA**	Algeria	218 345	206 496	4.43%
44	37	**MCMA**	Morocco	214 025	221 169	9.83%
45	31	**Marocaine Vie**	Morocco	213 893	250 284	-3.01%

In USD

Ranking		Companies	Country	Turnover		2021/2022 evolution (1)
2022	2021			2022	2021	
46	62	**Salama**	Saudi Arabia	210 938	124 504	69.42%
47	38	**AXA Life Egypt**	Egypt	210 649	210 632	19.89%
48	41	**Qatar General Ins. & Reinsurance**	Qatar	197 471	204 728	-3.33%
49	70	**Arabia Ins Cooperative**	Saudi Arabia	195 249	112 465	73.61%
50	44	**CAAT**	Algeria	193 842	182 147	5.10%
51	46	**National General Ins.**	United Arab Emirates	177 019	175 800	0.69%
52	54	**Al Sagr National Ins.**	United Arab Emirates	172 542	136 240	26.64%
53	53	**Dhofar Insurance**	Oman	168 499	142 483	18.26%
54	49	**Kuwait Insurance**	Kuwait	164 400	154 665	7.53%
55	51	**Gulf Union Al Ahlia** (7)	Saudi Arabia	146 047	152 463	-4.21%
56	71	**Orient Takaful**	United Arab Emirates	144 620	109 266	32.35%
57	59	**Gulf Insurance Group Jordan (GIG)**	Jordan	141 272	126 598	11.59%
58	50	**Allianz Assurance Maroc**	Morocco	140 109	152 667	4.16%
59	67	**CASH Assurances**	Algeria	137 940	115 415	18.03%
60	69	**Warba Insurance**	Kuwait	133 210	112 815	19.46%
61	73	**Fidelity**	Lebanon	130 595	108 339	20.54%
62	64	**Islamic Insurance QIIC**	Qatar	127 360	117 067	9.04%
63	65	**Sagr Cooperative**	Saudi Arabia	126 563	116 719	8.43%
64	56	**Medgulf**	Lebanon	123 615	130 103	-4.99%
65	66	**CAAR**	Algeria	123 420	116 563	4.57%
66	63	**Metlife** (8)	Lebanon	123 224	121 804	1.17%
67	57	**STAR**	Tunisia	123 016	127 763	4.92%
68	83	**Solidarity Bahrain**	Bahrain	121 836	83 395	46.16%
69	76	**Abu Dhabi National Takaful**	United Arab Emirates	121 718	100 798	20.74%
70	99	**Al Alamiya**	Saudi Arabia	121 210	70 135	72.82%
71	61	**MAMDA**	Morocco	120 490	125 415	9.04%
72	60	**CAT**	Morocco	119 142	125 960	7.35%
73	58	**Ras Al Khaimah National Ins.**	United Arab Emirates	117 876	127 711	-7.71%
74	89	**Alimna Tokio Marine**	Saudi Arabia	116 795	81 369	43.54%
75	68	**Al Medina Takaful**	Oman	115 773	114 264	1.32%
76	75	**United Fidelity Ins.**	United Arab Emirates	114 905	104 473	9.98%
77	87	**Dubai National Ins. & Reinsurance**	United Arab Emirates	114 099	82 003	39.13%
78	92	**Aljazira Takaful Taawuni**	Saudi Arabia	110 680	79 632	38.99%
79	74	**Bahrain National Holding**	Bahrain	110 598	105 108	5.27%
80	77	**Damaan Insurance "BEEMA"**	Qatar	106 990	100 408	6.79%
81	78	**GIG Egypt**	Egypt	106 373	93 174	36.87%
82	80	**Jordan Insurance**	Jordan	104 563	87 334	19.73%
83	55	**LIA Assurex** (9)	Lebanon	100 168	131 451	-23.80%
84	93	**Gulf General**	Saudi Arabia	99 408	79 025	25.79%
85	88	**Orient Takaful Insurance Company**	Egypt	99 112	81 720	45.40%
86	84	**Alliance Insurance**	United Arab Emirates	98 576	82 768	19.09%
87	96	**Buruj Insurance**	Saudi Arabia	98 222	77 417	26.87%
88	95	**Allianz Insurance Egypt**	Egypt	98 164	78 790	49.36%
89	90	**Oman & Qatar Insurance**	Oman	97 509	81 298	19.94%
90	47	**Takaful Emarat**	United Arab Emirates	96 493	158 962	-39.30%

In USD

Ranking 2022	Ranking 2021	Companies	Country	Turnover 2022	Turnover 2021	2021/2022 evolution [1]
91	79	**CNMA**	Algeria	94 380	90 650	2.82%
92	86	**Methaq Takaful Ins.**	United Arab Emirates	89 152	82 098	8.58%
93	85	**Al Khaleej Takeful Insurance**	Qatar	86 940	82 427	5.71%
94	82	**Al Dhafra Insurance**	United Arab Emirates	86 421	85 617	0.93%
95	94	**Oman United Insurance**	Oman	83 350	78 874	5.68%
96	81	**Al Wathba National Ins.**	United Arab Emirates	83 339	86 151	-3.27%
97	100	**Takaful Oman Insurance**	Oman	81 695	69 026	18.36%
98	98	**MATU**	Morocco	81 335	76 409	20.81%
99	97	**Chubb Arabia**	Saudi Arabia	80 869	77 382	4.51%
100	91	**COMAR**	Tunisia	80 496	80 978	8.32%

[1] Growth rate in local currency
[2] Merger - acquisition with SABB Takaful
[3] Local market premiums only
[4] Ex. AXA Cooperative Insurance Company
[5] Merger - acquisition with Al Ahli Takaful
[6] Merger - acquisition with National Takaful (Watania)
[7] Merger - acquisition with Al Ahlia Cooperative Insurance
[8] Ex. Alico Insurance
[9] Merger between LIA and Assurex

Exchange rate in USD

Country	Currency	31/12/2022	31/12/2021	Country	Currency	31/12/2022	31/12/2021
Tunisia	TND	0.31847	0.34703	UAE	AED	0.27224	0.27222
Algeria	DZD	0.00726	0.00717	Oman	OMR	2.58954	2.58961
Morocco	MAD	0.09428	0.107	Qatar	QAR	0.27254	0.27315
Egypt *	EGP	0.05311	0.06367	Bahrain	BHD	2.63554	2.63667
Saudi Arabia	SAR	0.2663	0.2663	Jordan	JOD	1.41044	1.41044
Kuwait	KWD	3.25952	3.29754	Lebanon	LBP	0.00066	0.00066

* Financial year ending 30 June
Sources: Regulatory authorities and company reports
Source: Atlas Magazine – 27 July 2023

* See also: ***Ranking 2021 of insurers in North Africa***
FAIR Review - issue 194, 4/2022

- ***Factors affecting the profitability of reinsurance companies in sub-Saharan Africa: Evidence from dynamic panel analysis***

by Odunayo Magret Olarewaju and Thabiso Sthembiso Msomi

https://doi.org/10.1080/23311975.2022.2093485

ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Factors affecting the profitability of reinsurance companies in sub-Saharan Africa: Evidence from dynamic panel analysis

Odunayo Magret Olarewaju[1] and Thabiso Sthembiso Msomi[1]

Abstract: This study, which analysed the profitability of 42 reinsurers in Sub-Saharan Africa from 1991 to 2020, revealed that various factors such as gross domestic product, competition (HHI), premium growth, investment performance, underwriting risk, and operational efficiency affect the profitability in these companies. This study is quantitative and dynamic using system-generalised method of moments to analyse the data. The study discovered that reinsurers should broaden their services to remain highly competitive and boost their premium growth such that their profitability is sustained. Also, there should be a separate department of qualified professionals overseeing the adequate management of risk before sealing ceding agreement with insurers.

Subjects: Economics; Finance; Business, Management and Accounting; Industry & Industrial Studies

Keywords: Reinsurance; system-generalised method of moments; sub-Saharan Africa; firm-specific; industry level; macroeconomic

JEL Codes: G22; G32; L25; M41; G21

1. Introduction

Financial institutions are critical for economic growth of any country (Bertucci, 2019; McKillop et al., 2020) and insurance sector is a major financial institution that spurs economic growth and advancement. Insurance sector does not only focus on improving individual living by hedging their risk but also perpetrate inflow of fund into the economy. Thus, their profitability is of most important concern to researchers. A profitable financial institution enhances the stability of an economy because such economy can be deemed to be healthy. Insurance and reinsurance are a major financial institution that play a critical role in economic development of both developed and developing countries (Tsvetkova et al., 2021). Due to recent climate changes, there is an upsurge in occurrence of risk in the world. From Swiss report, over 70% of the insured losses globally are from natural disaster caused by weather, destroying businesses, homes, and properties and this has led to increased claims by the insured.[1] This led the insurers to require coverage from reinsurers in other not to be a victim of the insureds' hedged risks (Tegegn et al., 2020). As the burden is much on insurance companies, there is a huge rush for further covering by the reinsurance companies. In recent times, African reinsurance markets profitability has been a strength. Yet, over 60% of reinsurance executives report reinsurers' profitability as low, propelled by declining rates, rising claims, and increasing costs. Hence, the importance of investigating the profitability of reinsurance companies cannot be overemphasised.

According to Eling and Jia (2019), a profitable insurance sector is efficient enough to cater for the catastrophes that would have befallen individuals and an economy. Insurance drives economic growth by expediting the recovery of claimants and beneficiaries; and reinsurers act as an important risk management tool available to insurers which leads to reduction in insurance risks (Weisbart, 2018). Furthermore, reinsurance is a vital tool insurer use to manage risks (Park et al., 2019) and the amount of capital they must hold to support those risks. This in turn ensure that the volatility of financial results is reduced, solvency is stabilized, capital is more efficiently used, and underwriting capacity is increased (Carter, 2013).

According to the AtlasMagazine (A.M) report 2021, sub-Saharan Africa (henceforth SSA), over the past decade experienced a surge in infrastructure investment that has significantly impacted the growth of the reinsurance market. Surprisingly, the trend is projected to continue due to the significant natural resources, strongly growing economic indicators, strong insurance growth potential, young and dynamic population and evolving insurance legislation that has characterised the region. During the period 2011–2020, SSA reinsurers achieved an average yearly growth of 9.15% in gross written premiums. This performance comes at a time when most local currencies are undergoing significant depreciation against the dollar. For instance, the South African Rand and the Nigerian Naira have depreciated by 54.8% and 63.5%, respectively, over the past decade. However, the Covid-19 crisis plunged the insurance market back into stagnation with reinsurance premiums still growing by 0.82% in 2020.[2]

It is a clear fact that insurance sector is faced with globalisation, market liberalisation, and increased competition, having the interest in unveiling the significant factors affecting the profitability of reinsurance which is like a mother of the success of the sector becomes relevant and crucial. Based on the average stable growth detected in SSA reinsurance despite the myriad of adverse situations affecting insurance sector in the region, investigating what factors significantly determine their profitability is vital to keep up with the projected growth and continue to be a huge support for the economic growth of the region. Aside the fact that profitability is one of the major determinants of a company's success and performance, it has been further confirmed by Öner Kaya (2015), Kripa and Ajasllari (2016b), that a profitable insurance sector will keep growing.

Hence, if significant determinants of profitability are known and properly monitored, the projected growth will not be jeopardized as those factors will be given full concentration (O.M. Olarewaju & Msomi, 2021a). A profitable reinsurance fosters image that attracts dealings with many insurers such that there will be more fund to carry out investment that will yield higher return on investment (ROI). In fact, profitability is a tangible factor to convince an individual to get a cover for their businesses, properties, or lives with insurers that are reinsured with a profitable reinsurer. A profitable reinsurance is a force that propels gross written premium that can help keep up with the growth that has been forecasted to persist in the region, it is paramount to investigate what factors affects their profitability.

Undoubtedly, a substantial amount of research has explored different factors that impact firm profitability. In fact, the issue of profitability continues to be a factual, important, and continual phenomenon that attracts the attention of many researchers globally. In the context of insurance sector, the determinants of profitability or factors that affects financial performance in insurance companies; and the effect of reinsurance on the profitability or financial performance of both life and non-life have been widely examined, for instance, Hasan et al. (2018), Akotey et al. (2013), Boadi et al. (2013), and Camino-Mogro and Bermúdez-Barrezueta (2019) etc.

Nonetheless, there is a dearth of research on the factors that affect profitability of reinsurance companies globally. To the best knowledge of the researcher, the known studies in this context are the studies of Mukherjee et al. (2020) and Sidhu and Verma (2017). These two studies have been limited to only firm-specific variables and both studies have been carried out on a single public India reinsurance company. Surprisingly, there has been no known study on the determinants of

profitability or factors affecting the profitability of reinsurance companies in any economy in SSA not to talk of a study that has examined the factors affecting profitability of reinsurance companies using SSA as a region.

Basically, SSA is considered relevant for this study because of the unique reinsurance landscape and the huge reinsurance growth potential.[3] Although there are barriers to entry in reinsurance markets due to the tightened local regulations and there are some other odd operating conditions such as volatile oil prices, high inflation rates in most economies, elevated competition, local currency depreciation among many other internal challenges, there is still significant potential growth. The fact that one of the goals of financial management is to maximise owners' wealth, profitability remains an important objective of financial management (Kripa and Ajasllari, 2016). Profitability being a major determinant of a company's performance, efficiency, and growth has made investigating the factors affecting the profitability of reinsurance companies in SSA paramount.

Specifically, this study builds on the empirical research in numerous ways. First, this study is on reinsurance companies in SSA which is a step ahead of the previous studies that have focused on insurance companies, life, and non-life. The welfare of reinsurance is so important because of their prevailing impact on the sustainability of insurance companies. Second, this study will concurrently comprise three different dimensions of factors (firm-specific, industry-level, and macroeconomic) that may affect firm's profitability. Therefore, the model built in this study represents an upgrade to those two existing research in India (Mukherjee et al., 2020; and Sidhu and Verma, 2017) as they focused only on firm-specific factors. While firm-specific factors have been suggested by Kripa and Ajasllari (2016); Zainudin, Mahdzan and Leong (2017), Derbali (2014), etc. as important factors influencing profitability of insurance sector, macroeconomic, and industry-level factors have also been suggested by Camino-Mogro and Bermúdez-Barrezueta (2019), Hasan et al. (2018); as very important factors affecting insurance sector profitability. As a result, this model is unique enough to have incorporated the three dimensions of factors, hence it will present a more precise picture of SSA reinsurance companies' profitability.

Third, since the evident research on the determinants of reinsurance companies' profitability are from India, this research will contribute to literature by providing comparable data from SSA. This is an exploratory regional-based panel study using data from a region of mostly developing and emerging economies which can be used for the generalisation of the findings across economies at such stages of development across the globe. Fourth, the model is formulated in a way that encompasses the dynamic aspect of profitability. A wide number of economic relationships have dynamic features. For this study, the reinsurers' profitability in the previous period is related to their current period profitability such that the lagged profitability is one of the regressors in the specified model. To the best of the researchers' knowledge, the factors affecting profitability of reinsurance companies in SSA have not been analysed using three level factors dimension with a dynamic model.

Thus, this study seeks to fill the gaps identified using all the reinsurance companies with up-to-date data in SSA focusing on the firm-specific, industry-level, and macroeconomic factors. The rest of the paper is organised as follows. Literature review section reviews the variables employed in the determinants of profitability used in this research. In methodology section, the empirical model is formulated, and the data used for analysis is described. Analysis section provides the results, discussion of findings, and policy implications. Concluding remarks are presented in the final section.

2. Literature review and hypotheses formulation

Resource based value developed by Welnerfelt (1984) underpins this study. The theory posits that organisations with strategic capabilities and resources can create a competitive advantage which leads to higher profitability over organisations that do not (Egbunike & Okerekeoti, 2018; O.M.

Olarewaju & Msomi, 2021a). The theory postulates that profitable firms have competitive advantages over others. All variables in this research were chosen based on relevant theories, extant empirical review, and accessibility of data. The theoretical reasoning for each of the variable used in this study is presented in the successive paragraphs.

2.1. Gross domestic product (GDP)

GDP denotes the overall changes in economic activities that affects an individual company. It is expected that a change in economic activities can affect firms' profitability, and hence the addition of GDP growth rate in the model of this study will control for both the economic boom and recession. It is expected that during the economic growth, there is a boom of activities that spurs the profitability of firms including reinsurers. On the other hand, a declining economic growth is expected to crumble economic activities and deteriorate profitability. Scholars such as Sinha and Sharma (2016) observed positive profitability to GDP relationship in India, Trujillo-Ponce (2013) reported positive effect of GDP growth on Return on assets (ROA), the measure of profitability in Spain and Alshammari et al. (2019) revealed a positive relationship between GDP growth and the efficiency of insurance sector in the Gulf Cooperation Council countries. However, Lee (2009) found an insignificant relationship between GDP and profitability in US firms.

Hypothesis 1 ($H_0$1): GDP growth does not affect the profitability of reinsurers in SSA.

2.2. Interest rates (INT)

The term interest rate was defined by Ismail et al. (2018) as the price which the borrower will pay for using borrowed funds from the lender or the fee paid on the loaned assets. It is the annual placement rate that reflects the actual price money has in the financial markets. Reinsurers are concerned with interest rate as the value of products sold depends on interest rate and long-term investment is directly related to interest rates (Berends et al., 2013). Also, lower interest rates will improve overall liquidity in the general sector and therefore lead to "increased investment and consumption" that can spur reinsurance sectors profitability (Msomi, 2022; Murungi, 2013).

Hypothesis 2 ($H_0$2): Interest rate does not affect the profitability of reinsurers in SSA.

2.3. Exchange rate (EXR)

The exchange rate is the price that a national currency is exchangeable for the other nations. Barnor (2014) revealed that the exchange rate had a considerable beneficial influence on performance in Africa for listed businesses. The fact that most economies in SSA are witnessing currency depreciation makes it germane to investigate the effect of exchange rate on the profitability of reinsurers.

Hypothesis 3 ($H_0$3): Exchange rate does not affect the profitability of reinsurers in SSA.

2.4. Competition (HHI)

Structure-Conduct-Performance (SCP) hypothesis avers that market structure influences the firms' structure and performance. Competition is used to evaluate how concentrated reinsurance market in SSA is and the Herfindahl-Hirschman index (HHI) is used to capture it as it compares the size of the individual companies to the entire sector. Following the studies conducted by Bastruk, Shim (2017), Yanase and Limpaphayom (2017), and Alshammari et al. (2019), the HHI is used to capture the intensity of competition as it reflects the rivalry amongst industry actors. HHI weighs the sum of squares of net premium written of each reinsurance company against overall written premium of the company. HHI ranges from 0 to 1 such that a value greater than 0.5 denotes high concentration of activities or low competition and the value of less than 0.5 denotes low

concentration and a highly competitive market. The closer the value is to 0, the higher the degree of diversification and competition. Based on the SCP hypothesis, a positive effect of HHI is expected on profitability. The formula is stated below:

$$\text{HHI} = \sum_{i=1}^{P} \left(\frac{NPW_i}{\sum_{i=1}^{P} NPW_i} \right)^2 \quad (1)$$

all things being equal, $0 < HHI < 1$.

P stands for total number of reinsurance companies examined, NPW is the reinsurance net premium written, and *i* denotes the reinsurance companies.

Hypothesis 4 ($H_0$4): Competition does not affect the profitability of reinsurers in SSA.

2.5. Premium growth (PGR)

Premium from insurers serves as the bedrock of revenue generation for reinsurance companies. Moreover, reinsurance companies make revenue by investing the insurance premiums received from insurers. This variable specifically reveals the market penetration of the reinsurance companies and a positive effect of premium growth on profitability of SSA reinsurers is expected as it was found by Sidhu and Verma (2017) in India.

Hypothesis 5 ($H_0$5): Premium Growth does not affect the profitability of reinsurers in SSA.

2.6. Risk retention ratio (RRR)

This reveals the efficiency of reinsurance in managing their risk. As one of the major roles of reinsurance is to transfer risk, it is expected that the more efficient they can manage their inherited risk, the more profitable they are. This variable is calculated as the ratio of net premium to the gross written premium in a particular reporting period. Reinsurers absorbs the transferred components of insurers risk portfolios by the ceding agreement such that the possibility of paying a huge obligation stemming from an insurance claim is minimised. Generally, the higher this ratio (RRR), the more profitable reinsurance companies will be (Mukherjee et al., 2020).

Hypothesis 6 ($H_0$6): Risk Retention ratio does not affect the profitability of reinsurers in SSA.

2.7. Investment performance (INP)

Investment plays a very crucial role in the profitability of a company. IP reveals the proficiency of investment decisions of the company. Organisations are investing their resources to make a return that will encourage them to improve their profit making. Njeru (2018) avers that there is a positive relationship between investment and the level of profitability of a company. IP shows the earnings of the reinsurers via its investment which might be a little portion of their total portfolio, however, constitute a crucial source of profitability to them.

Hypothesis 7 ($H_0$7): Investment capability does not affect the profitability of reinsurers in SSA.

2.8. Underwriting risk (UNR)

This measures the performance of the reinsurance companies by highlighting their efficiency in managing the underwriting function. The underwriting risk shows the sufficiency of reinsurance companies' inventive performance, hence, determines their profitability (AlAli et al., 2019). The reinsurance company's financial success is dominated by robust underwriting from the insurers.

Thus, the amount of claim covered by the net premium will affect their profitability. A lower underwriting risk is expected to better spur profitability of reinsurers.

Hypothesis 8 ($H_0$8): Investment capability does not affect the profitability of reinsurers in SSA.

3. Other control variables used

3.1. Inflation rate (INF)

Inflation captures the price variations of goods and services from year to year as monetary instability is expected to affect firms' profitability. Inflation which is a prolonged increase in the overall price level of the economy over time is expected to have negative effect on reinsurance profitability (Alhassan et al., 2015; Demir, 2009; Pattitoni et al., 2014; Shiu, 2004). Suheyli (2015) state that an unprecedented surge in prices increases reinsurers liability because it reduces real income of an economy and causes sales activities to be hampered. Suheyli (2015) furthermore adds that inflation surely plays an imperative role in insurance and has a negative effect on various aspects of insurance operations such as claims, technical provisions, and expenses. In anticipation of inflation, the payment of claims increases as well as the reserves required in expectation of higher claims, thereby lessening the technical result and profitability.

3.2. Size (SIZ)

The reinsurer's size is included to control for the economies of scale. The size of a company contributes in many ways to its financial success. Large reinsurers benefit from economies of scale compared to start-ups (Ahmed, 2010; Flamini et al., 2009). Size is measured as the natural logarithm of gross written premium. Previous studies have established a positive correlation between size and profitability. Nevertheless, there are arguments that if assets get to optimal ratio, it may have negative impact on profitability (Al-Shami, 2013; O. Olarewaju & Msomi, 2021b).

3.3. Operational efficiency (OPE)

This captures the expense ratio of reinsurance companies. There is a sure linkage between efficiency and profitability (Karadağ Erdemir, 2019). Operating efficiency is a company's capacity to decrease adverse situations and optimise resources to offer excellent products and services to customers (Ndolo, 2015). Thus, ability of reinsurance to settle their claims and finance other operational expenses from the net premium earned will determine their profitability.

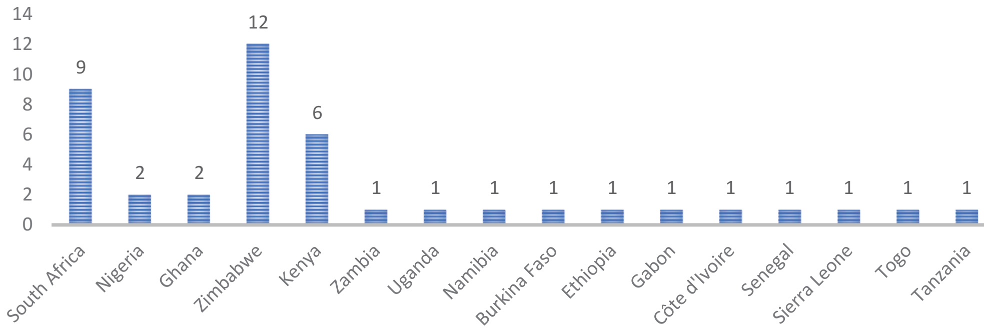
3.4. Liquidity (LIQ)

The uncertainty in predicting the timing, severity, and frequency of claims or benefits by insurers has made it very crucial for reinsurers to plan their liquidity painstakingly to achieve profitability. Reinsurance liquidity refers to the ability of the reinsurer to fulfil its immediate obligations to insurers (policyholders) without having to increase profits from underwriting and/or liquidate financial assets (Kariuki & Nguyo, 2020). It is a clear fact that reinsurance must be liquid enough to hedge the risk and loss of the insurers. Although there are ambiguous findings on the relationship of liquidity and profitability. While Boadi et al. (2013), Charumathi (2012) suggests a positive relationship between liquidity and profitability, studies such as Ahmed et al (2010) found a negative relationship between liquidity and profitability such that high liquid assets lead to higher maintenance cost, discourage external funds that inadvertently reduces the value of the company instead of maximising the value.

4. Research method

This is an exploratory regional-based dynamic panel longitudinal study that used secondary data from 1991 to 2020 on the existing 42 reinsurance companies in SSA. The firm-specific and the component of the HHI index data required for this study are drawn from S&P CapitalIQ, ReportLinker, and annual reports of the respective companies while the macroeconomic data

are drawn from the World Bank's database and international financial statistics. This is a regional-based and unbalanced panel study with 1260 observations (42 reinsurers for 30 years) from 16 SSA countries. The distribution of the companies across the countries is shown in the graph below.



Source: Authors' compilation from A.M. 2021 report.[4] Note that these companies are the only existing reinsurers in SSA.

A longitudinal panel study is justified and preferred based on its ability to cater for behaviourial differences across a time period, cross-section or both, manage heterogeneity problems, and allow for more estimation of parameters (Hsiao, 2014; Kutu & Ngalawa, 2016). The reinsurance companies used were selected purposively due to data availability for the period of study.

4.1. Model specification

The factors affecting the profitability of SSA reinsurance companies is depicted using the below dynamic linear relationship between dependent and independent variables is shown as:

$$Y_{it} = f\left(A'_{it}, B_{it}, C'_{it}\right) + \mu_{it} \tag{2}$$

A'_{it} is the vector of macroeconomic factors, B_{it} denotes the industry-related factor and C'_{it} is the vector of firm-specific factors. μ_{it} is the composite error term (IID $\sim [0, \rho^2]$. The μ_{it} is composed of γ_t is the observable time-specific effect which can be related to the global shocks, ϑ_i is the time variant reinsurers' characteristics and ω_{it} is the idiosyncratic error.

To be explicit on Eq. (2) and reflect the dynamism of the model, it leads to the following:

$$Y_{it} = \alpha_0 + \rho Y_{i,t-1} + \beta' A'_{it} + \delta B_{it} + \theta' C'_{it} + \gamma_t + \vartheta_i + \omega_{it} \tag{3}$$

where Y_{it} is the dependent variable, ROA; α_0 is the constant term, ρ is the speed of convergence in the direction of equilibrium. $Y_{i,t-1}$ is the one year lagged ROA which denotes the lagged profitability measure which signifies the dynamic dimension of the model and *it* denotes the research is a panel study. To incorporate the variables as explained in the hypotheses above, the empirical model of the factors affecting profitability of SSA reinsurance companies is

$$\begin{aligned} ROA_{it} = {} & \rho ROA_{it-1} + \beta_1 GDP_t + \beta_2 INT_t + \beta_3 EXR_t + \beta_4 INF_t + \partial_1 HHI_{it} + \theta_1 PGR_{it} + \theta_2 RRR_{it} \\ & + \theta_3 LIQ_{it} + \theta_4 INP_{it} + \theta_5 logSIZ_{it} + \theta_6 UNR_{it} + \theta_7 OPE_{it} + \mu_{it} \end{aligned} \tag{4}$$

$\beta_1 - \beta_4$ are the estimated coefficients for macroeconomic variables, ∂_1 is the estimated coefficient for industry-level variable, and $\theta_1 - \theta_7$ are the estimated coefficient for firm-specific variables. The study used the ROA as the dependent variable to measure profitability. ROA is used to capture profitability as it is referred to as the most reliable indicator of profitability (Hardwick and Adams,

2002; Malik, 2011, Sidhu and Verma, 2017; Zainudin, Mahdzan and Leong, 2017). ROA reflects the proceeds from assets owned by the firm, and this truly represents the profitability. In addition, ROA has been used by scholars to measure profitability in previous studies on insurance sectors. For instance, Sambasivam and Ayele, (2013); Lee (2014), Zainudin et al. (2017), Sidhu and Verma (2017).

The measurement of the variables used in this study are explicitly defined as shown below (Table 1)

4.2. Estimating technique

Specifically, two-step system generalised method of moments (SYS-GMM) is used to estimate the model of this study. This technique is appropriate of this study due to the following reasons:

(i) It caters for cross-sectional dependency problems,
(ii) it controls for time-invariant company specific effects,
(iii) it deals with the endogeneity problem of lagged dependent variable,
(iv) it permits a certain degree of endogeneity in the other regressors,
(v) it optimally combines information on cross-company variation in levels with that of within-company variation in changes (Fukase, 2010).

For robustness check, the validity and reliability of the model are verified using Arellano and Bond's test (AR1 and AR2) for auto correlation and Hansen J test for over-identification of instrument are used. These two tests are conducted because, notably, GMM estimator's validity is justified if the following two conditions are met. First, validity of over-identifying restrictions on all chosen instrument and second, exclusion of the presence of second-order serial correlation in residuals.

Particularly, AR1 and AR2 tests were conducted to test for the serially correlated errors in the idiosyncratic disturbance term incorporated in the GMM estimator. Remarkably, Anderson and Hsiao (1981) noted that the first order autocorrelation in the differenced residuals does not signal an inconsistent estimation. Thus, the existence of first order autocorrelation does not hamper the consistency of the GMM estimator whilst there should not be any trace of the second order autocorrelation in the model. Furthermore, Hansen J test which is most preferred for SYS-GMM than Sargan test is used to test for over-identification of instrument in the model. With these tests being passed by the model, the validity and reliability of the estimation in this study is justified.

5. Empirical results and discussion

Table 2 reports the descriptive statistics of the variables analysed while the pairwise correlation matrix is reported in Table 3.

Table 2 shows that the number of observations reveals that the panel is unbalanced as none of the variables have up to 1260 as expected. The mean denotes the average values of 0.0228178, 2.682895, 18.25703, 33.98836, 3.603197, 0.21063, 4.650519, 0.7012148, 1.333708, 0.5575952, 3.305809, 0.7405357, and 1.552689 for ROA, GDP, interest rate, exchange rate, inflation rates, HHI, premium growth rate, risk retention ratio, liquidity ratio, investment performance, reinsurer's size, underwriting risk, and operational efficiency, respectively. The values of standard deviation for the variables show that most of the variables have minimal values which indicates that the data points are close to the mean of the data set. On the other hand, only exchange rate has a high standard deviation which implies that the data points are scattered out over a broader range of value. The minimum and the maximum values reveal the first order (smallest) and the last order (largest) observation in the dataset.

Table 3 show that most of the correlation coefficient's values are low. This is desirable as it reveals that the analysis is free from multicollinearity. The highest correlation coefficient values

Table 1. Variable definition, measurement and *A priori* expectation

Definition	Notation	Formula	A priori
Return on assets	ROA	$\frac{\text{Profit after tax}}{\text{Total asset}}$ X 100	
Lagged return on assets	ROA_{t-1}		+
Macroeconomic factors			
Gross Domestic Product growth rate	GDP		+
Interest rate	INT	Individual countries' lending rate	-
Exchange rate	EXR	Individual Countries rate to USD	+
Inflation rate	INF	Consumer Price Index (CPI) of each country	–
Industry-level factor			
Competition	HHI	$\sum_{i=1}^{P}\left(\frac{NPW_i}{\sum_{i=1}^{P} NPW_i}\right)^2$	+
Firm-specific factors			
Premium growth	PGR	$\frac{\text{GWP(t)—(GWP(t-1))}}{\text{GWP(t-1)}}$ X 100	+
Risk Retention ratio	RRR	$\frac{\text{Net earned Premium}}{\text{GWP}}$ X 100	-
Liquidity ratio	LIQ	$\frac{\text{Current asset}}{\text{Current liability}}$	+
Investment performance	INP	$\frac{\text{Investment income}}{\text{Net earned premium}}$	+
Company Size	SIZ	Natural logarithm of the gross written premium	+
Underwriting risk	UNR	$\frac{\text{Claims paid}}{\text{Net premium}}$ X 100	-
Operational efficiency	OPE	$\frac{\text{Operating expenses} \pm \text{Underwriting comm.}}{\text{Net earned premiums}}$ X 100	+

Note: **GWP is Gross written premium; NPW is the Net premium written; t is years; i is the individual reinsurance company; p is the total number of reinsurance companies.**

are between inflation risk retention ratio (0.542); exchange rate and risk retention ratio (0.549); size and underwriting risk (0.5622). None of these vales exceed 0.7 which is the value of correlation that signifies multicollinearity and considered harmful by Gujarati (1995). Thus, there is no multi-collinearity problem in the study's model estimation or analysis.

6. Regression analysis

The result of GMM estimation is shown in Table 4. Following Roodman (2009), a credible lagged dependent variable should obtain values less than 1.00 to suggest a stable dynamic with slower divergence from equilibrium values. The point estimate of 0.417 is lower than 1.00 which justifies the credibility of our dynamic model estimation.

Accordingly, the 1003 number of observations reveals that the panel is unbalanced. Roodman (2009), Heid et al. (2012), and Oseni (2016) noted that only the Hansen J test is relevant to determine the reliability of instrument specified in SYS-GMM; hence, the Sargan J test is not required. The insignificant probability value of 0.847 revealed by the Hansen J statistic test implies that the null hypothesis of no over-identifying restrictions is accepted shows the reliability of instruments specified and implies that there is no over identification of all chosen instrument or cross-sectional dependence in the model. Notably, where the number of instruments is greater

Table 2. Descriptive statistics					
Variable	**Observation**	**Mean**	**Standard deviation**	**Minimum**	**Maximum**
ROA	1,257	0.0228178	0.0524069	−0.317531	0.4461032
GDP	1,248	2.682895	0.9551059	0.3881811	4.56672
INT	1,121	18.25703	12.09157	4	65.4175
EXR	1105	33.98836	65.77404	0.4456431	58.6
INF	1,204	3.603197	1.27789	1.114778	7.994872
HHI	1,233	0.21063	0.1957694	0	0.9460995
PGR	1,238	4.650519	4.859315	0.0887884	29.72468
RRR	1,187	0.7012148	0.4164824	0	4.333817
LIQ	1,239	1.333708	0.247498	0.30103	1.892095
INP	1,237	0.5575952	0.1977935	0.0004911	1.823402
SIZ	1,237	3.305809	1.115611	0.8725677	5.62538
UNR	1,236	0.7405357	1.347034	−0.1248122	18.1057
OPE	1,233	1.552689	2.769584	0.0395623	27.31277

than the number of groups leads to a weak Hansen test which inadvertently flaws the estimation. In the case of this study, the number of instruments (9) is far less than the number of groups (42) and this reveals that the test is not weakened and the system GMM estimation is reliable.

Also, the Wald test statistic which tests the joint significance of the independent variables under the null hypothesis of no relationship is rejected because of its significance. Furthermore, the probability values of the Arellano-Bond first and second order serial correlation are 0.000 and 0.535 respectively signifies that there is no existence of serial correlation in the model specified. The fact that all the statistical tests align with the GMM requirements, its is established that the model specification and instruments used are valid.

The positively and significantly affects the ROA which confirms the dynamic nature of the model. This implies a direct and significant influence of past year profitability on the present year profitability of the SSA reinsurance companies at 1 per cent having a Z-statistic value of 3.13 > 2.58. Likewise, the results reveal a low profitability persistence in SSA reinsurance companies as presented by the lagged ROA variable. This low value signifies the relatively high intensity of competition among reinsurers in SSA and due to this intensity, the adjustment process speed towards the mean profit is relatively high. The findings conform to the findings of Marigu, Otambo (2016) and Pervan et al (2019).

From the results, economic growth measured by GDP growth rate has a positive and significant effects on the profitability of SSA reinsurers. GDP, which is used globally as the main measure of output and economic activity, exhibits a significant effect on profitability of SSA reinsurers. A promising economic condition spurs economic activities, increase people's income and encourage greater insurance deals with insurers. This, in turn, increases the need for higher cover by reinsurance to reduce the risk of the insurers and hence reinsurers profitability is improved. This finding aligns with a study conducted in India by Sinha and Sharma (2016) and a study conducted in Spain by Trujillo-Ponce (2013).

Interest rate and exchange rate have positive but insignificant effect on SSA reinsurers' profitability. This indicates that these macroeconomic determinants contribute to a more profitable SSA reinsurance companies, but they are insignificant. Exchange rate aligns with the a priori expectation while interest

Table 3. Correlational analysis

	ROA	GDP	INT	EXR	INF	HHI	PGR	RRR	LIQ	INP	SIZ	UNR	OPE
ROA	1.000												
GDP	0.075***	1.000											
INT	−0.108***	0.123***	1.000										
EXR	−0.025	0.164***	0.157***	1.000									
INF	−0.177***	0.321***	0.087***	0.431***	1.000								
HHI	−0.107***	0.009	−0.055**	0.061**	0.166***	1.000							
PGR	−0.098***	0.031	−0.030	0.098***	0.107***	0.410***	1.000						
RRR	−0.255***	0.327***	0.105***	0.549***	0.542***	0.187***	0.252***	1.000					
LIQ	0.215***	−0.236***	−0.152***	−0.312***	−0.303***	−0.109***	−0.156***	−0.379***	1.000				
INP	0.168***	0.133***	0.039	0.135	0.235***	−0.039***	−0.068*	0.079***	−0.021***	1.000			
SIZ	−0.004***	0.006***	0.143	0.021***	0.144***	0.121***	−0.037***	0.065***	−0.155***	0.094***	1.000		
UNR	−0.087***	−0.059**	0.169	−0.043***	0.061	0.053***	−0.018*	0.004***	−0.147***	0.035***	0.5622	1.000	
OPE	0.083***	−0.124***	−0.057**	−0.141***	−0.030***	−0.049***	−0.036***	−0.087***	0.029***	0.052***	0.0731	−0.023***	1.000

***, ** and * means significance level at 1, 5 and 10 per cent significant levels.

is against the *a priori* expectation because a higher interest rate is expected to reduce liquidity that will limit investment and financial performance, hence hamper profitability (Murungi, 2013).

Inflation rate has negative and insignificant effect on SSA reinsurer's profitability. The negative effect of inflation rate aligns with the *a priori* expectation and the results of a study conducted on the USA and UK insurance sector by Batool and Sahi (2019). Certainly, that payment of claims and other operating costs are higher above revenue which during inflation which accidentally leads to reduced profitability.

The competition (HHI) coefficient which is the only industry-level factor considered in this study is positive and statistically significant. This validates the SCP hypothesis for SSA reinsurance companies and suggests that competition affects the profitability of SSA reinsurers. A competitive company diversifies to outrun their competitors which broadens their line of businesses and generate more profit.

Premium growth rate, liquidity, investment performance, size, and operational efficiency have direct effect on profitability of SSA reinsurers. Starting with premium growth, which is the annual increase in premium, signifies the market penetration of the reinsurers. The finding conforms with the previous study on insurance companies such as Sambasivam and Ayele (2013) but negates the findings of insurance sector studies by Ana-Maria and Ghiorghe (2014) in Romania and Charumathi (2012) in India. In 2020, despite the hit of COVID-19, reinsurance premiums in SSA attained approximately five billion U.S. dollars (Rudden, 2022).[5] Clearly, premium is the main source of income for reinsurers, and this is used to expand businessand broadens their customer base such that expenses are managed critically to generate more profit.

Liquidity also has positive and insignificant effect on SSA reinsurers' profitability. This finding negates the agency cost theory that posits managers take advantages of liquid assets, incur higher agency costs that reduces their profitability (Adams & Buckle, 2000) and the finding from the study by Malik (2011) on insurance sector in Pakistan. In SSA reinsurance sector, liquidity is not a significant factor affecting their profitability. This finding is consistent with Mehari and Aemiro (2013), Derbali (2014) and Zainudin et al., (2017) who have found insignificant effect of liquidity on profitability of insurance companies. The finding also implies that the more liquid SSA reinsurers are, the more profitable even though it is insignificant. This implication of a positive effect of liquidity on the profitability of the examined reinsurers is that cash is readily available to meet and settle the instant request for claims due for payment in SSA reinsurance companies.

For investment performance, the direct and significant effect on profitability conforms to the studies of Lee (2013), Njeru (2018) and Rajapathirana and Hui (2018). Investment which is the second major source of income for reinsurers next to premium. Insurers might have higher returns from underwriting but for reinsurers, investment income is very germane (Chen and Hamwi, 2000). The more investment reinsurance company can launch into, the better their chances to overcome underwriting losses and the more profitable they become. Shrewd investment acts as cushion to combat the challenges posed by dwindling interest rate, political instability, inflation rate, and currency depreciation among many others. That reflects the hence the positive effect of investment performance on profitability of SSA reinsurance sector indicates the huge maximisation of investment opportunities with the earned premium which significantly improves their profitability.

Size has a positive but insignificant effect on the profitability of SSA reinsurance companies. The insignificance of size negates the findings of Malik (2011), Almajali et al. (2012) and Mehari and Aemiro (2013) who had previously examined the effect of firm size on profitability of insurance sector. The size of the firm affects its profitability directly because first, large firms can exploit economies of scale which makes them grow faster than small firms; second, larger firms have the ability to hire talented employees that will improve business performance; third, larger firms are

Table 4. Two-step system-GMM

VARIABLE	Two-step SYS-GMM	
	COEFFICIENT	STANDARD ERROR
ROAL1	0.4172599	0.1332178 (3.13) ***
GDP	0.0000429	0.0000224 (1.92) *
INT	0.0000529	0.0001556 (0.34)
EXR	9.85e-06	0.0000116 (0.85)
INF	−2.60e-06	6.43e-06 (−0.40)
HHI	0.0011136	0.0004234 (2.63) ***
PGR	0.0024099	0.0011699 (2.06) ***
RRR	−0.0042083	0.0079135 (−0.53)
LIQ	0.0056286	0.0126708 (0.44)
INP	0.0218062	0.0057727 (3.78) ***
SIZ	0.0013519	0.0022193 (0.61)
UNR	−0.0011165	0.0004315 (−2.59) **
OPE	0.0011165	0.0004315 (2.59) **
Constant	0.0000769	0.0000302 (2.55) ***
No. of observation	1003	
No. of Group	42	
No.of instrument	9	
Wald $chi^2(12)$	312.20(0.000) ***	
Hansen test	Prob > chi2 = 0.847	
Sargan Test	Prob > chi2 = 0.000 ***	
AR 1	Pr> z = 0.000***	
AR 2	Pr> z = 0.535	

***, ** and * means significance level at 1, 5 and 10 per cent significant levels. Z statistics in parentheses.

able to withstand the shocks from dwindling and uncertain market conditions; Fourth, larger firms are capable of hiring professional experts that deliver improved services that will cause a boom in the firm (Flamini et al., 2009). All these opportunities from size makes them more efficient, stable and open to more opportunities that leads to increased profitability (Ahmed, 2010). However, for the factors affecting SSA reinsurance companies, size is insignificant.

For operational efficiency, it was revealed that the net premium of SSA reinsurers covers their operating expenditure which indicates a sustainable, healthy, and consistent reinsurance sector in SSA. The more profitable reinsurers are, the higher their operational efficiency. This finding conforms to the study of Wongchai (2017).

On the other hand, from the firm specific factors examined, it was found that risk retention ratio and underwriting risk have negative effect on profitability. While risk retention ratio is insignificant, underwriting risk significantly affect profitability of SSA reinsurance companies. The negative effect on underwriting risk aligns with Al-Shami, Mehari and Aemiro (2013), Lee (2014) and Hussain) but contrast the findings of Zainudin et al (2017) and Milidonis et al. (2019). Underwriting risk reveals the efficiency of a company in making its underwriting decisions. It shows the claims incurred out of the premium earned by the company. The finding reveals the inadequacy of the underwriting capacity of SSA reinsurers as more claims paid with respect to the premium earned raised the subsequent expenses that reduces their profitability.

In the same manner, the risk retention ratio indicates the risk bearing capacity of the SSA reinsurers. Generally, the higher this ratio, the more profitable reinsurers should be. However, the inverse effect reveals that there are inefficiencies in the SSA reinsurers' ability to manage their risk such that their profitability is not hampered. This finding aligns with Sidhu and Verma (2017) but negates the finding of Mukherjee et al. (2020) from their studies on the largest India General insurance Re (GIC Re).

7. Recommendations and conclusion

This study unveils the factors affecting the profitability of SSA reinsurance companies using triple dimensional factors (macroeconomic, industry-level and firm-specific) which has surpassed the limitations of the only existing two studies (Sidhu and Verma, 2017; Mukherjee et al., 2020) on factors affecting profitability in reinsurance companies. The uniqueness of this study aside the fact that it is a regional-based dynamic panel study is that it considers reinsurance companies as its sample. Having used ROA as the measure of profitability, it is deduced from this study that the significant factors that affects profitability of SSA reinsurance companies are lagged profitability, gross domestic product, competition (HHI), premium growth, investment performance, underwriting risk, and operational efficiency.

Furthermore, inflation, risk retention ratio and underwriting risk have negative effect on SSA reinsurers' profitability. While inflation is a systemic factor that is uncontrollable by the company, retention ratio and underwriting risk are internal factors which reflects excessive claim payments, huge managerial expenditures, and overtrading, etc. From the findings, it is recommended that SSA reinsurers should restructure to have separate department that monitors their ceding agreements and underwriting engagements with insurers. This will assist in building risk management structures and adopt a risk-based approach in the supervision of activities. As reinsurers are meant for hedging risk for insurers, adequate risk assessments must be conducted before any commitment is undertaken.

Also, the significance of competition, premium growth, investment performance, and operational efficiency on the profitability of SSA reinsurers informs that the companies should maintain mechanisms such as automated systems that reduces operational costs, increase its business to boost premium growth, come up with many more innovative products to remain highly competitive such that their profitability is sustained to make the forecasted growth in the region realistic.

In conclusion, this study is limited by inability to have a balanced panel. Not all the companies have all the data required for the whole years of study. However, this has not affected the validity and reliability of the findings in any way as adequate technique was used. By identifying the macroeconomic, industry level and firm-specific factors that affects profitability of SSA reinsurers, our findings should offer industry practitioners and regulators important connotations about the determinants of the firm's profitability.

Further research can extend their study to global reinsurance companies using the same model that encompasses the three-dimensional factors.

Funding
The authors received no direct funding for this research.

Author details
Odunayo Magret Olarewaju[1]
ORCID ID: http://orcid.org/0000-0002-4366-040X
Thabiso Sthembiso Msomi[1]
E-mail: ThabisoM4@dut.ac.za
ORCID ID: http://orcid.org/0000-0003-3941-6815
[1] Department of Management Accounting, Faculty of Accounting and Informatics, Durban University of Technology, Durban, South Africa.

Citation information
Cite this article as: Factors affecting the profitability of reinsurance companies in sub-Saharan Africa: Evidence from dynamic panel analysis, Odunayo Magret Olarewaju & Thabiso Sthembiso Msomi, *Cogent Business & Management* (2022), 9: 2093485.

Notes
1. https://www.spglobal.com/ratings/en/research/articles/210923-global-reinsurers-grapple-with-climate-change-risks-12116706.
2. https://www.atlas-mag.net/en/article/reinsurance-in-sub-saharan-africa.
3. https://www.businesswire.com/news/home/20210929005816/en/Bests-Market-Segment-Report-Significant-Growth-Potential-for-Sub-Saharan-Africa%E2%80%99s-Reinsurers-Despite-Challenging-Operating-Conditions.
4. https://www.atlas-mag.net/en/article/ranking-of-african-reinsurers-according-to-2018-turnover.
5. https://www.statista.com/statistics/1291293/leading-reinsurance-companies-sub-saharan-africa-by-turnover/.

Disclosure statement

No potential conflict of interest was reported by the author(s).

References

Ahmed, A. (2010). Global financial crisis: an Islamic finance perspective. International Journal of Islamic and Middle Eastern Finance and Management. *3*(4), 306–320. https://doi.org/10.1108/17538391011093252

Akotey, J. O., Sackey, F. G., Amoah, L., & Manso, R. F. (2013). The financial performance of life insurance companies in Ghana. *The Journal of Risk Finance*, *14*(3), 286–302. https://doi.org/10.1108/JRF-11-2012-0081

Al-Shami, H. A. A., 2013. *Determinants of insurance companies' stock return in GCC countries*. [Doctoral dissertation]. Universiti Utara Malaysia.

AlAli, M. S., Al-Yatama, S. K., AlShamali, N. M., & AlAwadhi, K. M. (2019). The impact of dividend policy on Kuwaiti insurance companies share prices. *World Journal of Finance and Investment Research*, 4(1), 34–39.

Alhassan, A. L., Addisson, G. K., & Asamoah, M. E. (2015). Market structure, efficiency and profitability of insurance companies in Ghana. *International Journal of Emerging Markets*, *10*(4), 648–669. https://doi.org/10.1108/IJoEM-06-2014-0173

Almajali, A. Y., Alamro, S. A., & Al-Soub, Y. Z. (2012). Factors affecting the financial performance of Jordanian insurance companies listed at Amman Stock Exchange. Journal of Management research, 4(2), 266. doi:10.5296/jmr.v4i2.1482.

Alshammari, A. A., Alhabshi, S. M. B. S. J., & Saiti, B. (2019). The impact of competition on cost efficiency of insurance and takaful sectors: Evidence from GCC markets based on the stochastic frontier analysis. *Research in International Business and Finance*, *47*, 410–427. https://doi.org/10.1016/j.ribaf.2018.09.003

Anderson, T. W., & Hsiao, C. (1981). Estimation of dynamic models with error components. *Journal of the American Statistical Association*, *76*(375), 598–606. https://doi.org/10.1080/01621459.1981.10477691

Barnor, C., 2014. *The effect of macroeconomic variables on stock market returns in Ghana (2000-2013)*. [Doctoral dissertation]. Walden University.

Batool, A., & Sahi, A. (2019). Determinants of financial performance of insurance companies of USA and UK during global financial crisis (2007–2016). International Journal of Accounting Research, *7*(1), 1–9. https://d1wqtxts1xzle7.cloudfront.net/80766099/determinants-of-financial-performance-of-insurance-companies-of-usa-and-uk-during-global-financial-crisis-20072016-with-cover-page-v2.pdf?Expires=1656541456&Signature=Ey3DjCFNtNLh9~qugvUsaJ6-KOPMSdQ8q11iIKP6SUjjVa15Cu-0SxIUgbOdNt0YHbXxkh-XfvOdtjfhI6MSs80X–HmQvF7D5ILj-lyk4KK4isWNONzYMR5F2nB1kIKW~CGReU9YRimLZlebRz6faS9DxCCGr7~VQKgNjQ~tEmDtiLhxu6upHV3lq1i-NOER060w2ft6I1EaBIgxMPH88aj6rsNVJ82FVJTjllXD4WSNSodmgPf6ouNBIUHGhdMym6SZFtS160~2MhkseyqCt4T0N-Qc1cV0Pgm~EvsAyPs0HGYP11fOOnbg4miKzf3QN6bKkUQ8DpNBu2yf-kdZg__&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA

Berends, K., McMenamin, R., Plestis, T., & Rosen, R. J. (2013). The sensitivity of life insurance firms to interest rate changes. *Economic Perspectives*, *37*(2), 47–78.

Bertucci, L., 2019. *The role of financial institutions: Limits and perspectives*. [Doctoral dissertation]. Université Paris sciences et lettres.

Boadi, E. K., Antwi, S., & Lartey, V. C. (2013). Determinants of profitability of insurance firms in Ghana. *International Journal of Business and Social Research (IJBSR)*, *3*(3), 43–50.

Burca, A. M., & Batrinca, G. (2014). The determinants of financial performance in the Romanian insurance market. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 4(1), 299–308.

Camino-Mogro, S., & Bermúdez-Barrezueta, N. (2019). Determinants of profitability of life and non-life insurance companies: Evidence from Ecuador. *International Journal of Emerging Markets*, *14*(5), 831–872. https://doi.org/10.1108/IJOEM-07-2018-0371

Carter, R. L., ed. (2013). Vol. Reinsurance Springer Science & Business Media. https://books.google.co.za/books?id=j0nqCAAAQBAJ&lpg=PP9&ots=9Ib4tutbrm&dq=capital%20is%20more%20efficiently%20used%20and%20underwriting%20capacity%20is%20increased%20(Carter%2C%202013).&lr&pg=PP9#v=onepage&q&f=false.

Charumathi, B. (2012, July). On the determinants of profitability of Indian life insurers–an empirical study. *Proceedings of the World Congress on Engineering*, *1* (2), 4–6. London.

Chen, Y., & Hamwi, I. S. (2000). Performance analyses of US property-liability reinsurance companies. Journal of Insurance Issues, 140–152. https://www.jstor.org/stable/41946186.

Demir, F. (2009). Financial liberalization, private investment and portfolio choice: Financialization of real sectors in emerging markets. *Journal of Development Economics*, *88*(2), 314–324. https://doi.org/10.1016/j.jdeveco.2008.04.002

Derbali, A. M. S. (2014). Determinants of performance of insurance companies in Tunisia: The case of life insurance. *International Journal of Innovation and Applied Studies*, *6*(1), 90–96.

Egbunike, C. F., & Okerekeoti, C. U. (2018). Macroeconomic factors, firm characteristics and financial performance: A study of selected quoted manufacturing firms in Nigeria. *Asian Journal of Accounting Research*, *3*(2), 142–168. https://doi.org/10.1108/AJAR-09-2018-0029

Eling, M., & Jia, R. (2019). Efficiency and profitability in the global insurance industry. *Pacific-Basin Finance Journal*, *57*, 101–190. https://doi.org/10.1016/j.pacfin.2019.101190

Flamini, V., McDonald, C. A., & Schumacher, B. L., 2009. The determinants of commercial bank profitability in Sub-Saharan Africa (January 2009), IMF Working Paper No. 09/15, Available at SSRN: or https://doi.org/10.2139/ssrn.1356442

Fukase, E. (2010). Revisiting linkages between openness, education and economic growth: System GMM approach. *Journal of Economic Integration*, 193–222.

Gujarati, D. N. (1995). Basic econometrics, New York: MacGraw-Hill. Inc. 838p.

Hardwick, P., & Adams, M. (2002). Firm size and growth in the United Kingdom life insurance industry. Journal of Risk and Insurance. *69*(4), 577–593. https://doi.org/10.1111/1539-6975.00038

Hasan, M., Islam, S. N., & Wahid, A. N. (2018). The effect of macroeconomic variables on the performance of non-life insurance companies in Bangladesh. *Indian Economic Review*, *53*(1–2), 369–383. https://doi.org/10.1007/s41775-019-00037-6

Heid, B., Langer, J., & Larch, M. (2012). Income and democracy: Evidence from system GMM estimates.

Economics Letters, *116*(2), 166–169. https://doi.org/10.1016/j.econlet.2012.02.009
Hsiao, C. (2014). *Analysis of panel data (No. 54)*. Cambridge university press.
Ismail, N., Ishak, I., Manaf, N. A., & Husin, M. M. (2018). Macroeconomic factors affecting performance of insurance companies in Malaysia. Academy of Accounting and Financial Studies Journal, *22*, 1–5. Available: https://www.proquest.com/openview/1c1c6f1359e051bb384216bcaea9819e/1?pq-origsite=gscholar&cbl=29414
Karadağ Erdemir, Ö. (2019). Selection of financial performance determinants for non-life insurance companies using panel data analysis. *Journal of Accounting & Finance*, *82*, 251–264.
Kariuki, P., & Nguyo, R. (2020). Firm level factors and organization performance: The moderating role of industry environment. *Journal of International Business and Management*, *3*(3), 01–13.
Kripa, D., & Ajasllari, D., 2016a. Brexit and its potential impact on the Albanian economy, *13th International Conference of ASECU*, Social and Economic Challenges in Europe 2016-2020, 313–324.
Kripa, D., & Ajasllari, D. (2016b). Factors affecting the profitability of Insurance Companies in Albania. *European Journal of Multidisciplinary Studies*, *1*(1), 352–360. https://doi.org/10.26417/ejms.v1i1.p352-360
Kutu, A. A., & Ngalawa, H. (2016). Dynamics of industrial production in BRICS countries. *International Journal of Economics and Finance Studies*, *8*(1), 1–25.
Lee, J. (2009). Does size matter in firm performance? Evidence from US public firms. *International Journal of the Economics of Business*, *16*(2), 189–203. https://doi.org/10.1080/13571510902917400
Malik, H. (2011). Determinants of insurance companies' profitability: an analysis of insurance sector of Pakistan. Academic research international, *1*(3), 315. http://www.savap.org.pk/journals/ARInt./Vol.1(3)/2011(1.3-32)stop.pdf.
McKillop, D. D., French, B. Q., Sobiech, A., Wilson, J. O., & Wilson, J. O. S. (2020). Cooperative financial institutions: A review of the literature. *International Review of Financial Analysis*, *71*, 101520. https://doi.org/10.1016/j.irfa.2020.101520
Milidonis, A., Nishikawa, T., & Shim, J. (2019). CEO inside debt and risk taking: Evidence from property–liability insurance firms. *Journal of Risk and Insurance*, *86*(2), 451–477. https://doi.org/10.1111/jori.12220
Msomi, T. S. (2022). Factors affecting non-performing loans in commercial banks of selected West African countries. *Banks and Bank Systems*, *17*(1), 1. https://doi.org/10.21511/bbs.17(1).2022.01
Mukherjee, T., Gorai, P., & Sen, S. S. (2020). Financial performance analysis of GIC Re. *Vilakshan-XIMB Journal of Management*, *17*(½), 181–195. https://doi.org/10.1108/XJM-08-2020-0071
Murungi, J. (2013). *An introduction to African legal philosophy*. Lexington Books.
Ndolo, P. S., 2015. *The relationship between operational efficiency and financial performance of firms listed at the Nairobi Securities Exchange*. [Doctoral dissertation]. University of Nairobi.
Njeru, P. W., 2018. *Redefining the substantive and procedural protections of most favoured nation clauses in bilateral investment treaties (bits)* [Doctoral dissertation]. Strathmore University.
Olarewaju, O. M., & Msomi, T. S. (2021a). Intellectual capital and financial performance of South African development community's general insurance companies. *Heliyon*, *7*(4), e06712. https://doi.org/10.1016/j.heliyon.2021.e06712
Olarewaju, O., & Msomi, T. (2021b). Determinants of insurance penetration in West African countries: A panel auto regressive distributed lag approach. *Journal of Risk and Financial Management*, *14*(8), 350. https://doi.org/10.3390/jrfm14080350
Öner Kaya, E. (2015). The effects of firm-specific factors on the profitability of non-life insurance companies in Turkey. *International Journal of Financial Studies*, *3*(4), 510–529. https://doi.org/10.3390/ijfs3040510
Oseni, I. O. (2016). Exchange rate volatility and private consumption in Sub-Saharan African countries: A system-GMM dynamic panel analysis. *Future Business Journal*, *2*(2), 103–115. https://doi.org/10.1016/j.fbj.2016.05.004
Otambo, T. D., 2016. *The effect of macro-economic variables on financial performance of commercial banking sector in Kenya*. [Doctoral dissertation]. University of Nairobi.
Park, S. C., Xie, X., & Rui, P. (2019). The sensitivity of reinsurance demand to counterparty risk: Evidence from the US property–liability insurance industry. *Journal of Risk and Insurance*, *86*(4), 915–946. https://doi.org/10.1111/jori.12244
Pattitoni, P., Petracci, B., & Spisni, M. (2014). Determinants of profitability in the EU-15 area. *Applied Financial Economics*, *24*(11), 763–775. https://doi.org/10.1080/09603107.2014.904488
Pervan, M., Pervan, I., & Ćurak, M. (2019). Determinants of firm profitability in the Croatian manufacturing industry: evidence from dynamic panel analysis. *Economic research-Ekonomska istraživanja*, *32*(1), 968–981. https://doi.org/10.1080/1331677X.2019.1583587
Rajapathirana, R. J., & Hui, Y. (2018). Relationship between innovation capability, innovation type, and firm performance. Journal of Innovation & Knowledge. *3*(1), 45–55. https://doi.org/10.1016/j.jik.2017.06.002.
Roodman, D. (2009). How to do xtabond2: An introduction to difference and system GMM in Stata. *The Stata Journal*, *9*(1), 86–136. https://doi.org/10.1177/1536867X0900900106
Shim, J. (2017). An investigation of market concentration and financial stability in property–liability insurance industry. *Journal of Risk and Insurance*, *84*(2), 567–597. https://doi.org/10.1111/jori.12091
Shiu, Y. (2004). Determinants of United Kingdom general insurance company performance. *British Actuarial Journal*, *10*(5), 1079–1110. https://doi.org/10.1017/S1357321700002968
Sidhu, A. S., & Verma, N. (2017). Unveiling the factors affecting the profitability of reinsurance companies. *Management and Labour Studies*, *42*(3), 190–204. https://doi.org/10.1177/0258042X17720062
Sinha, P., & Sharma, S. (2016). Determinants of bank profits and its persistence in Indian Banks: A study in a dynamic panel data framework. *International Journal of System Assurance Engineering and Management*, *7*(1), 35–46.
Suheyli, R., 2015. *Determinants of profitability on insurance companies in Ethiopia*, Unpublished Master's Thesis, Addis Ababa University.
Tegegn, M., Sera, L., & Merra, T. M. (2020). Factors affecting profitability of insurance companies in Ethiopia: Panel evidence. *International Journal of Commerce and Finance*, *6*(1), 1–14.
Trujillo-Ponce, A. (2013). What determines the profitability of banks? Evidence from Spain. *Accounting & Finance*, *53*(2), 561–586. https://doi.org/10.1111/j.1467-629X.2011.00466.x
Tsvetkova, L., Bugaev, Y., Belousova, T., & Zhukova, O. (2021). Factors affecting the performance of insurance companies in Russian Federation. *Montenegrin*

Journal of Economics, *17*(1), 209–218. https://doi.org/10.14254/1800-5845/2021.17-1.16
Weisbart, S. (2018). *How insurance drives economic growth*. Insurance Information Institute.
Welnerfelt, B. (1984). A Resource-based View of the Firma. *Strategic Management Journal*, *5*(2), 171–182. https://doi.org/10.1002/smj.4250050207
Woldegebriel, M. M., 2010. *Assessment of the reinsurance business in developing countries: Case of Ethiopia* (Doctoral dissertation).
Wongchai, A. (2017). The operational efficiency analysis of insurance companies in Thailand. *Advanced Science Letters*, *23*(11), 10632–10635. https://doi.org/10.1166/asl.2017.10118
Yanase, N., & Limpaphayom, P. (2017). Organization structure and corporate demand for reinsurance: The case of the Japanese Keiretsu. *Journal of Risk and Insurance*, *84*(2), 599–629. https://doi.org/10.1111/jori.12092
Zainudin, R., Mahdzan, N.S.A, and Leong, E.S. 2018. Firm-specific internal determinants of profitability performance: An exploratory study of selected life insurance firms in Asia. *Journal of Asia Business Studies*. *12*(4): 533–550.

© 2022 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.

You are free to:
Share — copy and redistribute the material in any medium or format.
Adapt — remix, transform, and build upon the material for any purpose, even commercially.
The licensor cannot revoke these freedoms as long as you follow the license terms.

Under the following terms:
Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made.
You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.
No additional restrictions

You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.

Cogent Business & Management **(ISSN: 2331-1975) is published by Cogent OA, part of Taylor & Francis Group.**

Publishing with Cogent OA ensures:

- Immediate, universal access to your article on publication
- High visibility and discoverability via the Cogent OA website as well as Taylor & Francis Online
- Download and citation statistics for your article
- Rapid online publication
- Input from, and dialog with, expert editors and editorial boards
- Retention of full copyright of your article
- Guaranteed legacy preservation of your article
- Discounts and waivers for authors in developing regions

Submit your manuscript to a Cogent OA journal at www.CogentOA.com

Check the Study Online

ALGERIA

• *Bill regulating insurance activity finalized*

The Algerian government has announced the finalization of a bill governing the insurance business in the country. The final document combines the existing legislative arsenal and the new regulatory provisions in a single text.

The new text is aimed at enhancing the attractiveness of the sector and adapting local insurance to both national and international economic developments.

The new provisions mainly cover:

- the establishment of an independent market regulatory authority to replace the current supervisory commission
- the consecration of Takaful insurance
- the online marketing of insurance products
- the reintroduction of compulsory insurance for goods and equipment imported by sea or air
- the extension of compulsory fire insurance to the private sector
- the development of space insurance
- the introduction of an internal control system within companies to monitor and manage risks and prevent money laundering
- combating insurance fraud
- the introduction of new distribution channels
- the generalization of out-of-court settlements for motor claims
- the simplification of compensation procedures for natural catastrophe victims
- increasing penalties for failure to insure compulsory risks. ■

Source: Atlas Magazine – 15 June 2023

ANGOLA

• *Angola, IFC sign agreement on introduction of crop insurance*

Angola and the International Finance Corporation (IFC) - the World Bank arm - Thursday signed a partnership agreement which provide for introduction of agricultural insurance and protect farmers from damage caused by weather conditions and other shocks.

The Deal was signed by Angolan Finance Minister Vera Daves and IFC deputy president Sérgio Pimenta, who has been in the country for a two-day visit.
The signing of the agreement comes at a time when the country has no insurance products specifically designed to protect small farmers.

The project is based on the experience of the Global Index Insurance Facility (GIIF), through which the IFC has supported the growth of the agricultural/climate insurance market in the countries such as Cameroon, Cote d'Ivoire, Mozambique, Nigeria, Madagascar, Zimbabwe, Senegal, Zambia, among others.

In the case of Angola, IFC will work with the Angolan Agency for Insurance Regulation and Supervision (ARSEG) to help Angolan insurance companies develop insurance products in the market that can meet the specific needs of different categories of Angolan farmers.
In Angola, agriculture is a significant contributor to the economy, accounting for 10 per cent of GDP, a figure still considered low in view of the arable land and climatic conditions.■ Source: Africa NewsWire - 20 July 2023

EGYPT

• FRA issues regulations on digital transformation of non-bank financial sector

The Financial Regulatory Authority (FRA) has issued decisions concerning the digital transformation of the non-banking financial sector in Egypt.
These regulations cover requirements relating to:

- equipment, technological infrastructure, information systems, means of protection and insurance
- establishing digital identity, digital contracts, and digital records
- the establishment of a registry to register outsource service providers

The regulations also deal with the conditions and procedures required for the incorporation, licensing, and approval of companies and entities wishing to engage in non-banking financial activities through FinTech.

For the insurance industry, the regulations pave the way for a technological breakthrough.

FRA chairman Mohamed Farid said that the package of executive decisions was to activate Law No. 5 of 2022 to regulate the use of financial technology and harness its potential to enhance the capabilities of the non-banking financial sector and achieve insurance, investment, and financing inclusion, according to a report in Daily News Egypt.

Mubasher Capital vice chairman Ehab Rashad said that the regulations are necessary at the present time, especially with artificial intelligence entering asset management activities.

Sympl platform co-founder Mohamed El-Feky said that the regulations will accelerate the pace of the spread of electronic platforms in Egypt, such as those dealing with digital identity. He said that technology programmes would help promote a financial culture among the public and provide more flexibility and ease of dealing.

He said that one of the most important challenges is to draft executive regulations with detailed details for each decision, as there must be detailed guiding rules to facilitate quick implementation.

The Insurance Federation of Egypt said that the regulations would lead to a set of effects, such as accelerating the pace of digital transformation, which is important in promoting financial inclusion. Digital technology helps insurers reach different segments of customers and facilitate the premium collection process, improve customer experience and cash flow for insurers while creating added value for customers through digitalising the compensation settlement process.■

Source: Middle East Insurance Review | Aug 2023

• P&C insurance premiums jump by 60% in 1H2023

The total insurance premiums posted by the Egyptian insurance market in the first half of 2023 climbed by 28.9% year on year to EGP35.8bn ($1.16bn), driven by growth in the non-life insurance segment.

Property and liability insurance premiums in the first half of 2023 amounted to about EGP17.4bn, 59.6% higher compared to EGP10.9bn in 1H2022.

The life insurance segment reported premiums totalling EGP18.4bn in the first half of 2023, with a growth rate of 8.9% compared to the EGP16.9bn chalked up in the corresponding half of the previous year.

These statistics were released by the Financial Regulatory Authority.

The total compensation paid in the first half of 2023 amounted to approximately EGP15.9bn, an increase of 22.8%, compared to the corresponding half of 2022. ■

Source: Middle East Insurance Review | 21 Aug 2023

ETHIOPIA

• *Ethiopia Insurance Competitive Landscape*

Highlight:

Ethiopia's insurance sector has large potential, with vast groups of the population underinsured and many insurance products still largely underdeveloped. Similar to banking, foreign investors are barred from Ethiopia's insurance market, meaning the competitive landscape comprises domestic providers only, in contrast to many other regional markets. These regulations stifle the sector, and given the absence of capital market in the country, many insurers find it difficult to scale up, lacking the necessary capital. As of May 2023, there were 18 insurance providers listed with the National Bank of Ethiopia (NBE), including 17 private entities and one public company. These mostly provide non-life products, particularly third-party motor vehicle cover.

Latest Developments

- In 2023, we forecast premiums in the non-life insurance segment to grow by 13.8% to reach ETB5.14bn. In 2024, we forecast a slower growth of 12.6%.
- We expect the insurance market to almost double in the forecast period, growing from ETB5.58bn in 2023 to ETB12.08bn in 2032.
- In November 2022, the NBE implemented a minimum premium rate for motor insurance policies. It is hoped that the move, which has been welcomed by Ethiopia's insurance industry, will end the destructive rate-based competition that has seen companies pricing policies aggressively to win market share. Companies are likely to shift their focus to competing in other areas such as customer service, especially in the areas of claims processing.
- In September 2022, the NBE mandated a six-fold increase in the minimum paid-up capital required of insurance firms. The new capital requirement to obtain a general insurance license is ETB400mn, up from ETB60mn. The minimum capital for long-term insurance licences was also raised from ETB15mn to ETB100mn. Existing insurance companies whose paid-up capital is below the new threshold have five-years to meet the new minimum threshold, but they are required to submit an action plan to the NBE by October 16 2022.
- Local InsurTech provider Kifiya Financial Technology is developing a new vegetation index crop insurance product for smallholder farmers to address a growing need in the domestic market.
- A World Bank working paper, entitled 'What people want: investigating inclusive insurance demand in Ethiopia', published in 2018 highlights that the main concerns for Ethiopian households were loss of crops or livestock, expensive medical care for major illness and the loss of the main household breadwinner. There was a general acknowledgement in the focus groups held in Ethiopia to gather data that insurance product prototypes to provide cash for hospital admission as well as life insurance product prototypes would be very worthwhile to pay premiums for. While results of this study show that educational awareness levels of insurance products were very low in the country, so were the levels of negative bias towards such (with high levels of bias being a problem in many low income markets). Participants in the focus groups expressed that if they were to invest in insurance products, they would be more willing to do so from formal financial services providers.

Ethiopia Insurance Companies by Size

Insurance Company	Branches	Capital, ETBmn
Ethiopian Insurance Corporation	90	2,924
Awash Insurance Company	52	1,511
Nyala Insurance Company	35	1,049
United Insurance Company	40	723
Nib Insurance Company	42	718
Oromia Insurance Company	43	690
Nile Insurance Company	51	678
Abay Insurance Company	29	382
Lion Insurance Company	36	380
Africa Insurance Company	32	367
Tsehay Insurance Company	28	310
Global Insurance Company	20	230
Berhan Insurance	21	215
Bunna Insurance	28	214
National Insurance Corporation of Ethiopia	39	206
Ethio Life & General Insurance	24	187
Zemen Insurance	3	130
Lucy Insurance	22	112

Note: Data accurate as of June 30 2021 (latest available). Source: NBE, Fitch Solutions

The largest single company by far is the state-owned Ethiopian Insurance Corporation (EIC). The EIC was established in 1976 and enjoyed a market monopoly on all forms of insurance until 1994, when the market was opened up to private investors. As of the end of June 2021, NBE data show that EIC had 90 branches across the country and total capital stood at ETB2,924mn - almost double the size of the second largest insurer Awash Insurance Company (ETB1,511mn). EIC offers a wide range of products in both the life and non-life segments, and continues to grow strongly, benefiting from its scale and dominant position.

Life Insurance

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

Awash Insurance is the largest private insurance provider in the market, although, in terms of capital, it is half the size of EIC.While relatively underdeveloped, Ethiopia's life insurance market has significant growth potential.

The country is home to a large population of approximately 120.3mn in 2023, up from 114.0mn in 2020.

The life sector's small current penetration (premiums against GDP) and density (premiums per capita) suggest that the overwhelming majority of the population lacks any form of life coverage. As Ethiopia's economy expands and diversifies, formal employment opportunities will grow and a larger middle class will emerge, which we expect will boost demand for life insurance. However,

the prohibition on foreign participation in financial services will likely weigh on the sector's ability to expand over the coming years.

Non-Life Insurance

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

Takaful insurance (Islamic insurance) is a potential growth area. In recent years, there has also been an emergence of more niche and innovative products, such as in the agricultural sector to protect farmers from drought and other natural disasters.

Motor Insurance is the largest segment of the non-life market, although demand is constrained by the country having one of the lowest rates of vehicle ownership in the world (just nine vehicles per 1,000 citizens, according to the Ministry of Transport). The introduction of compulsory vehicle insurance to the marketplace in 2008 has allowed what little demand there is to grow rapidly from a very low base.

In 2023, we forecast growth in non-life premiums to continue recovering from the economic impact of the Covid-19 outbreak, increasing by 13.5% in local currency terms to ETB5.05bn (USD93.88mn).

Growing demand for new vehicles, aided by an emerging middle class and an expanding driving-age population, will be the main drivers of this medium-term growth projection. Average annual growth will be about 9.9%, with premiums reaching ETB6.87bn (USD127.71mn) in 2026.

Transport insurance is emerging as a potentially dynamic sub-sector within Ethiopia, with demand for freight transport services expanding in line with the country's developing export capabilities.

Additional growth momentum is driven by the strong domestic infrastructure development pipeline in the country, which currently hosts a number of active projects. In 2023, we forecast transport premiums to grow by 13.0% in local currency terms to ETB1.2bn (USD22.5mn), following estimated growth of 2.8% in 2020 due to the impact of the Covid-19 crisis.

There are a number of potential demand drivers for transport insurers over the next few years. Export diversification in Ethiopia's overseas trade is continuing apace, with a growing manufacturing sector as well as rising energy shipments adding to a well-developed agricultural export sector.

The severe security situation around the Gulf of Aden shipping route creates a potential risk, although exporters will be largely reliant on overseas insurers until the capabilities of domestic firms increase sufficiently.

We expect transport insurance premiums to grow by 11.4% a year throughout the remainder of the forecast period to reach ETB1.6bn (USD30.0mn) in 2026.

Property insurers in Ethiopia have traditionally faced severe structural constraints as a result of the low level of urbanisation and home ownership in the country. In 2023, we forecast property premiums to be worth ETB309.0mn (USD5.8mn), rising by 9.3% as the sub-segment starts to recover from the economic impact of the Covid-19 outbreak. With property lines currently accounting for 5.4% of total non-life premiums, a growing middle-class consumer base will allow the market to develop only slowly and from a low base. This expansion will be

further boosted by government-funded construction projects aimed at resolving the current housing deficit. These drivers will support modest growth in property insurance premiums of about 9.2% a year throughout the remainder of our forecast period. By 2026, the sub-sector will be worth ETB361.9mn (USD4.8mn), which is equivalent to 5.3% of total non-life spending. We note that property insurance is a line that is set to experience faster growth well beyond 2026. We expect better growth in this line to be unlocked well after 2026, especially if government assistance levels remain supportive of commercial and residential property.

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

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

Source: Business Monitor Online - 3 July 2023

• *Ethiopian Reinsurance-Fact Sheet*

DATE OF CREATION:

July 2016, Ethiopia

CLASSES OF BUSINESS:

Life and non life

MAIN INDICATORS

in thousands USD

	30/06/2020	30/06/2021
Turnover	25 299	26 032
Shareholder's equity	NA	NA
Net result (*)	5 392	5 033

* Result before taxes NA: not available

CAPITAL and SHAREHOLDING

Share capital	22 830 000 USD

Shareholders	In %
Insurance companies	66.90%
Banks	30.76%
Individuals	2.33%
Others	0.01%

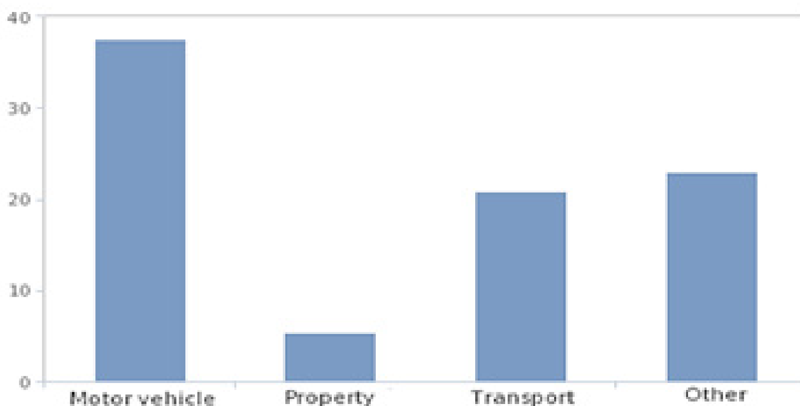
TECHNICAL RATIOS

	30/06/2020	30/06/2021
Net loss ratio	52.77%	46.27%
Net management expenses ratio	38.22%	44.74%
Net combined ratio	90.99%	91.01%

Exchange rate as at
30/06/2020: 1 ETB = 0.02892 USD ;
30/06/2021: 1 ETB = 0.02283 USD
Source: Ethiopian Re ■

Source: Atlas Magazine - 11May 2023

Ethiopia - Non-Life Premiums Written By Sub-Sector, USDmn (2023)



GHANA

• *Reinsurer shows modest overall profitability*

Ghana Reinsurance's operating performance is assessed as adequate, reflecting the company's modest overall profitability on an inflation-adjusted basis and volatile underwriting performance, as demonstrated by a five-year (2018-2022) return-on-equity ratio of 11% and weighted average combined ratio of 102.1%, notes AM Best.

In 2022, the reinsurer's combined ratio deteriorated to 111.4% due to the strengthening of foreign-currency technical reserves amid the depreciation of its reporting currency (Ghanaian Cedi). In addition, 2022 results were weakened by investment impairments booked on Ghanaian government debt investments.

Nonetheless, AM Best notes the impact on overall earnings was offset by substantial foreign exchange gains on the company's foreign-currency investments. Investment results are expected to remain supportive of profitable operating performance given the high-interest-rate environment in Ghana Re's core markets.

Removed from "under review"

AM Best has removed from under review with 'Negative' implications and affirmed the Financial Strength Rating of B- (Fair) and the Long-Term Issuer Credit Rating of "bb-" (Fair) of Ghana Re. The outlook assigned to these credit ratings is 'Negative".

The ratings reflect Ghana Re's balance sheet strength, which AM Best assesses as strong, as well as the company's adequate operating performance, limited business profile, and weak enterprise risk management.

The ratings have been removed from under review with negative implications as AM Best has completed its assessment of the impact of deterioration in economic and operating conditions in Ghana including the implications of default and restructuring of Ghanaian domestic debt on the company's balance sheet strength and broader credit fundamentals. However, the assigned negative outlook reflects downside pressure on the balance sheet strength assessment emanating from Ghana Re's exposure to elevated investment risk due to its holdings of debt instruments issued by the Government of Ghana and its exposure to the domestic banking sector through cash and deposits.

Balance sheet strength

Ghana Re's balance sheet strength is underpinned by risk-adjusted capitalisation at the strongest level at year-end 2022, as measured by Best's Capital Adequacy Ratio (BCAR), albeit with reduced buffers given the deterioration in the credit quality of its investments in Ghana and significant growth in underwriting exposures. Liquidity risk is elevated given the suspension of servicing of Ghanaian eurobonds and reduction in coupons on restructured domestic debt; however, the company has sufficient holdings in cash and treasury bills to cover its net insurance reserves over the near term.

Business profile

Ghana Re maintains a solid competitive position in Ghana as the largest domestic reinsurer. While Ghana Re has achieved solid geographical diversification in recent years, with over half of its premiums now generated outside of Ghana, the company lacks an established position in non-domestic markets.

Ghana Re is exposed to high levels of political, economic and financial system risks in the countries in which it operates (mainly Ghana and Kenya). The company's risk management framework is evolving and risk management capabilities are weak when compared with the company's risk profile. AM Best expects ongoing improvement in Ghana Re's risk management framework in the medium to long term. ■

Sources:
- Middle East Insurance Review – 14 August 2023
- Best's Credit Report – Jan 2023

Key Financial Indicators 2017-2021

	2021 GHS (000)	2020 GHS (000)	2019 GHS (000)	2018 GHS (000)	2017 GHS (000)
Net Premiums Written:					
Life	20,369	19,862	17,017	16,728	9,534
Non-Life	313,316	259,120	199,260	162,980	161,555
Composite	333,685	278,982	216,277	179,708	171,089
Net Income	51,733	41,939	30,161	38,628	34,031
Total Assets	792,996	680,408	585,332	512,661	493,253
Total Capital and Surplus	435,754	387,756	365,181	332,507	293,194

Source: BestLink ® - Best's Financial Suite

MADAGASCAR

- ***ARO Madagascar: 2022 results***

Assurances Réassurances Omnibranches (ARO Madagascar) has ended the 2022 financial year with a slight 1% increase (in local currency) in its turnover. This figure went from 160.1 billion MGA (40 million USD) as at 31 December 2021 to 161.7 billion MGA (35.9 million USD) a year later.

Non-life premiums amounted to 129.2 billion MGA (28.7 million USD), falling by 0.7% over one year.

Life underwritings progressed by 5.8% to reach 22.4 billion MGA (5 million USD).

Reinsurance acceptances improved by 14.5% to 10.1 billion MGA (2.2 million USD) compared with the same period of 2021.

During the period under consideration, the incurred losses climbed up by 16.1% to 62 billion MGA (13.8 million USD). The underwriting result stood at 86.8 billion MGA (19.3 million USD), representing an 11.3% decline over one year.

The loss ratio and combined ratio were respectively at 42% and 67%.

The technical reserves jumped from 341.6 billion MGA (85.3 million USD) in 2021 to 363 billion MGA (80.7 million USD) in 2022.

By the end of 2022, the company posted a net profit of 15.5 billion MGA (3.5 million USD), representing a 28% improvement compared with the 12.1 billion MGA (3 million USD) generated a year earlier.

Founded in 1975, ARO Madagascar remains the leading company in the insurance sector, with a 49.7% share of the market's total written premiums in 2022. ■

Source: Atlas Magazine – 11 August 2023

MADAGASCAR

• Insurance Market Statistical Key Highlights

Governance, Risk and Compliance

- *The Malagasy insurance industry is regulated by the Ministry of Finance.*
- *The insurance sector of Madagascar was long governed by Insurance Code 93-013 of 2 August 1999 and its implementing decrees. However, the code has been revised and law n° 2020-005 on insurance was promulgated in 2020, the decrees of implementation of which are currently being drafted.*
- *Non-admitted insurance is not permitted. However, reinsurers can operate without obtaining a license on a cross- border basis only.*
- *Composite insurance is permitted in Madagascar.*
- *100% FDI is permitted in the Malagasy insurance industry.*
- *Motor third-party liability, workers' compensation and professional liability insurance for brokers are compulsory classes of insurance.*

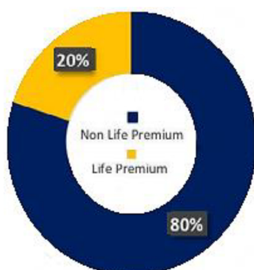
Insurance Market Performance

Written Premium

Million MGA	2016	2017	2018	2019	2020	2021
Non Life Premiums	178,879	189,105	201,213	204,052	213,177	240,014
Life Premiums	39,282	43,594	51,358	55,072	57,393	60,149
Total Written premiums	**218,160**	**232,700**	**252,572**	**259,124**	**270,570**	**300,163**
Growth rate	**9%**	**7%**	**9%**	**3%**	**4%**	**11%**
GDP (constant) – billion MGA	19,539	20,308	20,956	21,881	20,319	21,037
Total Written Premium – billion MGA	218	233	253	259	271	300
Penetration rate	**1.12%**	**1.15%**	**1.21%**	**1.18%**	**1.33%**	**143%**
Population - Million inhabitants	24.9	25.6	26.3	27	27.7	28.0
Insurance Density (MGA per capita)	**8,761**	**9,090**	**9,603**	**9,597**	**9,768**	**10,720**

Source: FMI World Economic Data - Service des assurances - CSBF - MFMOD Database, World Bank - 2021 estimation

Non-Life Breakdown by Class 2021



Million MGA	2017	2018	2019	2020	2021	Average growth rate
Motor	386,353	414,493	402,831	420,844	464,017	4.02%
Marine	112,340	120,130	107,901	112,726	205,221	16.54%
Fire &Allied Perils	937,151	938,641	849,634	887,626	1,003,609	142%
Engineering	69,459	99,948	75,329	78,697	145,809	21.98%
Aviation	103,720	100,072	110,260	115,191	128,884	4.85%
Miscellaneous	282,031	338,847	494,566	516,681	452,597	12.10%
Total	**1,891,054**	**2,012,132**	**2,040,522**	**2,131,766**	**2,400,137**	**5.38%**

Gross Loss Ratio

Loss Ratios (*)	2017	2018	2019	2020	2021	Average Loss Ratio for the past 5 years
Non Life	21%	27%	41%	20%	22%	**26%**
Life	45%	53%	48%	99%	69%	**64%**
Total	25%	32%	42%	37%	31%	**34%**

(*) claims paid on written premiums

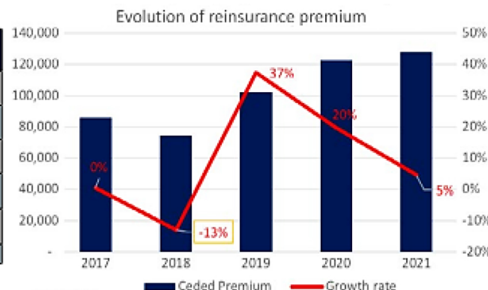
Loss Ratios (*)	2017	2018	2019	2020	2021	Loss ratio for the past five years
Motor	32%	25%	32%	19%	20%	**25%**
Marine	0%	14%	18%	13%	25%	**15%**
Fire & Allied Perils	10%	14%	34%	18%	7%	**16%**
Engineering	0%	0%	0%	54%	23%	**16%**
Aviation	13%	2%	5%	6%	0%	**5%**
Miscellaneous	57%	83%	78%	24%	63%	**59%**

(*) claims paid on written premiums

Reinsurance Statistics

Million MGA	2016	2017	2018	2019	2020	2021	Average % ceded
Non-Life ceded premium	84,377	84,367	73,064	100,472	120,476	126,143	
% ceded Non-Life	**47%**	**45%**	**36%**	**49%**	**57%**	**53%**	**48%**
Life ceded premium	830	1,229	1,399	1,913	2,143	2,048	
% ceded Life	**2%**	**3%**	**3%**	**3%**	**4%**	**3%**	**3%**
Ceded Premium	**85,207**	**85,596**	**74,464**	**102,385**	**122,620**	**128,191**	
% ceded	**39%**	**37%**	**29%**	**40%**	**45%**	**43%**	**39%**

Source: CSBF



MALAWI

• African Risk Capacity launches the first Flood Risk Insurance Product in Africa

The African Risk Capacity (ARC) Group is launching a new insurance mechanism for African countries to cope with the devastating effects of flooding. This parametric insurance product will provide countries with predictable and rapid financing for early response to cope with emergency disaster events caused by floods. The mechanism is a significant milestone in building resilience to climate-related disasters on the African continent and in complementing the ARC solutions.

The number of flood events in Africa have increased significantly, including in many major urban centres and coastal areas. These have resulted in numerous deaths and the displacement of millions of people and caused significant damage to property and farmlands worth billions of US Dollars. Unfortunately, because of climate change, the occurrence of floods in ARC Member States has become more frequent and increased in intensity in recent decades. Member States have expressed a strong interest in the development and delivery of a flood insurance product to help countries respond timely to flood disasters. Although some regional and national flood early warning initiatives exist, there is no operational system going up to estimate economic losses to underpin a sovereign insurance scheme.

ARC has partnered with JBA Risk Management to develop a model to support the delivery of a practical and customisable parametric flood insurance product. The Flood product will generate daily flood analysis and calculate the associated impacts for each country. These impacts are compared to the parametric triggers (economic losses or the number of people affected), and payouts are calculated if flood impacts exceed the trigger threshold defined by the country.

After completion of the in-countries validation workshops, the flood model was subjected to a quality review process to assess its robustness and suitability for purpose by a Technical Review Forum composed of national and international high-level flood experts from globally renowned institutions. The experts determined that the ARC Flood Risk Model was deemed ready and robust enough, and that it can be confidently used for underwriting insurance policies.

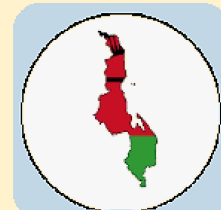
The Flood model is available for Madagascar, Mozambique, Malawi, Cote dIvoire, Ghana, and Togo, and will be extended to other countries in 2024.

Ibrahima Cheikh Diong, ARC Group Director-General stated, ARCs goal is to continue to diversify its products offering to meet the needs of Member States effectively. This new Flood insurance product will allow Member States to better anticipate and manage extreme flood events while ensuring that their impact on the population is mitigated. ■

Source: TendersInfo - 9 June 2023

Malawi Insurance Market Key Highlights

- *The PISU under the RBM regulate the insurance industry of Malawi.*
- *Motor third-party liability insurance is compulsory.*
- *Composite insurance is not permitted in the Malawian insurance industry.*
- *100% FDI is permitted in the Malawian insurance industry.*
- *Non-admitted insurance is prohibited by the insurance legislation. Risks that are not covered by the domestic insurers can be placed with unauthorized insurers.*



NIGERIA

• NAICOM, NCDMB, others partner to boost local content insurance

By Henry Uche , mercy4henryuc@gmail.com

In their desire to give insurance business prominence and make it a household brand in Nigeria, the National Insurance Commission (NAICOM), the Nigerian Content Development Monitoring Board (NCDMB), Centre for Promotion of Private Enterprises (CPPE), operators in the oil and gas industry and insurance stakeholders have agreed to synergise to boost local content insurance particularly in the oil and gas sector.

They made this agreement at the oriental media summit, held in Lagos recently with theme: "Building Local Content Synergy Between the Oil and Gas Industry and the Insurance Sector in Nigeria" and sub-themed, "Harnessing Insurance Oppourtunities in Nigeria.''

These stakeholders acknowledged the challenges facing the insurance industry, saying however that there are enormous oppourtunities begging to be tapped, not only for the betterment of the industry, but also for Nigerian economy.

Delivering a keynote address, the Commissioner of Insurance, Mr. Olorundare Thomas, called on Oil and Gas sector operators to comply with the guidelines issued in 2010 which amongst others, stipulates the roles and responsibilities of insurance institutions in ensuring compliance with local content law, with the primary consideration of ensuring actual exhaustion of available in-country insurance capacity.

The NAICOM boss urged all stakeholders to intensify the ongoing drive to facilitate platforms that address the demand-supply gap; encourage specialised products that addresses the needs of the oil and gas industry and address all potential impediments.

To him, stakeholders' support would boost human capacity development and ensure technical capacities of insurance suppliers, adequate risk pricing and comprehensive coverages and risk management.

"As a regulator, we are committed to creating an enabling environment that will consistently enhance increased capacity of insurance institutions both financially and technically.

"Beyond our promises there is need for reciprocal expectations from operators in the oil and gas sector, one of which is timely compliance with the requirements of the guidelines jointly issued by the Commission and NCDMB," Thomas said.

He added that with the mandate to develop indigenous capacities to participate in the oil and gas industry, both regulators (NAICOM and NCDMB) would ensure that there is collaboration for the facilitation, promotion and adequate assessment of needs of the oil and gas industry that would influence the behaviour of insurers, reinsurers and brokers in a way that addresses the needs for national growth and development.

For his part, the Executive Secretary of NCDMB, Simbi Wabote, represented by the Director, Corporate Services, Mr. Patrick Obah, affirmed that collaboration and stakeholders' engagement in the industry is a way forward, hence the need for commitment by NCDMB and NAICOM to drive compliance with relevant laws, reduce bottlenecks and promote more value and capital retention.

The NCDMB boss maintained that the collaboration between NCDMB and NAICOM crystalised in the joint issuance of the insurance guidelines in 2022 to support the implementation of the insurance requirements contained in Sections 49 and 50 of the Nigerian Oil and Gas Industry Content Development (NOGICD) Act 2010, must be sustained conscientiously.

"Building synergy between these two critical sectors, hold huge potential for growth and development of our economy. The main benefit of the guidelines is the creation of a database of all insurance programs procured by the operators, project promoters, alliance partners, and Nigerian indigenous companies, to enable the Board monitor utilisation of in-country insurance capacity thereby enhancing in-country value retention.

"In addition to various provisions of the NOGICD Act and the Insurance Act, Sections 49 and 50 of NOGICD Act specifically provides concrete basis for NCDMB and NAICOM to work together to extract maximal value from both the insurance and the oil and gas industry.

"Section 49(1) states: 'All operators, project promoters, alliance partners and Nigerian indigenous companies engaged in any form of business, operations or contract in the Nigerian oil and gas industry, shall insure all insurable risks related to its oil and gas business, operations or contracts with an insurance company, through an insurance broker registered in Nigeria under the provisions of the Insurance Act as amended.

"Section 49(2) states: 'Each operator in subsection (1) of this section shall submit to the Board, a list of all insurance companies and insurance brokers through which insurance covers were obtained in the past six months, the class of insurance cover obtained and the expenditures made by the operator," he said.

"Section 50 states: 'No insurance risk in the Nigerian oil and gas industry shall be placed offshore without the written approval of the National Insurance Commission which shall ensure that Nigerian local capacity has been fully exhausted."

"Section 50 forbids entities in the oil and gas industry from offshore placement of any insurable risks except with the written approval of NAICOM. The essence of these two provisions of the NOGIC Act is to ensure full utilization of available in-country capacity in the insurance sector by oil and gas industry players. The goal ultimately is to promote more capital retention in country and to boost the capacity of Nigerian insurance companies and brokers to support the Nigerian oil and gas industry.

"One of the challenges of utilizing Nigerian loss adjusters or brokerage firms is the low capital base of the insurance industry. Closely related to it is the capacity of local insurance firms to underwrite

the huge loss associated with a typical upstream petroleum project.

"Though NAICOM has made remarkable efforts to mitigate some of these limitations, however, a lot still need to be done. In the spirit of collaboration, NCDMB is poised to work with NAICOM as a credible partner every inch of the way to get around some of these obstacles particularly within the boundaries of our statutory mandate"

He said to address the issue of low capital base of the industry, stakeholders need to support NAICOM to push for an increase in the minimum capital base of insurance companies, while NAICOM and other stakeholders need to work assiduously to forge and promote mergers of insurance companies to enhance their efficiencies and improve their market share as part of their collective benefits.

"In all, we must explore the benefits and tackle the constraints impeding full implementation of the provisions of sections 49 and 50 of the NOGICD Act 2010" he urged.

Corroborating, the Director/CEO of Centre For The Promotion Of Private Enterprise (CPPE), Muda Yusuf, who decried the poor contribution of insurance sector to GDP, (less than one percent), called for conscientious implementation and enforcement of legal and regulatory framework provided by the aforementioned Act.

Yusuf affirmed that the insurance sector has enormous prospects / potential for growth hence the need to explore critical provisions of the Act.

"The oil and gas industry in Nigeria is a multi-billion dollars industry. With ongoing reforms, prospects for the growth of the industry have heightened considerably. This offers corresponding growth in opportunities for insurable risks"

The former Director General of LCCI added that following the Nigerian Oil and Gas Opportunity Fair (NOGOF) held recently in Yenagoa, with new investment prospects valued at over $50bn, showcased by international and indigenous companies, and prospects projected to be developed within five years, stakeholders should maximize phenomenal opportunities inherent in the insurance industry.

Moreover with the Petroleum Industry Act, PIA, (which has unlocked tremendous investment potential in the entire value chain of the oil and gas sector): Upstream, downstream and service sectors, he called on relevant stakeholders to explore the regulatory and institutional environment created for investment growth across the broad spectrum of the sector.

"The federal government have played their roles in laying the foundation for the desired synergy; it remains for the industry players, working with the regulators in both sectors, to take advantage of the prospects.

"Though opportunities for synergy between insurance and oil and gas sector are immense, however we need a solid framework for collaboration and partnership between the insurance community, the oil sector investors, the NAICOM and the NCMDB to be put in place to harness the enormous potential"

He admonished insurance industry players to strengthen their public policy advocacy to boost the demand side of insurance, by ensuring compliance with current provisions with respect to mandatory insurance, promoting and deepening insurance premium subsidy in critical areas of the economy such as agriculture, health and climate change projects.

"Public policy advocacy on insurance can be strengthened by deepening financial literacy to create awareness for insurance products. Offering tax incentives on insurance premiums. On supply side, industry practitioners need to strengthen domestic capacity in capital adequacy, claims management, trust level and perception issues, use of technology, professionalism in the conduct of intermediaries, high corporate governance principles and innovative marketing and customer focus" he stressed.

Other stakeholders and panelists at the event challenged regulators, players and operators to address dearth of adequate capacity, Knowledge gap, poor contribution of insurance to GDP, low awareness and penetration of insurance business, inadequate support from government across level, dominance of foreign firms among other challenges.

Howbeit, they remain auspicious given the huge opportunities that flow from the proposed collaboration between NAICOM and NCDMB. According to them, the heralded synergy would bring about right pricing of risks in the sector, as well as engender adequate risk management.

They pushed for tailor – made products offering for the market; well thought- out regulatory decisions; protection of local industries; enhance legal (Judiciary) contributions and the finance sector to the insurance industry.

"We believe insurance sector can create more jobs opportunities to boost living standards of people. Renewable energy can surge, partnership and synergy with relevant stakeholders can be leveraged in pursuit of local content development in oil and gas sector and the insurance Industry.

"Hugh sums of capital would be attracted from investors especially foreign investors who would want to take advantage of opportunities provided by both industries to add value to Nigerian economy" they maintained. ■

Source: Sun News Online - 2 August 2023

• *Nigerian insurance market structure*

The latest figures published by the National Insurance Commission (NAICOM) indicate that the number of licensed insurance operators in Nigeria has gone up from 54 to 67 in 2023.

The Nigerian insurance market now comprises 12 composite companies, 27 non-life entities, 13 life companies, three reinsurers, eight microinsurance companies and four takaful companies.

■ Source: Atlas Magazine -22 August 2023

SENEGAL

• Growth of insurance market estimated at 10% in 2022

The insurance sector in Senegal performed well overall in 2022, showing resilience in the face of the COVID pandemic as well as shocks from the Russian-Ukrainian conflict, according to Mr Mamadou Dème, director of insurance at the Ministry of Finance and Budget.

In an interview with the Senegalese Economy Journal (Lejecos), he said that at the end of 2022, there were 29 insurance companies, including 19 non-life insurers and 10 life insurers operating in Senegal. There were also 83 insurance brokerage companies, as other types of approved intermediaries, involved in distribution or insurance advice.

Market performance

The insurance market is estimated to have achieved a growth of nearly 10% in 2022.

Mr Dème said, "If our estimates are confirmed, the final turnover should approach FCFA249bn ($419m) in 2022, thus placing the Senegalese market in third place in the CIMA zone, after Côte d'Ivoire and Cameroon." Turnover stood at FCFA225.09bn in 2021.

He added that reflecting the robustness of the market, you will note that of the 29 insurance companies, 11 exceeded FCFA10bn each in turnover, commanding 44% of the P&C insurance market and 74% of the life insurance branch.

Despite the number of players in the insurance market and the dynamics, insurance penetration has remained low, standing at 1.47% in 2021, against an African average of 2.70%.

Mr Dème said that several factors could explain the market performance, such as:

- the lack of knowledge and understanding of insurance products, linked to a real lack of communication on the part of the industry's actors,
- negative perceptions towards insurance companies, in addition to cultural and social barriers,
- financial constraints, or inadequate regulations or insurance offerings. ■

Source: Middle East Insurance Review – 7 August 2023

• New minimum capital requirement increases pressure on small insurers

The new requirement for insurance companies to increase their minimum capital to FCFA5bn ($8.4m) can put pressure on the profitability of companies, especially for those that are smaller or have lower profit margins, says Mr Mamadou Dème, director of insurance at the Ministry of Finance and Budget.

In an interview with the Senegalese Economy Journal (Lejecos), he says that the capital increase means that insurers have to generate higher profits to maintain the same level of profitability.

Mr Dème adds that it should also be noted that one of the underlying objectives of this capital reform is precisely to reduce this fragmentation experienced by the market in the CIMA zone, with a large number of small

players that are family-owned.

The wish of the CIMA legislators through the reform is also to be able to create the conditions for a certain concentration of insurers by mergers or the strengthening of capital structures by additional equity contributions.

The objective of the capital hike is to ensure the solvency and financial stability of insurance companies, and consequently, to improve the quality of services for the benefit of policyholders and beneficiaries of insurance contracts, he added.

Profitability

Mr Dème said, "Given the economic prospects that we observe in our country, in the oil and gas, construction, infrastructure sectors and in particular the modernisation of mass transport, it is possible to believe that the profitability objectives of the insurance companies are not threatened.

'Ultimately, the compatibility of this capital increase with profitability objectives will depend on the capacity of each company to adapt to this new reality, by optimising its operations, diversifying its sources of income and innovating its products."

He also says that the reform would strengthen the retention capacity of insurers, and reduce their dependence on reinsurance. This should be accompanied by a set of behaviours in technical management.

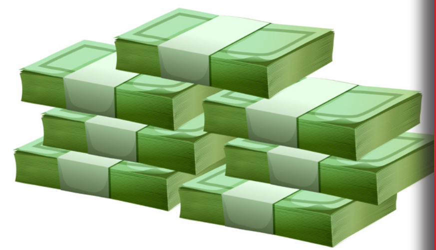
Mr Dème says that the capital hike is well monitored at the level of the CIMA Secretariat because it concerns all the member states of the organisation. It is a project that is managed intelligently, alternating flexibility and rigour at all levels from the Regional Insurance Control Commission (CRCA) to the Council of Insurance Ministers, via the General Secretariat and the Committee of Experts.

Consultations

He adds that consultations had been carried out with insurance companies which have led to the deferment of the second phase of the capital increase from December 2021 to December 2024, after the first phase during which the transition to minimum capital of FCFA3bn was finalised in 2019. The COVID-19 pandemic also played a role in the decision to postpone the capital increase due to fundraising constraints faced then by shareholders and prospective new investors.

Mr Dème says that for life insurance companies, the decision had been taken to suspend the implementation of the reform to deepen the study on the capitalisation needs of this segment whose profit margins are still quite low. In addition, in the life branch, the actuarial calculations of the commitments taken out are so precise that the risk of uncertainty is better controlled than for non-life insurance. ■

Source: Middle East Insurance Review – 14 Aug 2023



• *Insurers form oil & gas risk pool*

Insurance companies in Senegal have set up an "Oil & Gas Risks Insurance Pool" to unify their underwriting capacity in this specialty field and also to improve their negotiating power with the international reinsurance market.

Senegal has entered into oil and gas production since discovering fields of oil and natural gas offshore in 2014.

Senegal's entry into the oil and gas sector should contribute to strengthening the growth momentum of the insurance market, said Mr Mamadou Dème, director of insurance at the Ministry of Finance and Budget.

In an interview with the Senegalese Economy Journal (Lejecos), he said, "Unquestionably, we should see a real impact with the coverage of oil and gas risks, and this effect will go beyond our insurance market alone to impact the CIMA zone and globally, due to the volume of investments in this sector and the capacity required for their good coverage."

He pointed out that Senegal has adopted a law on local content which aims to involve Senegalese economic actors as much as possible in the oil and gas exploitation sector. "Its objective is, therefore, to increase local added value and the creation of local jobs in the life cycle of oil and gas projects, to stimulate the local economy at various levels," he said.

Opportunity

Mr Dème added, "The insurance sector is therefore well placed to benefit from this new economic dynamic, due to the significant risks associated with this industry and the need for specialised insurance services. Senegalese insurance companies thus have the opportunity to offer their services to companies operating throughout the value chain of the oil and gas industry, from exploration to distribution.
"Increased oil and gas activity can also generate overall economic growth, which could boost demand for insurance in other sectors. For example, the oil and gas industry often requires construction, transportation and logistics services, which can increase insurance needs in these areas."

He added that for Senegalese insurance companies to take full advantage of this opportunity, they will need to be able to meet the specific requirements of the oil and gas industry in terms of insurance coverage, financial capacity and risk management.

He pointed out that the major challenge which the insurance sector faces in the oil & gas sector is the need to strengthen underwriting capacity at the level of all the players, insurers and reinsurers. This justifies the regulatory reforms on minimum capital requirements, the domiciliation of insurance as well as certain aspects of reinsurance.

He also said, "Furthermore, it may be necessary to invest in capacity building and staff training to be competitive in this specialised area, which Senegalese insurance players have taken into account through various training sessions in the domain." ■

Source: Middle East Insurance Review – 21 Aug 2023

SOUTH AFRICA

• *South Africa's Parliament passes National Health Insurance Bill*

The National Assembly (NA) of South Africa has officially passed the National Health Insurance (NHI) Bill, which seeks universal health coverage for all citizens.

The latest decision comes after the NHI bill was tabled in the NA on 12 June. According to a report on Reuters, a total of 205 votes were in favour and 125 votes were against the bill in the parliament's lower NA.

It will be now sent to President Cyril Ramaphosa for assent and to the National Council of Provinces (NCOP) for concurrence. The health insurance bill is planned to be implemented in multiple stages and may cost the exchequer billions of dollars. It also involves setting up a single pool of NHI funding that can be used for purchasing healthcare services for all the users registered under it, irrespective of their socio-economic status. However, concerns are being raised that this bill result in widespread corruption and weaken the country's economy that struggles to finance basic services. However, the government claimed that the proposed bill will develop certain mechanisms for efficient utilisation of the fund's available resources to address the healthcare requirements of the people while prohibiting any "unethical and unlawful" practices.

A BusinessTech report said this fund will draw money from surcharges on personal income tax, payroll taxes, and general tax revenue and by reallocating funds for tax credits, which are currently being given to private insurers. The report quoted South Africa Health Minister Joe Phaahla as saying: "We accept that the NHI will not be the silver bullet that will fix all our health problems but it is the necessary foundation to build on for a progressive improvement of access with quality and equity." The bill was first introduced to the Portfolio Committee on Health and tabled in parliament in August 2019.

South Africa's National Health Insurance Bill could contract the private health insurance

Given that half of South Africa insurance customers hold private health insurance (PHI) according to GlobalData's 2023 Financial Services Consumer Survey, the bill could have an impact on the size of this market due to consumers canceling policies in favor of the National Health Insurance (NHI) scheme. However, with the COVID-19 pandemic both highlighting and exacerbating issues within the country's health system, the impact on PHI uptake may ultimately prove limited.

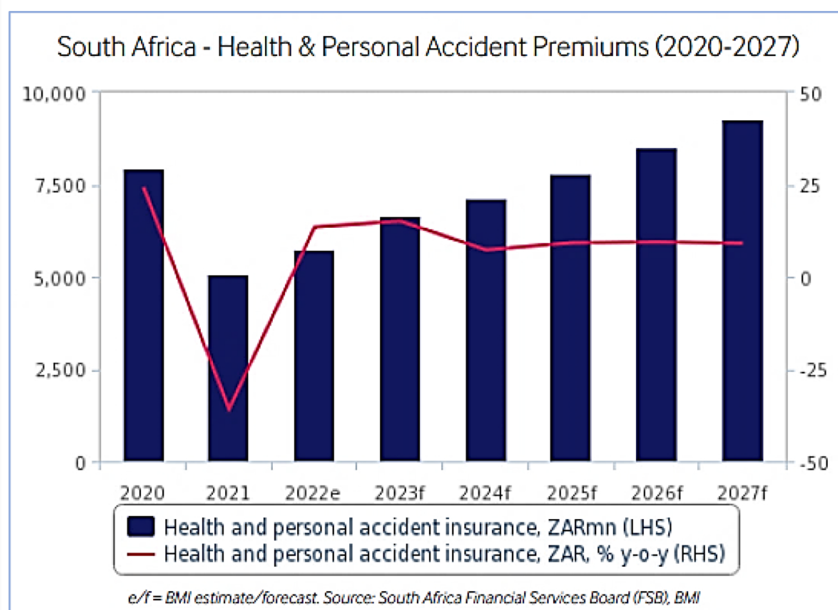
According to GlobalData's 2023 Financial Services Consumer Survey, 49.4% of respondents from South Africa stated that they have private health insurance in place. Much of this uptake was a response to the COVID-19 pandemic, which placed strain on the public health service, in turn driving more consumers to purchase PHI. The health emergency also highlighted the need for the implementation of the NHI scheme, although the bill was introduced as a result of additional factors.

Firstly, South Africa faces significant healthcare disparities, with a large proportion of the population lacking access to high-quality medical care. Secondly, it aims to improve the unequal distribution of healthcare resources across the nation, as the PHI industry is catered towards wealthier individuals.

The NHI scheme seeks to close the gap by guaranteeing that all residents have access to essential medical care, regardless of their financial standing. Source: GlobalData's 2023 Financial Services Consumer SurveyOne possible impact is that some consumers may decide to completely rely on the comprehensive health coverage offered by the NHI, which could result in a decrease in demand for PHI and an increase in cancellations. However, given that COVID-19 highlighted how fragile public health systems can be, many people might believe it is necessary to shoulder the additional cost of PHI in order to access timely and high-quality treatment through their policies.

The NHI might also affect the products that PHI insurers offer. It is possible that some insurers may start focusing more on offering supplemental insurance to go along with the NHI service. This could include elective surgeries, specialised treatments, or enhanced amenities not covered by the government. To set themselves apart from the NHI system, PHI providers may look to adapt and modify their offerings to target the areas the NHI system does not.

Personal accident insurance is a basic line, and is often the first cover purchased by people who have previously not used insurance. We expect growth in this line in 2023 of 1.7%, to reach ZAR7.4bn (USD408.2mn).



e/f = BMI estimate/forecast. Source: South Africa Financial Services Board (FSB), BMI

Health And Personal Accident Insurance: Growing From Low Base

There are a number of supportive factors for health and personal accident premiums, including improved affordability as employment rates rise and higher demand due to increasing medical costs and growing pressure on the public health system due to the coronavirus pandemic.
There is, however, some market uncertainty as the government is progressing with plans to implement a national health insurance scheme, although we expect private healthcare to remain an important line for insurers for some time to come.

Over the remainder of the forecast period, health and personal accident insurance premiums are expected to grow by an annual average of 4.2% to reach a total of ZAR8.9bn (USD492.7mn) in 2027, but may be subject to revision dependent upon regulatory changes.

Barriers to growth primarily centre around affordability as many households in South Africa still fall into the lower-income bracket and cannot afford insurance, though solid economic growth over the medium term should make cover more affordable for some households. Providers may be able to reach more first-time users by introducing more affordable microinsurance products. ■

Sources: MarketLine NewsWire = 14 & 26 June 2023 | South Africa Insurance Report Q3_2023 - by Fitch Solutions, April 2023

COLLABORATION IMPROVES SUCCESS

F.A.I.R.

FEDERATION OF AFRO-ASIAN INSURERS AND REINSURERS

FAIR Non-Life Reinsurance Pool

Managed by Milli Re since 1974

Maçka Caddesi No: 35 Şişli 34367 İstanbul, TURKEY

Phone: +90 (212) 231 47 30

info@millire.com

Asia News

• Business interruption ranked highest risk for Asia's tech sector

The latest study from Marsh saw the risk surging from seventh to first in the span of a year

By Kenneth Araullo - 16 August 2023

Contingent business interruption risk has dethroned cyber risks as the top risk agenda for Asia's technology companies, according to the latest study.

Global broker Marsh's latest Global Technology Industry Risk Study 2023 – Asia Perspectives revealed that ongoing supply chain volatility that leads to income loss for businesses surged to the top spot, rising six ranks from its seventh-place finish in 2022. Supply chain disruption, which was not in the top 10 last year, has now taken second place, followed by reputation risk, product recall, and intellectual property risk.

- Business interruption – 69%
- Supply chain disruption – 66%
- Reputational risk – 65%
- Product recall – 67%
- Intellectual property risk – 53%

The report also noted that increased frequency and severity of extreme climate events are adding to the substantial losses that tech companies face, stemming from damage to physical assets and power instability.

The current unstable geopolitics has also led to a shortage in critical raw materials such as rare earth metals, an issue compounded by the current situation between China and the island of Taiwan – the latter of which is the world's largest advanced semiconductor chip manufacturer. Reputational risk also poses greater threats, especially as more scrutiny is placed on Asian firms' operations and their individual ESG frameworks.

Despite the challenges presented by the current economic conditions, the region is still amid a talent war as only 17% of tech companies are considering a reduction in their workforce compared to the 46% for companies globally. In its study, Marsh attributed this to Asia being more dependent on a highly skilled workforce.

Despite being dethroned from its top spot, cyber resilience could still present a potential blind spot for Asia's tech companies that are inundated with competing priorities. The broker's study revealed that data security and privacy fell from the top risk to 10th, while digital business interruption risk fell from third to ninth. This is worth noting as Asia was the target of over 31% of global cyberattacks in 2022, making it the most targeted region worldwide.

"In today's tightly-knitted risk environment, any single risk event inevitably impacts other areas, across different locations and industries. Asia technology companies should consider working with a trusted risk advisor to mitigate and manage risk throughout their entire ecosystem by developing a holistic view of risks to their business and incorporating tools like predictive analysis and scenario planning within an Enterprise Risk Management approach," said Larry Liu, Marsh Asia communications, media, and technology industry leader.

Another recent study from the broker revealed that cyber insurance rates in Asia surged by 8% in the second quarter of the year, the same rate it had in the previous quarter. ■

Source: Insurance Business – 16 August 2023

Unique Data. Expert Analysis. Innovative Solutions. One Platform.

Property Insurance Industry Outlook in Middle East and Africa in 2022

GlobalData's 'Property Insurance Industry Outlook in Asia Pacific in 2022' report provides a comprehensive overview of the Asia Pacific property insurance industry.

- This report provides the market size of the property insurance industry in the Asia Pacific region
- Asia-Pacific was the fastest-growing region during the review period (2016-2020), recording growth at a CAGR of 9.0%
- The report provides details on the market size of property insurance premiums for the 20 largest markets in the Asia Pacific region along with their profitability ratios
- Japan is the largest market accounting for 30.5% of the region's property insurance premiums in 2020. Bangladesh followed by Sri Lanka recorded the highest loss ratio in the region in 2020
- A challenging property market, along with severe natural catastrophe events, contributed to the growth of the specialty insurance market. The report provides an insight into key trends, the impact of climate change, technology developments, and potential disruptors in the property insurance industry
- The report discusses the impact of the COVID-19 on the industry as well as other challenges that impacted the property insurance industry in the Asia Pacific region. In Australia, the regulators agreed to file a test case regarding the application of infectious disease cover under business interruption policies. This is likely to add to the profitability challenges of commercial insurance products
- The report provides a comparative analysis of leading insurers in the region
- The report throws light on the regulatory requirements in the region including licensing rules, capital requirements, taxation regime, and ownership quotas
- The report also highlights recent M&As in the property insurance industry.

Download our free report for more detailed insights.

AUSTRALIA

• APRA releases report on insurance claims trends

by Dan Robinson and Lucy Chen (Gilchrist Connell)

On 10 May 2023, the Australian Prudential Regulation Authority (**APRA**) released a report (**Report**) on the claims trends and policies data that APRA collects in its annual National Claims and Policies Database (**NCPD**).[1]

The Report explores major drivers of claims costs and affordability of Public and Product Liability (**PPL**), Professional Indemnity (**PI**) and Directors and Officers (**D&O**) insurance, with the key points being:

Public and Product Liability
Premiums have increased by about 30% from an average of $720m p.a. (over 2009 to 2013) to an average of $940m p.a. (over 2014 to 2021). The increase in cost was mainly driven by large public liability claims (being claims above $500,000). In addition, as premium increases started to occur in 2017 in response to worsening claims experience, the proportion of policies with a larger deductible began to increase.

The incurred cost increases in public liability insurance were observed for bodily injury claims and property damage claims.

For bodily injury claims, the key causes of loss driving the cost increases were worker claims, comprising 11% of total bodily injury finalised claim costs. The average size of finalised worker claims is around $260,000 (more than double the $120,000 average size of other bodily injury claims).

For property damage claims, the main industries driving cost increases were faulty products/workmanship (increase of $14m, representing a 34% rise), impact falls (increase of $11m, representing a 51% rise), and other financial/non-financial loss environmental/substance (increase of $10m, representing a 48% rise).

Professional Indemnity

Professional indemnity gross written premium grew from 2015 to 2021 by 75%, consisting of a 27% increase in average premiums and a 38% increase in risk counts.

The premium increases occurred for the following industry and occupation groups:

- insurance industry (especially insurance brokers – average premium increase of 301%);
- engineering (especially structural and geotechnical engineers – average premium increase of 41%
- surveying industry (impacted by fire-safety/building cladding related claims – average premium increase of 201%);
- real estate industry (especially valuers and property managers – average premium increase of 143%);
- general consultants (especially management and technical consultants – average premium increase of 99%); and
- finance industry (especially accountants, financial planners and brokers – average premium increase of 59%).

The total cost of finalised claims increased by around 35% from

an average of $310m per annum over 2009 to 2013, to an average of $420m per annum over 2014 to 2021. This was largely due to a 60% increase in large claim costs, driven by an increase in the volume of large claims (being over $1m).

Directors and Officers

Large claims (above $1m), likely relating to class actions, have tripled from 11 class actions p.a. (over 2009 to 2015) to 31 p.a. (over 2019 to 2021). These large claims have driven a 53% increase in D&O finalised costs in 2016 (from an average of $110m p.a. to $170m p.a.). Finalised costs increased again in 2020 by 78% to an average of $300m p.a.

Actions resulting from the Royal Commission into Misconduct in Banking, Superannuation and Financial Services Industry (**Banking Commission**) have led to higher claims costs and increased in loss ratio for financial institutions (consistently exceeding 100% since 2015).

Key takeaways

Evidently, premium and incurred claims costs have risen significantly for the classes of PPL, PI and D&O in recent years. The Report also identifies other trends that are consistent with a hardening market, such as increased deductibles in certain classes.

APRA will continue to report on NCPD data. The next report is due in July 2023.

Footnote

1 NCPD analysis – Review of claims trends and affordability of public liability and professional indemnity insurance in Australia (apra.gov.au). ■

Source: Mondaq - 31 May 2023

• *Regulator to review reinsurance in prudential framework*

The Australian Prudential Regulation Authority (APRA) intends to review the reinsurance settings in the prudential framework over the course of 2023 and the first half of 2024 to ensure reinsurance requirements remain fit-for-purpose.

The regulator has released a letter to general insurers, reminding them that they can consider a range of reinsurance solutions including both traditional and Insurance Linked Securities (ILS) options under the prudential framework.

In the letter to the industry, APRA reflects on the challenging reinsurance environment and reminds insurers.

APRA recognises the significant benefit that reinsurance provides to Australian insurers and policyholders. APRA is also aware that the reinsurance market has been challenged by a range of factors which include increased natural catastrophes, the war in Ukraine, and the COVID-19 pandemic. As a result, higher premiums and increased retentions are being observed.

It is in this context that APRA is seeking to remind insurers that in addition to traditional reinsurance, APRA standards permit the use of alternative reinsurance arrangements, such as catastrophe bonds and other types of ILS, in the calculation of the insurance concentration risk charge (ICRC).

Insurers considering ILS options should engage with APRA early (before a formal approval request) to discuss their feasibility and potential impact on the insurer's ICRC.

Traditional reinsurance solutions have predominately been the option adopted by Australian insurers. There has been little participation in Australian reinsurance by ILS markets, and the use of catastrophe bonds, which is a common form of ILS, is rare.■

Source: Asia Insurance Review - 7 August 2023

AZERBAIJAN

• CBA: in 2023 the market may show almost two-fold growth in four years

By Marina MAGNAVAL

The Central Bank of Azerbaijan (CBA) predicts that by the end of 2023, the insurance sector will amount to AZN 1.2-1.3 billion (~EUR 0.68 billion), as was stated by CBA Director General Ziya Aliyev at the scientific and practical conference "Successful Ways to Resolve Insurance Disputes", ABC.AZ wrote.

"In 2019, AZN 650 million of premiums were collected in Azerbaijan. In 2023, this figure will be AZN 1.2–1.3 billion, which will mean an almost two-fold growth in the insurance market in four years", the CBA Director General explained.

At the same time, capitalization of the insurance market is still very small and thus is a factor limiting the ability of insurance companies to take risks, as Zahid Oruj, head of the Center for Social Research, said at the conference.

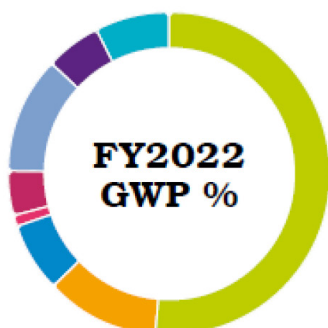
According to him, at present, the total amount of charter capital of all insurers in the country is about AZN 310 million. This amount is quite low compared to the capital of a mid-range European insurance company. He also added that along with capitalization, it is important to create insurance reserves and direct resources to investments. "Insurance reserves can serve as an important credit resource for the country's economy", Zahid Oruj believes.

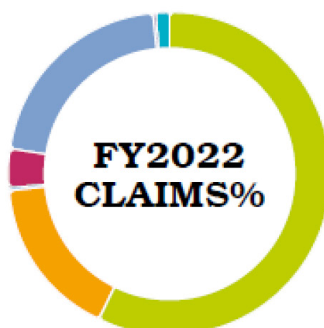
In addition, the head of the Center for Social Research noted that in 2022, the Azerbaijani insurance market was only 0.7% of GDP, which means a decrease of 0.2% compared to 2021. At the same time, the share of the insurance sector in the GDP of European countries amounted to 3.9%, i.e.

Azerbaijan is more than 5 times behind European countries in terms of the insurance market development. Zahid Oruj emphasized that even Georgia is ahead of Azerbaijan in the insurance market development. "In 2022, the insurance market in Georgia was 1.27% of GDP, while in Armenia this figure was 0.7% of GDP", he said.

*EUR 1 = AZN 1.91 (18.07.2023)

■





Sources:
•XPRIMM Insurance Report: CEE, SEE, ex-USSR Country Profiles - June 2023
•XPRIMM - 1 August 2023 —

CHINA

• IFRS 17 to trigger product changes for Hong Kong, China insurers

The adoption of the new IFRS 17 accounting standard is still in its early days in China and Hong Kong, but it is already clear that whole life products, reinsurance treaties and bancassurance will be among the areas impacted.

IFRS 17 affects when profits from insurance contracts are recognized, particularly for life and other long-term policies. Profit is recognized over the lifetime of a policy rather than being booked up front when premiums are collected.

for example, in some unit-linked life products. One eligibility criteria for using the VFA is that the policyholder participates in a clearly identified pool of underlying items. A benefit of using the VFA is that profits can be less volatile.

The contract boundary under IFRS 17 indicates when, for the purpose of accounting for expected cash flows, the contract ends or can be renegotiated. Recapture clauses allow risk ceded to a reinsurer to be returned to the insurer under certain conditions.

Select Chinese insurers' Q1 2023 financial results (yuan M)

Insurer name	Reporting period	Insurance service revenue	Insurance service expense	Net results from reinsurance contracts held	Insurance service result
Life					
Ping An Insurance (Group) Co. of China Ltd.	Q1 2023	133,106	-105,955	-1,063	26,088
	Q1 2022	130,338	-100,024	-1,047	29,267
New China Life Insurance Co. Ltd.	Q1 2023	13,558	-8,928	-145	4,485
	Q1 2022	14,177	-8,938	-57	5,182
Multiline					
China Pacific Insurance (Group) Co. Ltd.	Q1 2023	65,390	-55,615	-251	9,524
	Q1 2022	61,192	-51,703	-689	8,800

Data compiled June 20, 2023.
Analysis limited to select insurance companies headquartered in China.
Data based on public disclosure of first-quarter 2023 International Financial Reported Standard 17 financial results.
Source: S&P Global Market Intelligence.
© 2023 S&P Global.

The new standard will force some insurers to adjust certain products to "accelerate profits" or help them qualify for specific measurement models, Tze Ping Chng, Asia-Pacific consulting insurance sector leader at EY, said via email. Carriers may make the pool of underlying items for some whole life products more clear so they qualify for the variable fee approach (VFA), Tze said.

The VFA, one of IFRS 17's three accounting approaches, can be used to account for certain contracts where policyholders have a share in the returns of underlying items,

Tze said reinsurance is an interesting and important aspect of business management impacted by IFRS 17 because insurers are evaluating their reinsurance strategy and are discussing the possibility of amending treaty agreements with reinsurers to make them more amenable to the new standard. Contract boundary is a key area, and many insurers have been negotiating with their reinsurers to make the recapture clause more flexible and aligned with IFRS 17.

New concepts

Widely known metrics such as gross written premium and underwriting profit have been replaced by "insurance services revenue" and "insurance service result," which are different in content and name. The combined ratio persists but is calculated with IFRS 17 metrics, which include or exclude elements that their IFRS 4 analogues did not.

Because insurers can no longer book profits up front under IFRS 17, expected future profits must be reported under a new heading — the contractual service margin (CSM) — and released gradually into profit over the duration of the contract.

Insurance giant Ping An Insurance (Group) Co. of China Ltd. said in its 2022 annual report that revenue from long-term life insurance contracts will decrease significantly under IFRS 17. For insurance contracts subject to the VFA, the insurer's share of the change in the fair value of the underlying items and changes in other financial risks shall be regarded as changes in future service, for which the CSM shall be adjusted. CSM will be more volatile under IFRS 17, Ping An said.

The insurer said July 19 that, under IFRS 17, the insurance contract revenue of the life and health segment is impacted by the exclusion of the investment component, as well as revenue being recognized over the coverage period. This has led to a significant decrease in revenue from long-term life insurance contracts, whereas premium income as a business scale indicator will not be affected.

The property and casualty (P&C) business is "relatively less impacted" by the transition. Generally, the P&C business is still subject to the premium allocation approach under IFRS 17, and the combined operating ratio is still a key profitability metric, Ping An said.

The company's first-quarter net profit attributable to shareholders of the parent company jumped 48.9% year over year to 38.35 billion yuan from 25.76 billion yuan. Transitioning to reporting under IFRS 17, Ping An logged first quarter insurance service revenue of 133.11 billion yuan, up from 130.34 billion yuan a year earlier, while insurance service expense rose year over year to 105.96 billion yuan from 100.02 billion yuan.

Net results from reinsurance contracts held went up to 1.06 billion yuan from 1.05 billion yuan in the first quarter of 2022. The insurance service result declined year over year to 26.09 billion yuan from 29.27 billion yuan.

Bancassurance exposure

The adoption of IFRS 17 could have a greater negative impact on near-term profits of insurers with greater bancassurance exposure compared with peers, CGS CIMB analyst Michael Chang said.

China Pacific Insurance (Group)

Co. Ltd.'s first quarter net profit attributable to shareholders of the parent grew year over year to 11.63 billion yuan from 9.13 billion yuan. The bancassurance channel reported 12.29 billion yuan in written premiums, a decrease of 12.8% from 14.09 billion yuan a year earlier.

"The company seeks to diversify its channel mix, strives to secure the new business model of bancassurance, [and] focuses on value-oriented banking outlets, products and high-quality teams to boost value growth," China Pacific said.

China Pacific recorded first-quarter insurance service revenue of 65.39 billion yuan, up from 61.19 billion yuan a year earlier, while insurance service expense increased year over year to 55.62 billion yuan from 51.70 billion yuan.

New China Life Insurance Co. Ltd. saw its net profit attributable to shareholders of the company jump to 6.92 billion yuan in the first quarter from 3.22 billion yuan in the prior-year period. The bancassurance channel achieved total premiums of 22.49 billion yuan, representing a year-over-year increase of 5.9% from 21.24 billion yuan.

New China Life's first-quarter net profit rise is notably higher than peers that have announced negative net profit impacts from IFRS 17 adoption, Chang wrote in a research note. These include HSBC Insurance, which estimated that its first-half 2022 insurance pretax profit would have been 50% lower as a result of IFRS 17 adoption. ■

Source: S&P global - 20 Aug 2023

• *China unveils plans to support its reinsurance goals*

Chinese officials have revealed a set of plans to establish the country as a hub of the global reinsurance industry, reported China Daily. The plans include the setting up of an international board for reinsurance trading and formulating related regulations.

Shanghai will soon receive an international reinsurance trading market or reinsurance international board, China's National Administration of Financial Regulation general office deputy director Zhang Zhongning said at a press conference.

Zhongning added that the country will finalise the trading system and associated regulations, including registration management rules for global reinsurance inflow business, as well as clearing and settlement procedures for on-site international transaction and solvency reinsurance credit risk's operational rules.

Furthermore, a global reinsurance function zone will be established in Lingang Special Area, which comes under China (Shanghai) Pilot Free Trade Zone.

Zhongning commented that both local and global insurers can roll out reinsurance business in the area by developing reinsurance operation facilities in Lingang or by opening accounts through the global reinsurance business platform in the area.

The country will also accord insurers with favourable tax and international capital policies along with separate monitoring methods.

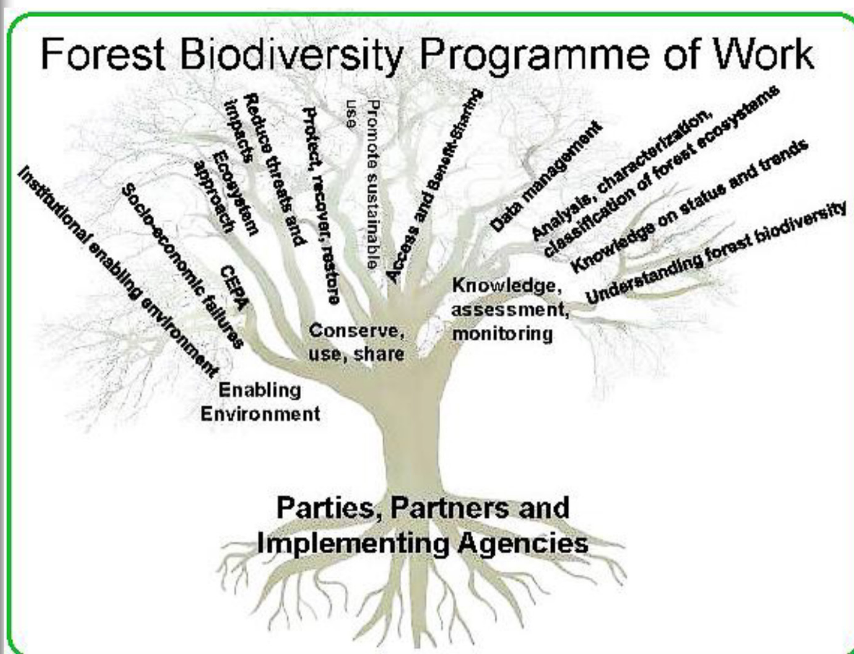
As part of a guideline issued in July 2021 to build Shanghai's Pudong New Area as a major hub of socialist modernisation, the Chinese authorities for the first time showed their backing to develop a global reinsurance centre in Shanghai.

Three months after, the authority unveiled a 13-point guideline to help achieve these goals. Subsequently, the authority also released the construction plan for the reinsurance international board at the fourth Lujiazui International Reinsurance Conference. Preparatory work for the board is currently underway. ■

Source: MarketLine NewsWire - 2 June 2023

• *China's 1st forest biodiversity insurance launched*

The country's first forest biodiversity insurance providing compensation for environmental damage caused by a range of factors from natural disasters to invasive species was introduced in Ningbo, Zhejiang province, in July, the local government said.



The pioneering insurance product was developed through collaboration between the Ningbo branch of PICC Property and Casualty and Longguan township.

Conservation, sustainable management and restoration can serve as nature-based solutions to address the challenges faced by forest resources such as precious species, wild animals, water sources and vegetation.

The insurance policy, which applies exclusively to the township, offers coverage for a range of risks including natural disasters, invasive species and the destruction of vegetation, and provides compensation of up to 2 million yuan ($278,600).

The insurance company will pay out for the restoration of damaged ecosystems caused by human activities such as destruction caused by project construction, farming wastewater, harmful waste and pesticide residue.

The insurance company said it will utilize drones to monitor the extent of any losses, and collaborative investigations with the local government will be conducted to assess damage, allowing for timely compensation payments following any disaster.

Located at the foot of Siming Mountain, Longguan township in Ningbo's Haishu district boasts rich biological resources. In recent years, it has built itself into a biodiversity-strong township by launching conservation bases and eco-friendly energy projects.

In 2007, the local government decided to develop a green economy and highlighted environmental conservation as a precondition of all construction work.

Through the years, the idea has carried through in many projects, including industrial layout, spatial planning, infrastructure construction and tourism.

The region is home to several species under State protection, including the narrow quillwort and the hooded crane. To date, a total of 2,232 species have been recorded in the Siming Mountain area.

Longguan attracts over 1 million tourists annually and its thriving tourism industry provides opportunities for the integration of tourism and biodiversity conservation, making it an ideal location for the implementation of the country's inaugural forest biodiversity insurance policy.

Numerous good practices will be explored and implemented to address local environmental and development challenges in climate change, ecological protection and biodiversity, according to the Ningbo branch of PICC P&C.

For example, more effective area-based conservation measures will be taken to address increasing risks to the ecology and environment, and to better protect the local watersheds.

The branch will also assist the local government to apply for China Certified Emission Reduction, or CCER, as part of efforts to further cut carbon emissions and achieve renewable energy goals. ■

Source: China Daily (European Edition) – 15 August 2023

INDIA

- ***Nat cat losses to challenge property insurance growth in India***

The sector's loss ratio is expected to remain high at 75.2%

Frequent natural catastrophic events, such as the heavy rainfall in Northern India and cyclone Biparjoy hitting Gujarat and Rajasthan, will challenge Indian property insurance profitability, warns data firm GlobalData.

The Indian property insurance industry's loss ratio is set to remain high at 75.2% in 2023 and is projected to rise further to an average of 76.8% between 2023 and 2027, based on GlobalData's insurance database.

GlobalData's insurance analyst Aarti Sharma said that inflation and increased claims due to more frequent natural catastrophes will keep insurer profitability in jeopardy. Recent floods in North India will lead insurers to reevaluate risks and raise property insurance rates.

Initial figures put losses from the North India floods at around INR 150 billion ($1.9 billion) and the Biparjoy cyclone damage at INR 10.1 billion ($126 million). Consequently, payouts for both events are anticipated to be substantial; however, there is a silver lining.

"Despite these challenges, the property insurance industry in India is forecast to grow over the next five years, supported by new product launches and favorable regulatory developments. The property insurance industry is expected to grow at a compound annual growth rate (CAGR) of 10.9%, from INR710.4 billion ($9.1 billion) in 2023 to INR1,075 billion ($12.7 billion) in 2027 in terms of gross written premiums (GWP)," Sharma said.

Agriculture driving growth

Agriculture insurance, a significant contributor to property insurance premiums in India, is expected to represent 49.3% of such premiums in 2023. The introduction of parametric insurance products, such as Saral Krishi Bima, and other upcoming offerings by the Agriculture Insurance Company of India (AIC), will also expand agriculture insurance coverage.

Sharma noted that premiums from parametric products will help mitigate losses due to frequent catastrophic events. AIC's license extension to include livestock, aquaculture, and sericulture industries will foster a 11.5% CAGR growth for agriculture insurance from 2023 to 2027.

Fire and natural hazard insurance will make up 44.1% of property insurance premiums in 2023, with the sector projected to grow at a 10.8% CAGR between 2023 and 2027 attributable to recent regulatory changes enhancing market practices. Construction and engineering, on the other hand, will contribute the remaining 6.7% of property insurance premiums in 2023. ■

Source: Insurance Business Asia - 10 August 2023

KAZAKHSTAN

• *Drought-affected farmers may have their loan repayment period extended*

At an operational meeting in the Government, held on July 26 this year under the chairmanship of Deputy Prime Minister Minister of Trade and Integration Serik Zhumangarin, discussed the scale of the situation and possible measures of state support in connection with the abnormal heat and low rainfall in some regions of Kazakhstan.

Baiterek Holding, Agrarian Credit Corporation JSC and KazAgroFinance JSC will consider the possibility of granting deferred payment of loans to farmers affected by the drought. In addition, for the first time since this year will be allocated additional volumes of diesel fuel at a reduced price for fodder harvesting work.

According to the data of the Ministry of Agriculture, about 70% of crops of 119 thousand hectares are in good condition, 14.4% or 24.5 thousand hectares are in satisfactory condition. Of all cereals in good condition are 8.3 million hectares, which is 50.2% of all crops, in fair condition are 7.2 million hectares, 43.7%. Oilseeds suffered a little more, in good condition is: 43.6%, or 1.4 million hectares of crops, in satisfactory condition is 47.7%, or 1.5 million hectares.

"Today the main task is timely preparation for the harvesting campaign and fodder procurement. According to the operational data of akimats, about 8 million tons of hay have already been prepared, which is 32% of the plan. The regions have allocated 11.7 billion tenge to subsidize the cost of fodder expenses in 2023. In addition, according to the results of 2022 in Prodkorporatsiya formed fodder grain fund in the amount of 235.2 thousand tons. If necessary, this grain will be sent as support to livestock and poultry farms at a reduced price. For the first time since this year, additional volumes of diesel fuel will be allocated at a discounted price for fodder harvesting works," Deputy Minister of Agriculture Yerbol Taszhurekov said.

Deputy Minister of Agriculture noted the low level of implementation in the regions of the Roadmap for the development of fodder production for 2022-2025.

"Akimats do not fully use the available opportunities to expand the share of forage crops in crop rotation, primarily on irrigated lands, to increase the productivity of pastures," he emphasized.

One of the tools for leveling risks in agriculture, including the consequences of drought, is insurance of crops and farm animals. For this purpose, there are 16 insurance products in crop and livestock farming, for which part of the insurance premium is subsidized. Last year, amendments were made to the Rules for subsidizing insurance premiums, according to which the norm of subsidizing insurance premiums increased from 50% to 80%.

However, farmers, despite the unpredictability of the climate in most areas of Kazakhstan weakly use the insurance tool. This year a total of 258.2 thousand hectares of grain and oilseed crops, 152 thousand orchard trees, 5.4

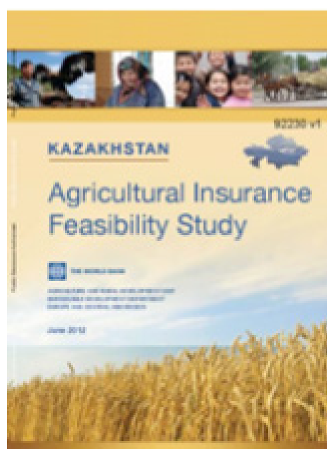
thousand animals (cattle, cattle breeds, horses), 428.2 thousand birds were insured. The insurance premium amounted to 1.6 billion tenge, of which 1.3 billion tenge was subsidized. Only 2.4 billion tenge of the funds allocated by the republican budget to subsidize insurance premiums in the amount of 5.9 billion tenge was utilized.

The meeting heard the akims of Pavlodar, Akmola, Karaganda and other regions, where the most negative impact of abnormal heat is observed. Heads of regions voiced the situation in their areas and made proposals for its stabilization.

"Very low level of fodder harvesting with the plan for the year at 25 million tons only 8 million tons have been collected. Harvesting of haylage is only 12% of the plan, straw is 4.3%. It is clear that the main harvesting of straw, silage and concentrated fodder will begin in September, but for the rest it is a very low indicator. I instruct to strengthen the pace of fodder harvesting in the regions and constantly monitor fodder prices to prevent unreasonable price increases. In addition, given the possible consequences of drought in some areas, farmers may begin to apply for deferment of loan payments. NUH Baiterek JSC, Agrarian Credit Corporation JSC and Kazagrofinance JSC should be assisted in granting deferment of loan payments to those farmers who really suffered," Serik Zhumangarin emphasized. ■

Source: Mena Report - 7 August 2023

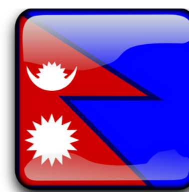
Suggested Readings



Kazakhstan : **Agricultural Insurance** Feasibility Study, Volume 1. Main Report

Kazakhstan : **Agricultural Insurance** Feasibility Study, Volume 2. Annexes

NEPAL



- ***NRB agrees to provide refinancing to flood-damaged hydropower projects***

By HIMALAYAN NEWS SERVICE

The Nepal Rastra Bank (NRB) has decided to extend the refinancing facility to hydropower projects damaged by floods across the country. In a tripartite discussion held between Independent Power Producers' Association of Nepal (IPPAN), Nepal Bankers' Association (NBA) and the central bank on Tuesday, a joint decision was made to refinance the flood-damaged hydropower projects.

At the meeting, Ganesh Karki, president of IPPAN, had requested the central bank to facilitate refinancing, interest capitalisation and loan restructuring for flood-damaged projects.

Similarly, Karki also requested the banks not to stop paying dividends even if the interest is capitalised as the bank had pressured stakeholders to repay the loan when the required commercial operation date (RCOD) of some of the projects damaged by the flood had exceeded.

Earlier, the central bank had issued a directive not to distribute dividends even if the interest income can be shown as a profit until the hydropower projects start production. In addition, the profits of banks have been de-

creasing as they have to provide provisions of 12.5 per cent of the loan amount while restructuring them.

Stating that banks are reluctant to invest in hydropower projects, IPPAN has requested to make arrangements for dividends to be distributed from the income even if interest is capitalised and remove provision requiring additional amounts.

Addressing the demands raised by IPPAN, Deputy Governor Bam Bahadur Mishra said that the central bank is ready to refinance projects damaged by floods throughout the reconstruction period and that interest capitalisation and loan rescheduling will also be facilitated.

Mishra emphasised that the promoters should also set aside some capital for the reconstruction of the flood-damaged projects and not only depend on the NRB and other banks. He also directed the bankers to look into the matter as the promoters have alleged that the funds secured from the insurance had to be used to pay interest to the banks. “Bankers should facilitate capitalisation of interest and restructuring of the loan schedule as the Nepal Electricity Authority (NEA) has extended the RCOD period,” he said.

Due to the floods that occurred in Eastern Nepal on June 15 and 16, as many as 13 projects in operation and 17 under construction were damaged, incurring a loss of around nine billion rupees.

During the discussion, IPPAN’s consultant Pushpa Jyoti Dhungana also requested the banks to reduce the risk burden of the already operational projects and make it easier to raise investment for new projects. He said that by reducing the risk burden of projects that have already paid 50 per cent of the loan after coming into operation, it will be easier for other projects to get loans.

Deputy Governor Neelam Dhungana urged the promoters to be cautious while investing in rebuilding the projects damaged by the floods. She also said that the refinancing facility will be provided for one year in the beginning and it can be renewed as per the need. ■

Source: The Himalayan Times - 3 Aug 2023

PAKISTAN

• *Regulator to amend the law to boost motor third-party insurance*

The Securities and Exchange Commission of Pakistan (SECP) has decided to take some major steps including amending the Motor Vehicles Act (MVA) 1939 to increase the coverage of Motor Third Party Insurance (MTPI).

MTPI provides coverage to victims of road accidents or their legal heirs for any bodily injuries and death in the aftermath of a road accident.

Data from the Pakistan Bureau of Statistics (PBS) show that there are over 30m registered vehicles in the country, according to a report by Business Recorder.

The data, collected from insurance companies, reveal that there were only 621,183 insurance policies in 2021 and 650,282 policies in 2022 which insured 830,203 vehicles in 2021 and 912,994 vehicles in 2022 reflecting 2.77% coverage in 2021 and 3% coverage in 2022.

The major bottlenecks in the current law include the low compensatory limits in case of death, no separate compensation limits for bodily injuries, no enforcement mechanism at the time of registration, and the absence of a no-fault option for claim settlement.

There are also implementation issues as there is no mechanism to validate genuine MTPI certificates at the time of the registration of a vehicle, renewal, transfer of ownership and driving on the road. There is no enforcement clause in the current law, officials say.

The SECP has been working on amendments to the MVA since 2015 and all concerned stakeholders have been consulted and taken into confidence.

Major amendments proposed by the SECP include:

(i) The introduction of the "No Fault Option" whereby the claim for death or bodily injury shall be payable to the victims of the road accidents or their legal heirs without obtaining any court order and irrespective of the fact as to whether or not the insured was at fault.
(ii) to change the definition of an insurer such that only insurers registered under the Insurance Ordinance, 2000, will be authorised to issue such policies.
(iii) To increase the compensation limit in case of death from PKR20,000 ($69) to PKR500,000 ($1,736).
(iv) To introduce compensation limits separately for bodily injuries.
(v) To prescribe the minimum premium tariff.
(vi) Motor registration authorities to confirm the validity of the insurance policy at the time of the registration of the vehicle.
(vii) To stipulate penalty amounts and to empower alteration of the schedule of compensation limits.
(viii) To penalise companies, intermediaries, printing houses or any other individuals involved in the issuance and spread of bogus motor third-party insurance certificates via fines and/ or imprisonment. ■

Source: Asia Insurance Review – 9 August 2023

• *Pakistan Insurance Key View*

Key View: We hold to the view that while Pakistan's insurance industry will achieve a good pace of premium growth in the immediate term, in local currency, however, we forecast a decline in premiums in real terms as inflation remains high. Against this backdrop, even by the end of the medium term, both life and non-life insurance will remain small markets in Pakistan, due to the limitations of the low disposable incomes in the country. Meanwhile, the regulator is working towards an increased role of digital and micro-insurance in the country, which, along with the expansion of takaful insurance, should lead to the expansion of insurance coverage to more segments of society in the long term.

the expansion of takaful insurance, should lead to the expansion of insurance coverage to more segments of society in the long term.

Key Updates and Forecasts

- In 2023, we are forecasting life insurance premiums in Pakistan to grow by 14.3%, to reach PKR390.1bn (USD1.5bn). Over the rest of our medium-term forecast period to 2027 growth will remain strong in rupee terms, averaging 10.5% to take total premiums to PKR580.6bn. However, in US dollar terms growth will be slower on the back of the weakening of the rupee against the dollar.
- By 2027 gross written premiums will be USD1.5bn, unchanged from 2023.
- In 2023, non-life insurance premiums are forecast to grow by 9.7%, to PKR140.0bn (USD0.5bn). Through to 2027 growth will continue to be strong, averaging 8.2% a year to take total premiums to PKR192.1bn. However, dollar growth will be much slower, falling by 14.6% in 2023 and averaging growth of -3.9% over the four years to 2027, when total premiums will be USD0.6bn.
- Life insurance penetration will remain low, falling from an estimated 0.5% of GDP in 2023 to 0.4% over the rest of the forecast period. Life insurance density will also remain low, at PKR1,622 (USD6.2) in 2023, rising to PKR2,237 (USD5.9) by 2027.
- The non-life market will remain even smaller, with penetration of only 0.1% of GDP by the end of the forecast period, down slightly from 0.2% in 2023, while density will remain low, rising from PKR582 (USD2.2) in 2023 to PKR740 (USD2.0) by 2027.
- In July 2023, the Pakistan General Insurance Council reported that the gross direct premium underwritten for general insurance companies rose 15.0% y-o-y to PKR20.5bn in Q124.
- In January 2023, Pakistan's commerce minister, Syed Naveed Qamar, said that the government would introduce crop insurance to protect farmers against the risk of natural disasters such as the flooding seen in 2022.
- In November 2022 it was announced that online insurance start-up Waada had acquired MicroEsure Pakistan, hitherto an MIC Global subsidiary. Waada reportedly aims to distribute some 10mn policies over the next three-five years.
- In November 2022, EFU Life reached an agreement with Hefazat Technologies to promote digital insurance in Pakistan. Hefazat will distribute EFU Life income continuation plans, and there are hopes to expand the partnership to new products. ■

Source: Pakistan Insurance Report Q4 2023 - BMI Company Analysis Reports, July 2023

Indicator	2020	2021	2022e	2023f	2024f	2025f	2026f	2027f
Gross life premiums written, PKRbn	233.06	290.54	341.13	390.07	449.34	493.08	534.90	580.61
Gross life premiums written, PKR, % y-o-y	1.9	24.7	17.4	14.3	15.2	9.7	8.5	8.5
Gross life premiums written, USDbn	1.44	1.78	1.67	1.48	1.45	1.47	1.49	1.54
Gross life premiums written, USD, % y-o-y	-5.5	23.8	-6.6	-11.0	-2.2	1.5	1.3	3.4
Gross non-life premiums written, PKRbn	102.27	113.64	127.54	139.97	153.86	165.89	178.37	192.13
Gross non-life premiums written, PKR, % y-o-y	8.1	11.1	12.2	9.7	9.9	7.8	7.5	7.7
Gross non-life premiums written, USDbn	0.63	0.70	0.62	0.53	0.50	0.50	0.50	0.51
Gross non-life premiums written, USD, % y-o-y	0.2	10.4	-10.8	-14.6	-6.7	-0.2	0.4	2.6

e/f = BMI estimate/forecast. Source: SBP, BMI

PHILIPPINES

- ***Gov't, insurance sector working on insurance pricing***

Manila, June 21 -- The government and the insurance sector are working on achieving a balance in the pricing of insurance to ensure resilience and sustainability of businesses as new risks have pushed insurance cost in the country to among one of the highest in the region.

Paulo Garcia, CEO at Marsh McLennan Philippines and Mercer, two of the four global Marsh Mclennan units operating in the country, said in an interview with Manila Bulletin.Marsh McLennan Philippines is engaged in insurance brokering, while Mercer is involved in people or talent management, such as HR services, employee benefits wellness, among others.

On Marsh McLennan, Garcia noted that geopolitical risks including the Russia war in Ukraine that continues to affect global supply chain, and the tension at the West Philippine Sea, cybersecurity threat, among others, continue to hound business operations. Other kinds of risks include natural calamities such as typhoons, earthquakes, volcanic eruption, and flooding for the Philippines.

INSURANCE TAX

"Insurance is becoming expensive," said Garcia. Also, he said, the Philippines is among the highest taxes in terms of insurance, which is estimated between 20-25 percent in total. "So that's also something that could be reviewed to attract more insurance companies to come into the country, not only from an investor perspective, but also from the insurance perspective," he added.

He clarified that it does not really mean reducing the current insurance tax, but the tax rate needs to be properly rationalized so that companies and the ensuring public will have an educated decision. He said that if there are solutions, it should be sustainable.

"It's a very delicate balance because what the regulator is trying to do as well is it is trying to build the correct pricing so that in the event of a big catastrophe, the industry has sufficient funds to pay and support," he said. In addition, the cost of insurance, although normally "bespoke" , businesses will not have a hard time paying the correct premium. "That's why there are ongoing dialogues between the association and regulators, one on how to arrive at the final solution," he said.

While he could not say the ideal insurance tax, Garcia said that government can look into what the industry needs in terms of taxing the ensuring public adding that the growing cost of insurance also affects insurance penetration in the country.

In fact, insurance expense for big companies, including power providers, has gone up to top three expenses from top ten, previously.

"It's really alarming. and you know, we feel for them and I think it's high time that the government looks into it and see how how this industry can be supported. There's many sectors

in the industry that will need support in terms of Risk and Insurance," he said.
For instance, he noted that European insurance firms no longer accept coal power plants and bank financing have dried up for power projects with high carbon emissions. So, he suggested a transition period from coal to renewables because the Philippines is a developing nation and needs reliable power supply.

The high cost also impacts on insurance penetration in the country and plays a deciding factor for insurance firms to do business in the country.

With Philippines being in the Ring of Fire and prone to calamities had caused insurers to step away from the country, leaving it with limited reinsurance capacity, and rising cost of insurance.

RISKS

To avoid and prepare for these risks, Garcia said it is important for companies to step back and revisit how much risk can they actually take because these these expenses have gone up tremendously.

First, he advised companies to have a robust plan with annual planning and review every six months. Most of all, he stressed that this planning should start from the board and discuss the things that keep CEOs awake at night.

"Whether it's people risk, whether it's natural catastrophes or the cost of maintaining an insurance program, this has to be discussed. And then of course, companies must be able to determine what level of risk they can actually take on because if you transfer 100 percent, it will always be more expensive," he said.

Lastly, he urged organizations to adapt benchmarking because it allows companies to also see where they are and how much limits of their peers not only locally but also regionally.

In so far as the conglomerates are concerned, he said, they have they have quite a robust risk committee. A lot of them have CRO or a chief risk officer, who takes care of all of this and reports directly to the risk committee of the board.

He noted that cybersecurity is something that has rapidly evolved over the past three to five years. The focus really of cyber insurance is to cover you for the financial losses resulting from a cyber breach. Recently, Marsh McLennan has invested in the Philippines in a cyber advisory leader. They have recently been accredited by the Department of Information, Culture and Telecommunications.

He explained that it is more than just buying cyber insurance, but also having a proper way of doing cyber risk assessment.

Nonetheless, Garcia said that the outlook is really bright as organizations are being encouraged to push boundaries by coming up with good innovations and fresh ideas. And this is where his company comes in handy.

To support and control the rising costs, he said, the government can consider redeployment of more strategic support for instance, the power industry, speed up infrastructure development, the very people intensive BPO industry. "When you have when you have government actively involved and policies supportive, it makes a whole world of difference," he added.

TALENT

On the Mercer's 2023 Philippines HR Conference on June 22, 2023 at the Shangri-La The Fort, Manila dubbed "Transforming for the Future: Resilient, Relatable and Ready", Garcia said that Mercer will help companies come up with with workforce strategies that would allow them to deploy their people in a thriving environment "where people are excited to work and they get the best out of their talent and at the same time they're able to, to keep the talent in the Philippines."

He cited the importance of having a very engaging work environment to avoid brain drain. Garcia took the helm at Mercer only in April this year.

The group, which has been doing business in the Philippines, for more than 50 years has been doing well and they play a lot in the large business category or the institutional risk accounts.

"It's a good business and we've been blessed to be thriving," he said noting they are in the top three in insurance brokering although they are number one globally.

The conference aims to equip organizations with the necessary tools to adapt and thrive in this rapidly changing environment.

"Competition for talent now is essentially tougher. It's not only salary that matters, but also how they will be in the workplace. And now the workplace cannot truly support their personal lives in their other passions. So yeah, so it's it's a much tougher environment now. Even in the benefits side, different, very different appetites for benefits depending on the on the generation," he added.

Although the work from home arrangement cannot match the effectiveness of a face to face interaction, Garcia said that While companies allow hybrid work arrangement, having the flexibility really helps a lot.

"I think it's quite exciting because it provides organizations now not only the tools to adapt, but also to excel in the future of work," he said. "It is very exciting because since the pandemic happened there were changes in the way people are managed and how they view their work."

He would like to bring certain sectors, like those in the power industry, hospitality and gaming, infrastructure or food and beverage, just to name a few, which have specific challenges.

Thus, he said, the "future is very exciting" because the industry is also working with a government that is accessible and hearing the private companies to generate new ideas. "That collaboration between private and public sector has has always brought good results," he concluded. ■

Source: Manila Bulletin | 21 June 2023

- ***Insurance penetration stays low despite higher premiums***

The Insurance Commission (IC) has expressed optimism that the country's insurance density and penetration would improve on the back of financial literacy programmes and digitalisation.

IC Commissioner Mr Reynaldo A Regalado, in his keynote speech at the first Life Insurance Convention Philippines in Cebu City last week, said that while total assets, net worth, invested assets and premiums increased based on figures collated by the Insurance Commission as of the first quarter of 2023, the insurance density and insurance penetration remained low.

The country's insurance density in 1Q2023 stood at PHP872.56 ($15.32) while the insurance penetration rate was 1.75%, reported the newspaper, Manila Standard.

However, referring to 1Q2023, he added, "I am optimistic that our efforts are bearing fruit, especially as total premiums collected by life insurance companies from their new business has increased to PHP15.47bn, or by 18.16% year-on-year."

"To further promote financial inclusion, the Insurance Commission has also introduced digitalisation programs such as the online submission and approval of new insurance products and is set to release the regulatory guidelines on Islamic insurance within the year." ■

Source: Asia Insurance review - 15 August - 2023

SOUTH KOREA

- ***Korean insurers' net income from overseas operations jump by 35% in 2022***

The Korean insurance industry saw their business results from overseas operations improve substantially in 2022 thanks to premium income growth. Although the business results varied from country to country, operations in Asia showed better performance.

Their aggregated net income soared by 34.9% year on year to $123m. Insurance business operations reported $112m in net income, up 23.4% from the previous year. Financial investment operations and others reported a net income of $10.7m, according to a blog on the website of Korean Re.

Life insurers reported solid business results, recovering from COVID-driven setbacks in face-to-face marketing activities. The improvement in net income was also driven by their non-insurance operations, such as the real estate rental business. Non-life insurers also saw a rise in profit, backed by business growth in emerging Asian markets.

Net Income of Overseas Business Operations of Korean Insurers

US$ m	Life Insurers		Non-life Insurers		Total		
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**Change**
Insurance	22.1	11.9	89.7	78.7	111.8	90.6	23.4%
Financial investment and others	10.3	0.0	0.4	0.2	10.7	0.2	5,230%
Total	**32.4**	**11.9**	**90.1**	**78.9**	**122.5**	**90.8**	**34.9%**

Source: Financial Supervisory Service

The total assets held by the overseas business operations of Korean insurers declined by 3.5% to $6.33bn year on year at the end of December 2022. Their liabilities also decreased by 4.5% to $3.78bn, and the total shareholders' equity amounted to $2.55bn, down 1.9% from a year earlier. The decreases were primarily due to the exclusion of Samsung Property & Casualty Insurance Company (China), Ltd., a subsidiary of Samsung Fire & Marine Insurance (SFMI), from the calculation of total assets and liabilities by the Financial Supervisory Service (FSS) after its conversion into a joint venture between the insurer and China's tech company Tencent. SFMI's ownership in its Chinese entity fell to 37%, causing the entity to be classified as an affiliate instead of a subsidiary.

As of the end of 2022, 11 Korean insurers (four life insurers and seven non-life insurers) had a total of 39 overseas operations, up from 35 in 2020, according to the FSS. ■

Source: Asia Insurance review - 10 August - 2023

UZBEKISTAN

1Q2023: *voluntary non-life insurance generates over 80% of the market GWP*

By Marina MAGNAVAL

According to the 1Q2023 results, the insurance sector of Uzbekistan grew by about 29% y-o-y, reaching UZS 1,669.17 billion (EUR 134.42 million), according to data published by the Insurance Market Development Agency under the Ministry of Finance.

It should be noted that segment-wise evolution was multidirectional. Life insurance dropped significantly - by almost 56%, while the decrease was only in voluntary classes. At the same time non-life insurance grew by 59%, here growth was recorded in both voluntary and compulsory classes.

Voluntary non-life insurance generated over 80% of market premiums, while the most significant shares in the market portfolio among all classes fall on motor hull (more than 15%) and credit insurance (more than 16%), at that both classes demonstrated excellent growth rates.

Paid claims fell by almost 15%. Here, the dynamics by segments was also uneven – life insurance paid claims dropped by about 49%, while non-life insurance paid claims grew by 39%. ■

Source: XPRIMM – 10 August 2023

omanre.com

Driven by expertise.
Endorsing growth across the region.

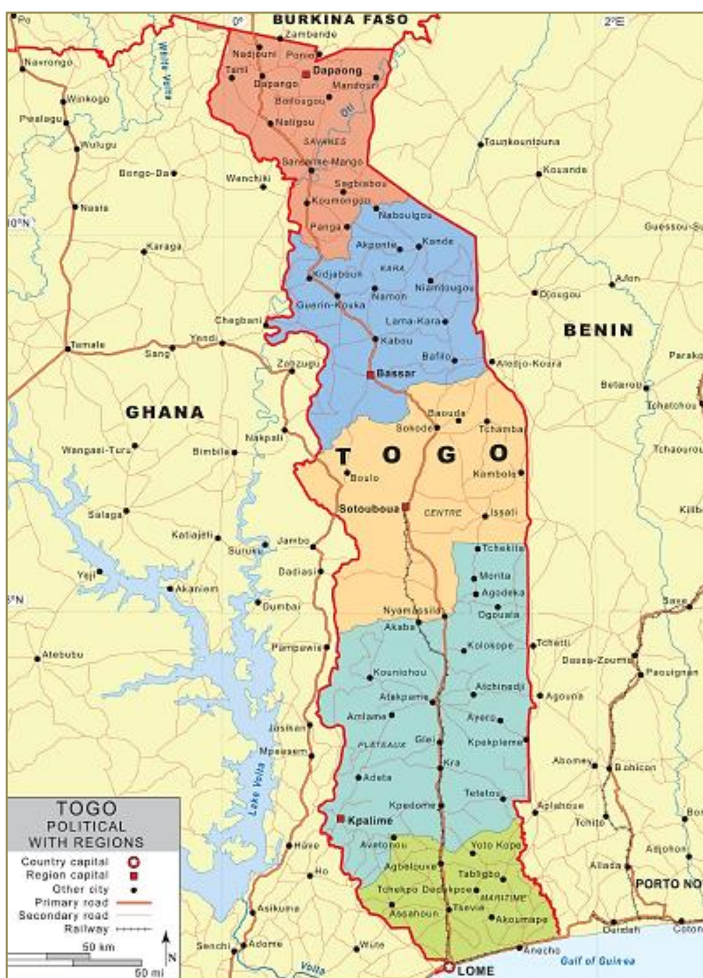
At Oman Re, we bring you advanced reinsurance solutions that help you progress and stay ahead of the curve, even in the most challenging environment. With an expansive presence in both regional and international markets including Africa, Asia, Middle East, CEE and CIS countries; Oman Re is at the forefront of your reinsurance needs of today and goals of tomorrow.

Safeguarding businesses internationally from Oman since 2009

TOGO

Insurance Market Overview

by Hussein Elsayed



Official Name:
Togolese Republic

Location:
Togo is located in West Africa on the Guinea Coast. It is bordered by Ghana to the west, Benin to the east and Burkina Faso to the north.

Surface Area:
56,785 km².

Time Zone:
UTC (GMT)

Income Category:
Low income

Religion:
Christians in the south of the country account for approximately 29% of the total population, Muslims in the north, a further 20%. The remaining 51% hold traditional beliefs.

Language:
The official language as well as the main business language is French. Ewe and Mina are spoken in the south, Kabya and Dagomba in the north.

Government:
Unitary dominant-party | presidential republic.

Climate:
The climate of Togo is tropical, and strongly influenced by the West African Monsoon.

Natural Hazards:
River flood: High | Water scarcity: High | Extreme heat: High | Wildfire: High | Urban flood: Medium | Coastal flood: Medium | Earthquake: Medium | Landslide: Medium | Tsunami: Low | | Cyclone: No Data | Volcano: No Data

ThinkHazard! WORLD BANK GROUP

(I) TOGO: Socio-Economic Information

Region	Western Africa	UN membership date	20 September 1960
Population (000, 2023)	8 849 [a,b]	Surface area (km2)	56 785 [c]
Pop. density (per km2, 2023)	162.7 [a,b]	Sex ratio (m per 100 f)	101.1 [a,b]
Capital city	Lomé	National currency	CFA Franc, BCEAO (XOF) [d]
Capital city pop. (000, 2023)	1 785.3 [e]	Exchange rate (per US$)	615.0 [b]

Economic indicators	**2010**	**2015**	**2023**
GDP: Gross domestic product (million current US$)	4 742	5 751	8 160 [c]
GDP growth rate (annual %, const. 2015 prices)	5.9	5.5	5.3 [c]
GDP per capita (current US$)	721.5	769.6	943.9 [c]
Economy: Agriculture (% of Gross Value Added) [f,g]	22.9	20.8	21.1 [c]
Economy: Industry (% of Gross Value Added) [g,h]	22.1	25.1	22.5 [c]
Economy: Services and other activity (% of GVA) [g]	55.0	54.1	56.4 [c]
Employment in agriculture (% of employed) [i]	39.9	36.4	30.9 [c]
Employment in industry (% of employed) [i]	18.0	18.7	20.4 [c]
Employment in services & other sectors (% employed) [i]	42.1	37.2	48.7 [c]
Unemployment rate (% of labour force)	2.4 [i]	2.2	4.0 [i]
Labour force participation rate (female/male pop. %) [i]	55.3 / 61.6	55.6 / 60.9	56.4 / 59.6
CPI: Consumer Price Index (2010=100)	100	111	115 [j]
Agricultural production index (2014-2016=100)	90	97	112 [c]
International trade: exports (million current US$)	741	792	1 348 [b]
International trade: imports (million current US$)	1 350	1 877	2 769 [b]
International trade: balance (million current US$)	- 609	- 1 085	- 1 421 [b]
Balance of payments, current account (million US$)	- 200	- 461	- 21 [j]

Major trading partners						**2022**
Export partners (% of exports)	India	17.0	Burkina Faso	12.4	Benin	9.4
Import partners (% of imports)	China	19.8	France	8.9	India	6.1

Social indicators	**2010**	**2015**	**2023**
Population growth rate (average annual %)	2.7	2.5	2.3 [a,b]
Urban population (% of total population)	37.5	40.1	42.2 [e]
Urban population growth rate (average annual %) [k]	4.0	4.0	...
Fertility rate, total (live births per woman)	5.0	4.6	4.2 [a,b]
Life expectancy at birth (females/males, years)	57.4 / 57.2	59.6 / 59.2	62.2 / 60.9 [a,b]
Population age distribution (0-14/60+ years old, %)	41.8 / 4.6	41.4 / 4.7	40.0 / 5.1 [a,b]
International migrant stock (000/% of total pop.) [l,m]	255.6 / 4.0	277.4 / 3.8	279.9 / 3.4 [j]
Refugees and others of concern to the UNHCR (000)	14.2 [n]	22.6	11.2 [b]
Infant mortality rate (per 1 000 live births)	60.2	52.4	43.9 [a,b]
Health: Current expenditure (% of GDP) [o]	4.5	5.0	6.0 [j]
Health: Physicians (per 1 000 pop.)	0.1 [p]	~0.0	0.1 [c]
Education: Government expenditure (% of GDP)	4.1	5.1	4.2 [c]
Education: Primary gross enrol. ratio (f/m per 100 pop.)	120.8 / 133.9	124.9 / 131.2	122.0 / 126.4 [c]
Education: Lowr. sec. gross enrol. ratio (f/m per 100 pop.)	41.5 / 72.3 [i,q]	... / ...	72.8 / 86.6 [c]
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	17.2 / 41.1 [i,q]	... / ...	35.3 / 47.6 [c]
Seats held by women in the National Parliament (%)	11.1	17.6	19.8 [r]

Environment and infrastructure indicators	**2010**	**2015**	**2023**
Individuals using the Internet (per 100 inhabitants) [i]	3.0	7.1	35.0 [c]
Research & Development expenditure (% of GDP) [s]	0.2	0.3 [t,u]	...
Threatened species (number)	54	66	129 [b]
Forested area (% of land area)	22.8	22.5	22.2 [j]
CO2 emission estimates (million tons/tons per capita)	2.5 / 0.3	1.5 / 0.1	2.1 / 0.2 [j]
Energy production, primary (Petajoules)	99	112	126 [j]
Energy supply per capita (Gigajoules)	20	17	18 [j]
Tourist/visitor arrivals at national borders (000)	202	273 [v]	482 [v,j]
Important sites for terrestrial biodiversity protected (%)	79.5	79.5	79.5 [b]
Pop. using safely managed drinking water (urban/rural, %)	23.2 / 0.0	31.0 / 6.8	33.9 / 8.1 [b]
Pop. using safely managed sanitation (urban/rural %)	7.3 / 2.8	7.2 / 3.7	7.1 / 4.7 [b]
Net Official Development Assist. received (% of GNI)	11.85	4.62	4.16 [c]

a Projected estimate (medium fertility variant). **b** 2022. **c** 2021. **d** African Financial Community (CFA) Franc, Central Bank of West African States (BCEAO). **e** 2019. **f** Excludes irrigation canals and landscaping care. **g** Data classified according to ISIC Rev. 4. **h** Excludes publishing activities, recycling. Includes irrigation canals. **i** Estimate. **j** 2020. **k** Data refers to a 5-year period preceding the reference year. **l** Including refugees. **m** Refers to foreign citizens. **n** Data as at the end of December. **o** Data refer to fiscal years beginning 1 July. **p** 2008. **q** 2007. **r** Data are as at 1 January of reporting year. **s** Excluding business enterprise. **t** Excluding private non-profit. **u** 2014. **v** Including nationals residing abroad.

World Statistics Pocketbook 2023 239

(II) TOGO: Insurance Market

Key Highlights

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

(A) Historical Landmarks and Regulatory Environment

Historical Landmarks

1920s/30s	French insurers began to write business in Togo.
1973	The local state-owned Groupement Togolais d'Assurances (GTA) was established.
1989	Compagnie Africaine d'Assurances (C2A) was set up.
1990s	A series of mergers took place and new players entered the market.
2000	The state-owned insurer Groupement Togolais d'Assurances (GTA) was privatised in December 2000.
2001	GTA merged with C2A to form the biggest insurance group in Togo, with 60% of the non-life market and 65% of the life market. It joined the Compagnie de Financement et de Reassurance pour L'Afrique (COFIRA) group operating in much of West Africa. Assurances Generales du Togo (AGT) began business
2002	Benin-based Federale d'Assurances (FEDAS) set up a branch in Togo.
2004	Union des Assurances du Togo (UAT) was bought by Groupe SUNU. AGT became AGF Togo.
2005	Local insurer Fidelia and regional insurer NSIA started non-life operations.
2009	AGF Togo became Allianz Togo.Banque Atlantique took a stake in GTAC2A.
2012	Togo Assistance was set up, to provide first aid and transport to hospital for victims of motor accidents.
2014	Colina Assurance changed its name to SAHAM Assurance. Atlantic Business International (ABI) the holding company of Moroccan Banque Atlantique and Banque Centrale Populaire, took a majority stake in GTAC2A.
2015	FEDAS was purchased by Gabon-based Ogar Assurances.UAT adopted the name SUNU Assurances IARD Togo.
2018	- In April 2018, Conference Interafricaine des Marches d'Assurances (CIMA) issued a regulation amending provisions on reserve requirements for life insurers. - Effective March 2018, the Togolese council of ministers issued a decree making Economic Community of West African States (ECOWAS) insurance brown cards mandatory for all vehicle owners, in addition to motor third party liability (MTPL) policies. - Allianz announced it was to withdraw from the market and cede its business to SUNU (by the end of 2019).
2019	- GTAC2A-IARDT was rebranded as GTA Assurances in March 2019.
2022	Parametric insurance and Universal health insurance are some of the key trends impacting the Togo insurance market. For instance, droughts and extended dry spells have become a common phenomenon in West and Central African countries and were again witnessed in the 2022 agricultural season. The African Risk Capacity (ARC) made a more than $2 million payout to the government of the Togolese Republic in 2023, as part of the sovereign insurance policy of the country. ARC and Togo have been working together since 2017 to develop resilience and to better respond to climate events in the region. - Sanlam Assurances Vie Togo has changed its name to NSIA Vie Assurances Togo. This rebranding follows the acquisition of Sanlam's Togolese subsidiary by the Ivorian group.

The transaction, which was finalized in June 2022, involved NSIA taking control of the South African group's life entities in Togo and Gabon as well as its non-life subsidiaries in Congo and Guinea.

➢ *Regulatory framework*

The insurance industry in Togo is governed by the CRCA and the DNA in accordance with the CIMA Code. The CIMA Code (Conference Interafricaine des Marches d'Assurances) is divided into eight books, with each book dealing with a particular aspect of insurance regulation. Article 326 of the CIMA Code stipulates that any company intending to provide insurance policies in Togo may conduct business only after obtaining a license from the local regulatory authority DNA. Insurers not based in Togo that are licensed in other CIMA member states are permitted to operate in Togo without the need to obtain a license. However, foreign insurance companies that are not based in CIMA member states are permitted to operate only after obtaining a license.

▪ Togo Regulatory Bodies

The key bodies that oversee the Togo insurance industry are:

- The Direction Nationale des Assurances (DNA),

Direction Nationale des Assurances (DNA): The Direction Nationale des Assurances (DNA), which works under the Ministry of Economy, Finance and Privatization, is responsible for monitoring and developing the state policy in the field of insurance in Togo. The powers and responsibilities of the DCA are prescribed under Annex II of the CIMA Treaty.

- Association Professionnelle des Assureurs Conseils du Togo - APAC Togo
- The Commission Regional des Assurances (CRCA)

The CRCA is the regional insurance regulatory authority for all the CIMA member states and is established under the CIMA treaty signed by the Francophone African states.

▪ Insurance Association:

The insurance association in Togo is the Comité des Assureurs du Togo (CAT). CAT meets at regular intervals or when necessary to discuss matters of common interest. It lobbies the government where appropriate and has a role in making proposals to revise tariffs, proposing measures to ensure professional management, and conducting research to reduce losses.
CAT also tries to increase awareness of insurance among the general population, which is important given the low awareness levels and poor overall reputation of the industry.

Those companies operating in Togo are also members of the African insurers' federation (Federation des Societes d'Assurances de Droit National Africaines - FANAF), which was set up in 1976. FANAF promotes insurance and reinsurance in Africa, defends the interests of the industry, trains personnel and encourages regional co-operation.

▪ Legislations & Regulations:

The CIMA Code, cornerstone of the sectoral integration project, coming into force in 1995, applies to all insurance companies operating in the African member states. It regulates local insurers and branches of foreign insurers domiciled in the region in standardized fashion.

The CIMA Code comprises 9 books:

Book I: The insurance contract
Book II: Compulsory insurance plans
Book III: Insurance companies
Book IV: Accounting rules applicable to insurance companies
Book V: Provisions pertaining to general agents, brokers and other insurance and capitalization intermediaries
Book VI: Special insurance bodies
Book VII: Microinsurance
Book VIII: Reinsurance
Book IX: Takaful insurance

Types of Insurance Organization:

Article 301 of the CIMA Code states that any insurer operating in a CIMA member state must be either a joint stock or a mutual company. This includes microinsurers.

A joint stock company with just one shareholder is not allowed, and any shareholder with over 20% of the capital of an insurance company must be approved by the minister in charge of insurance in the member country. Any shareholding reaching 10% of the capital must be notified to the minister in charge of insurance in the member state concerned and the regional regulator CRCA within two months.

Non-life and life business must be written by separate companies. The same shareholders may operate both a non-life and a life company, however.

Microinsurance companies may offer non-life and term life policies.

Foreign Ownership

Foreign ownership of companies domiciled in CIMA member states is permitted under Article 328-6 of the CIMA Code. Companies with foreign ownership operate under the same laws as locally owned, locally domiciled companies and must satisfy local legislation.

Types of Licence

Licences are issued by class. The classes are listed under Article 328 of the CIMA Code.
There are 19 non-life classes. A company with approval for one of the non-life classes may cover other non-life risks as an extension of a policy covering the classes for which it has approval.
There are seven non-life microinsurance classes.
Healthcare and PA are classed as non-life licences for insurance.
Composite licences are not provided.

Capital Requirements

Capital requirements for joint stock companies are set out in Article 329-3 of the CIMA Code and those for mutual companies in Article 330-2.

They are adjusted occasionally in the light of practical experience. The most recent change came into effect on 1 June 2016 when the minimum capital required for a joint stock insurance company operating under CIMA's jurisdiction was increased to XOF 5bn (USD 9mn), up from XOF 1bn (USD 1.80mn). The minimum capital for mutuals was increased from XOF 800mn (USD 1.44mn) to XOF 3bn (USD 5.40mn).

In addition, the equity capital must not be less than 80% of the minimum capital requirement.

Position of Non-Admitted Insurers

Non-admitted insurance is not permitted in Togo because the law provides that insurance must be purchased from local authorized insurers with the exception of companies that provide specialized insurance services to one or more CIMA member states, although this is subject to supervisory approval.

Compulsory Insurances

<u>List of Compulsory Insurances</u>

- *Motor third party liability.*
- *Insurance for imports.*
- *Professional indemnity for insurance brokers.*
- *Shipowners' liability for marine oil pollution (financial guarantee or insurance).*
- *Workers' compensation (part of state-run social security).*

Reinsurance Business:

- There is no state reinsurance company in Togolese market.
- There are no Togolese reinsurers but regional reinsurer CICA-RE has its head office in Lome. It is entitled to a 15% cession of all treaties but may sometimes have a further 15% share in local treaty arrangements. Its Togolese business has not increased markedly since the restriction on overseas reinsurance because the lack of large, technical domestic risks has meant the market has never required large amounts of overseas cover.
- From the 1 January 2020 the regional reinsurer CICA Re's compulsory share of all reinsurance treaties reduced from 15% to 10%, but still receive a 5% share of each and every risk (cession legale au premier franc), excluding health insurance (and savings-related life insurance) risks.
- Africa Re receives a compulsory cession of 5% of all treaties.
- Fronting tends to be used for the risks of French-owned companies operating in Togo but CIMA rules that limit the proportion of business that can be ceded outside the zone are said to be well respected.

(B) Insurance Market Statistics & Performance

TOGO: Market Structure:

	2019	2020	2021
Number of Total Companies	12	12	12
Life Companies	7	7	7
Non-Life Companies	5	5	5
Number of Total Workforce	388	410	415

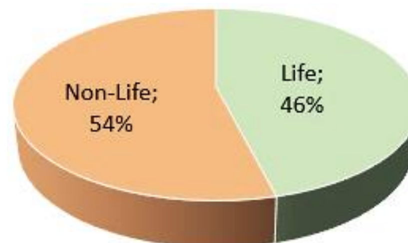
Source: Federation of African National Insurance Companies (FANAF)

TOGO: Market Statistics

Figures in billions FCFA

	2019	2020	2021
TOGO: Life and non-life premiums 2019-2021 (excluding acceptances)	61.3	67.7	77.4

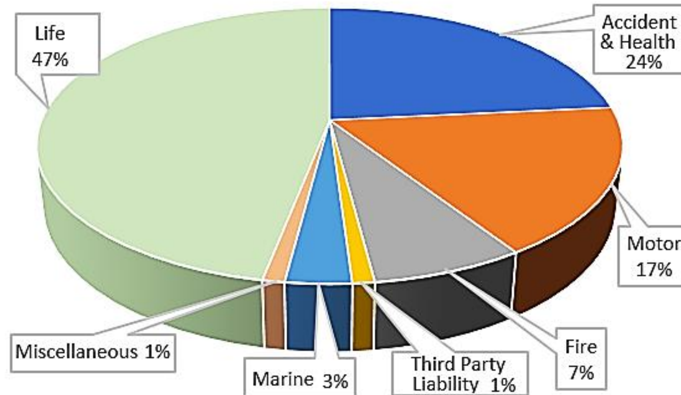
TOGO: Market Segment by Life & Non-Life in 2021



Source: Federation of African National Insurance Companies (FANAF)

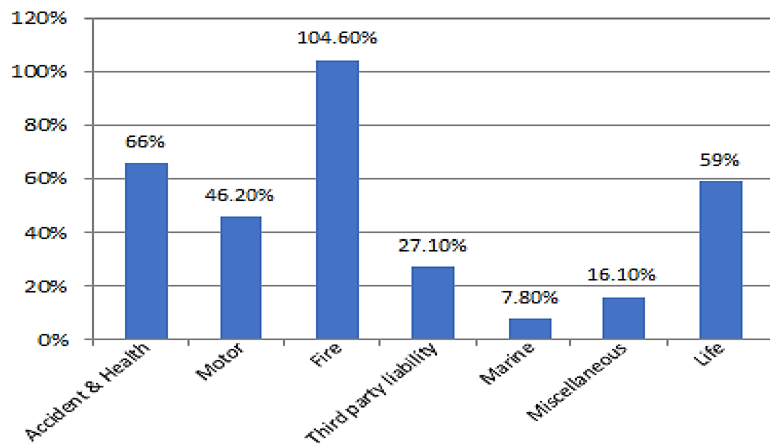
TOGO: Composition of GWP portfolio per class of business in 2021

Accident & Health	23%
Motor	17%
Fire	7%
Third party liability	1%
Marine	3%
Miscellaneous	1%
Life	46%



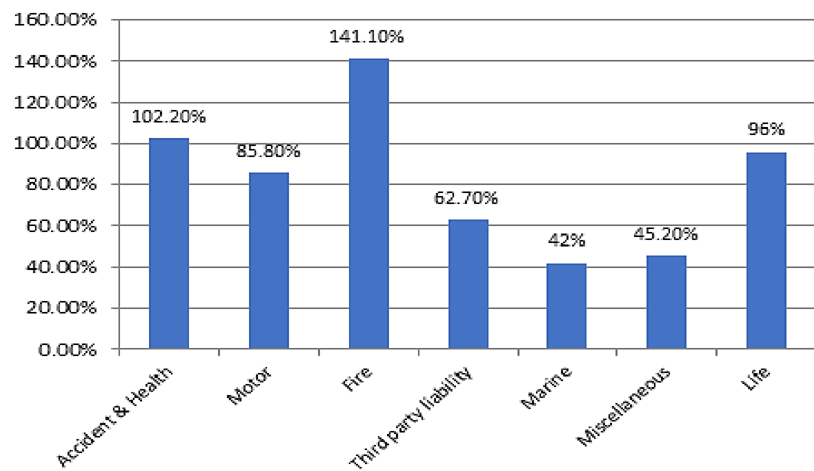
TOGO: Loss ratio per class of business in 2021

Accident & Health	66%
Motor	46.2%
Fire	104.6%
Third party liability	27.1%
Marine	7.8%
Miscellaneous	16.1%
Life	59%



TOGO: Non-life combined ratio per class of business in 2021

Accident & Health	102.2%
Motor	85.8%
Fire	141.1%
Third party liability	62.7%
Marine	42%
Miscellaneous	45.2%
Life	96%



Source: Federation of African National Insurance Companies (FANAF)

TOGO: Insurance Companies Indicators 2021

Figures in thousands FCFA

COMPANY	CATEGORY	TURNOVER 2021	OPERATING RESULT 2021	NON LIFE LOSS RATIO 2021	NON LIFE COMBINED RATIO 2021
SANLAM ASSURANCE	NL	14543890	227016	50.4%	81.9%
GTA ASSURANCES VIE	L	12265998	19044	NA	NA
SUNU ASSURANCES VIE TOGO	L	9680829	82563	NA	NA
SUNU ASSURANCES IARD TOGO	NL	9099989	452542	61.5%	97.6%
GTA ASSURANCES	NL	8526953	691949	65.4%	105.9%
NSIA TOGO	NL	6968828	435195	43.4%	89.1%
NSIA VIE TOGO	L	5356780	-122643	NA	NA
PRUDENTIAL BENEFICIAL LIFE INSURANCE S.A.	L	4649306	-114093	NA	NA
FIDELIA ASSURANCES	NL	2701636	509628	48.8%	84.4%
CIF ASSURANCE -VIE TOGO	L	2621306	192456	NA	NA
SANLAM ASSURANCE VIE - TOGO	L	1121440	-39197	NA	NA

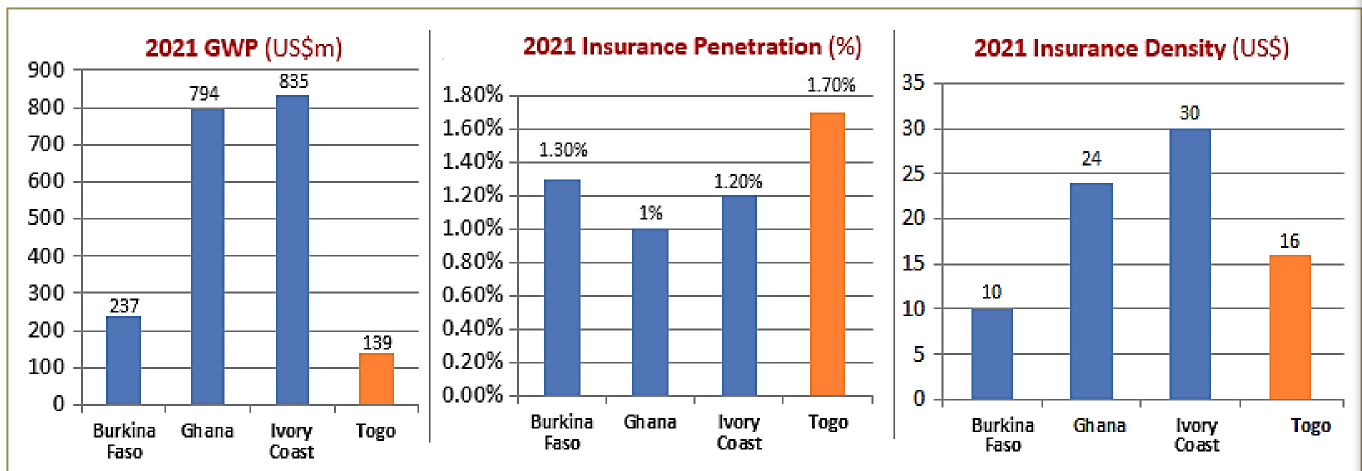
L = Life Company
NL = Non Life Company
NA = Not Available

CICA-RE: 2021 Indicators (Figures in thousands USD)

Turnover		Growth	Net Result		Growth	Shareholder's Equity		Rating
2021	2020	2020-2021	2021	2020	2020-2021	2021	2020	AM Best
176174	158254	11.3%	13361	10441	28%	154060	141798	B+

Source: Federation of African National Insurance Companies (FANAF)

TOGO Insurance Market: Regional Comparison



Source: SwissRe Sigma Explorer (http://www.sigma-explorer.com)

SUB-SAHARAN AFRICA INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
South Africa	70,00	67,50	72,50	56,75	64,70	65,00	66,57	65,94	65,07	1
Mauritius	30,00	30,00	30,00	61,36	42,54	60,00	69,48	65,69	49,49	2
Botswana	22,50	20,00	25,00	51,43	34,07	60,00	66,30	63,78	42,99	3
Namibia	28,75	20,00	37,50	42,41	34,21	40,00	51,75	47,05	38,07	4
Ghana	20,00	22,50	17,50	40,07	28,03	50,00	58,51	55,11	36,15	5
Kenya	27,50	30,00	25,00	35,87	30,85	45,00	41,59	42,95	34,48	6
Nigeria	13,75	12,50	15,00	41,66	24,91	25,00	47,09	38,25	28,92	7
Senegal	20,00	20,00	20,00	30,80	24,32	30,00	44,96	38,97	28,72	8
Uganda	16,25	17,50	15,00	33,42	23,12	40,00	40,62	40,37	28,29	9
Gabon	8,75	12,50	5,00	39,16	20,92	30,00	48,93	41,36	27,05	10
Zambia	13,75	17,50	10,00	40,66	24,51	15,00	44,30	32,58	26,93	11
Cote d Ivoire	17,50	20,00	15,00	31,82	23,23	40,00	31,56	34,94	26,74	12
Tanzania	11,25	15,00	7,50	29,47	18,54	40,00	47,68	44,61	26,36	13
Malawi	10,00	10,00	10,00	33,40	19,36	40,00	43,75	42,25	26,23	14
Angola	13,75	20,00	7,50	32,05	21,07	40,00	35,60	37,36	25,96	15
Zimbabwe	21,25	25,00	17,50	29,27	24,46	20,00	21,80	21,08	23,44	16
Burkina Faso	11,25	15,00	7,50	26,49	17,35	30,00	42,25	37,35	23,35	17
Cameroon	13,75	17,50	10,00	24,94	18,23	30,00	36,08	33,65	22,85	18
Benin	7,50	7,50	7,50	25,34	14,64	30,00	43,28	37,97	21,64	19
Mali	7,50	10,00	5,00	27,97	15,69	20,00	42,76	33,65	21,08	20
Togo	10,00	10,00	10,00	26,66	16,66	20,00	35,87	29,52	20,52	21
Rwanda	5,00	7,50	2,50	32,79	16,12	10,00	39,59	27,75	19,61	22
Congo-Brazzaville	7,50	10,00	5,00	23,14	13,76	20,00	37,64	30,58	18,80	23
Madagascar	3,75	5,00	2,50	27,30	13,09	10,00	38,64	27,18	17,92	24
Guinea	2,50	2,50	2,50	23,22	10,79	20,00	35,08	29,05	16,27	25
Ethiopia	2,50	2,50	2,50	29,66	13,36	10,00	31,46	22,88	16,22	26
Niger	3,75	5,00	2,50	25,99	12,65	15,00	30,12	24,07	16,07	27
Burundi	5,00	5,00	2,50	24,61	12,84	20,00	28,39	25,03	16,02	28
Chad	3,75	5,00	2,50	24,07	11,88	20,00	25,58	23,35	15,32	29
Central African Republic	3,75	5,00	2,50	24,38	12,00	20,00	22,34	21,40	14,82	30
DRC	3,75	5,00	2,50	17,34	9,19	10,00	31,48	22,89	13,30	31
Regional Average	**14,07**	**15,24**	**12,82**	**32,69**	**21,52**	**29,84**	**41,32**	**36,73**	**26,09**	

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

Source: South Africa Insurance Report Q3_2023 - by Fitch Solutions, April 2023

www.poolfair.ma

FAIR AVIATION POOL

FAIR AVIATION POOL's UNDERWRITING CAPACITY

TREATY:

Treaty (Non Proportional)	$ 4 000 000
Treaty (Proportional)	$ 4 000 000

FACULTATIVE:

	Hull	Liability
Facultative (Airline)	$ 4 000 000	$ 28 500 000
Facultative (Non Airline)	$ 3 000 000	$ 15 000 000

Managed by :

CRÉATEUR DE RÉSILIENCE DEPUIS 1960
RESILIENCE BUILDER SINCE 1960

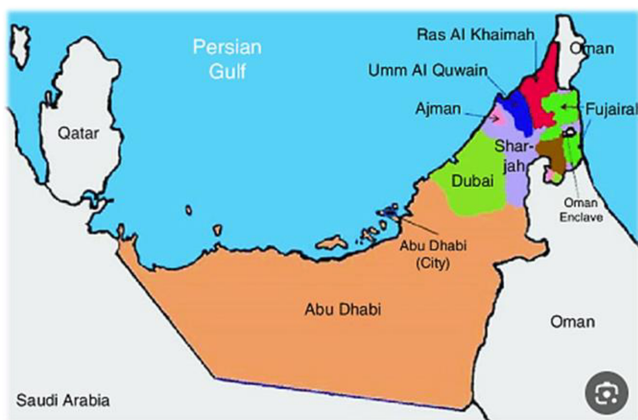
GROUPE CDG

Société Centrale de Réassurance (SCR) Tour Atlas, place Zallaqa, Casablanca-P.O. Box : 13183
Tél : +212 05 22 46 04 00 **Fax :** +212 05 22 46 04 60
Email : hmchiche@scrmaroc.com/ poolfair@scrmaroc.com
Website: www.poolfair.ma

United Arab Emirates

Insurance Market Overview

by Hussein Elsayed



Official Name:
United Arab Emirates

Location:
UAE Located in West Asia, in the Middle East. It is located at the eastern end of the Arabian Peninsula and shares borders with Oman and Saudi Arabia, while also having maritime borders in the Arabian Gulf with Qatar and Iran

Surface Area:
83,600 km².

Time Zone:
(GMT+4).

Income Category:
High income

Religion:
Religion in the United Arab Emirates (2022 estimate): Islam (Official) (76%)| Christianity (9%) | Hinduism (6%) | Others (including Buddhism and Baha'i faith) (8%)

Language:
Arabic (official) | English is commonly used as a second language, especially in commerce.

Government:
The United Arab Emirates has a presidential, federal. It is a federation of 7 different constituent monarchies, which include the Emirates of Dubai, Abu Dhabi, Ras al-Khaimah, Umm al-Quwain, Ajman, and Fujairah. The President who is also the UAE's head of state is the ruler of Abu Dhabi while the Prime Minister is the ruler of Dubai and the head of government of the UAE..

Climate:
UAE has an arid climate with very dry, hot and humid summers from April to September and generally warm and dry conditions in winter from October to March. The majority of the rainfall occurs during the winter months. The climate is affected by the ocean due to its close proximity to the Arabian Gulf and the Gulf of Oman. Most of the country experiences severe dust storms.

Natural Hazards:
Coastal flood: High | Landslide: High |
Water scarcity: High | Extreme heat: High
Earthquake: Medium | Tsunami: Medium |
Urban flood: Low | Cyclone: Low |
Wildfire: Very low | Volcano: No Data

ThinkHazard! WORLD BANK GROUP

(I) UAE: Socio-Economic Information

Region	Western Asia	UN membership date	09 December 1971
Population (000, 2023)	9 441 [a,b]	Surface area (km2)	71 024 [c,d]
Pop. density (per km2, 2023)	132.9 [a,b]	Sex ratio (m per 100 f)	226.3 [a,b]
Capital city	Abu Dhabi	National currency	UAE Dirham (AED) [e]
Capital city pop. (000, 2023)	1 452.1 [f]	Exchange rate (per US$)	3.7 [b]

Economic indicators	**2010**	**2015**	**2023**
GDP: Gross domestic product (million current US$)	289 787	358 135	405 468 [d]
GDP growth rate (annual %, const. 2015 prices)	1.6	5.1	3.8 [d]
GDP per capita (current US$)	34 165.9	40 163.6	43 295.4 [d]
Economy: Agriculture (% of Gross Value Added)	0.8	0.7	0.9 [d]
Economy: Industry (% of Gross Value Added)	52.5	43.9	46.6 [d]
Economy: Services and other activity (% of GVA)	46.7	55.4	52.5 [d]
Employment in agriculture (% of employed) [g]	3.8	2.4	1.7 [d]
Employment in industry (% of employed) [g]	26.8	33.2	27.1 [d]
Employment in services & other sectors (% employed) [g]	69.4	64.4	71.2 [d]
Unemployment rate (% of labour force) [g]	2.5	1.8	2.7
Labour force participation rate (female/male pop. %) [g]	42.4 / 89.0	49.4 / 91.4	56.2 / 92.8
CPI: Consumer Price Index (2010=100)	100	109	112 [d]
Agricultural production index (2014-2016=100)	130	98	125 [d]
International trade: exports (million current US$)	198 362	300 479	586 532 [g,b]
International trade: imports (million current US$)	187 001	287 025	424 374 [g,b]
International trade: balance (million current US$)	11 361	13 454	162 158 [g,b]

Major trading partners						**2022**
Export partners (% of exports) [g]	China	12.4	India	12.3	Japan	9.3
Import partners (% of imports) [g]	Areas nes	15.3	China	15.0	India	9.2

Social indicators	**2010**	**2015**	**2023**
Population growth rate (average annual %)	1.1	0.9	0.8 [a,b]
Urban population (% of total population)	84.1	85.7	86.8 [f]
Urban population growth rate (average annual %) [h]	12.3	2.4	...
Fertility rate, total (live births per woman)	1.8	1.5	1.4 [a,b]
Life expectancy at birth (females/males, years)	80.2 / 76.5	81.2 / 77.6	81.4 / 77.7 [a,b]
Population age distribution (0-14/60+ years old, %)	13.7 / 0.3	14.3 / 1.1	15.2 / 3.5 [a,b]
International migrant stock (000/% of total pop.) [i,j]	7 316.7 / 85.6	7 995.1 / 86.3	8 716.3 / 88.1 [k]
Refugees and others of concern to the UNHCR (000)	0.6 [l]	0.8	8.7 [b]
Infant mortality rate (per 1 000 live births)	7.4	6.5	5.2 [a,b]
Health: Current expenditure (% of GDP) [m]	3.9	3.6	5.7 [g,n,k]
Health: Physicians (per 1 000 pop.)	1.4	2.3	2.9 [k]
Education: Government expenditure (% of GDP)	...	1.7	3.9 [d]
Education: Primary gross enrol. ratio (f/m per 100 pop.)	102.1 / 101.1 [o]	111.6 / 111.4	113.2 / 111.5 [b]
Education: Lowr. sec. gross enrol. ratio (f/m per 100 pop.)	85.1 / 85.2	95.2 / 97.8	99.0 / 100.6 [b]
Education: Upr. sec. gross enrol. ratio (f/m per 100 pop.)	... / ...	... / ...	110.5 / 112.6 [b]
Intentional homicide rate (per 100 000 pop.)	0.8	0.7	0.5 [d]
Seats held by women in the National Parliament (%)	22.5	17.5	50.0 [p]

Environment and infrastructure indicators	**2010**	**2015**	**2023**
Individuals using the Internet (per 100 inhabitants)	68.0 [q]	90.5 [g]	100.0 [d]
Research & Development expenditure (% of GDP)	...	0.9	1.5 [d]
Threatened species (number)	48	48	94 [b]
Forested area (% of land area)	4.5	4.5	4.5 [k]
CO2 emission estimates (million tons/tons per capita)	155.6 / 18.1	187.5 / 20.1	181.9 / 18.3 [k]
Energy production, primary (Petajoules)	7 849	9 995	9 465 [k]
Energy supply per capita (Gigajoules)	351	401	392 [k]
Tourist/visitor arrivals at national borders (000)	7 126 [r,s]	16 842 [t]	11 479 [u,d]
Important sites for terrestrial biodiversity protected (%)	28.6	42.8	51.6 [b]
Pop. using safely managed sanitation (urban/rural %)	98.4 / 98.5	98.4 / 98.5	98.5 / 98.5 [b]
Net Official Development Assist. disbursed (% of GNI) [v]	0.38 [w]	...	0.36 [d]

a Projected estimate (medium fertility variant). **b** 2022. **c** Land area only. **d** 2021. **e** United Arab Emirates Dirham. **f** 2019. **g** Estimate. **h** Data refers to a 5-year period preceding the reference year. **i** Refers to foreign citizens. **j** Including refugees. **k** 2020. **l** Data as at the end of December. **m** Data based on calendar year (January 1 to December 31). **n** Data are based on SHA2011. **o** 2007. **p** Data are as at 1 January of reporting year. **q** Refers to total population. **r** Non-resident tourists staying in hotels and similar establishments. **s** 2005. **t** Break in the time series. **u** Non-resident tourists staying in all types of accommodation establishments. **v** Data reported at activity level, represent flows from all government agencies. **w** 2009.

World Statistics Pocketbook 2023

(II) UAE: Insurance Market

Key Highlights

- *The UAE's insurance industry is governed by the IA, which aims to promote stability and confidence in the financial system*
- *The foreign direct investment (FDI) limit in the UAE insurance industry was increased from 25% to 49% in June 2017*
- *Health insurance was made compulsory for residents in Dubai effective from January 2014*
- *Insurance and reinsurance companies in the UAE are not subject to corporate income tax*
- *Non-admitted reinsurance is permitted in the UAE*

(A) Historical Landmarks and Regulatory Environment

Historical Landmarks

1970s:
- 1970 Dubai Insurance Company was formed, becoming the first national company.
- 1972 Abu Dhabi National, the first national insurance company in Abu Dhabi, was established.
- National companies such as the Al Fujairah, Al Ain Ahlia, Al Dhafra and Oman Insurance were formed along with the setting up of the first major brokers, HSBC Insurance Brokers, Al Futtaim Willis and Sedgwick Group.

1980s
- 1980 Arab Orient was created.
- 1982 Emirates Insurance and Alliance Insurance were established.
- 1984 The Insurance Companies and Insurance Agents Law No 9/1984 was passed.

1990s
- 1991 Dubai National Insurance and Reinsurance Company commenced business.
- 1998 Arabian Health Services (Mednet) was set up as well as Al Ittihad National of Ajman. The Gulf Insurance Company became Al Wathba.

2000-2010
- 2000 Ministerial Resolution No 11 regulating insurance brokers was passed.
- 2002 The Ministry of Economy and Commerce began a review of insurance legislation.
- 2004 The Financial Free Zone Law was passed on 1 April.
- 2005 The Dubai International Financial Centre (DIFC) was opened.
- 2006 The first phase of Law No 23/2005 and executive regulations regarding compulsory healthcare insurance for expatriates in Abu Dhabi was implemented.
- Federal Law No 16/2006 allowing foreign companies 25% ownership of public joint stock insurance companies was passed.
- 2007 A new insurance law, Federal Law No 6/2007, was introduced. The Insurance Authority was established by this law as an independent body to supervise insurance in the UAE.

2011-2020
- 2008 A moratorium on the issue of operating licences for new insurance companies was announced.
- Regulations were introduced related to Islamic/takaful operations.
- 2013 Law No 11/2013 introduced compulsory health insurance in Dubai.
- The revised Insurance Broking Regulations were issued by the regulator and came into force in October 2013.

- 2014 The regulator's Board of Directors Decision No 26 of 2014 finalised new regulations for takaful operators relating to definitions of wakala and wakala-mudharaba models, with provisions relating to the distribution of surplus to participants and the separation of participants' and shareholders' accounts.

- In February 2015, the Insurance Authority implemented solvency requirements similar to the European model for both traditional and takaful insurers operating in the country. According to the new regulations, investment guidelines have been set for insurance companies as follows:
  - Overall exposure to real estate assets is limited to 30%.
  - Investment in equities is limited to 30%, in which only one-third may be invested in a particular asset class. Mutual fund investments are limited to 20%, in which only one-third may be invested in a particular asset class.
  - Insurers can invest 100% of assets in securities and bonds issued by the UAE government with a 25% limit on each investment, or 80% in non-UAE government bonds with a 25% limit on each investment. Insurers must also deposit a minimum of 5% with a bank.
- The UAE cabinet granted insurance companies one more year from 28 August 2015 to separate their life and non-life operations.

- 2016 Insurance Authority (IA) Board of Directors Resolution No 10 of 2016 provided implementing regulations for the splitting of life and non-life insurance operations in composite and takaful companies.
- New unified motor insurance policies (one for third party liability and the other for loss and damage) were issued under IA Board of Directors
- Decision No 25 of 2016 in September 2016. A regulator's circular of 2016 contained instructions on the marketing of insurance policies through banks.
- A regulator's circular of 2016 issued regulations on the licensing and registration of actuaries and their operations. All insurers and takaful operators were obliged by the Financial Regulations to appoint an actuary to validate technical reserve provisions.

- 2017 Some modifications were made to the maximum and minimum motor insurance tariffs.

- 2019: The UAE's insurance regulator issued, on 15 July 2019, a new, highly restrictive claims management procedure. The new text provides for the creation of specialized committees to settle all insurance disputes and all types of claims. Policyholders and other beneficiaries will be able to submit their complaints directly to these committees. The latter consist of three members, each of whom is appointed for a (renewable) one-year period. Each Committee will include one chairman and two members appointed by the UAE Insurance Authority.

- 2020: In July 2020: The Emirati government decided to merge the Insurance Authority with the Securities and Commodities Authority (SCA). This merger establishes one single regulatory body specialising in the oversight and supervision of the non-bank financial sector comprising the capital market, futures exchanges and the insurance sector.

Abu Dhabi

Dubai

Sharjah

Al Ain

2021-2022

- 2021: In February 2021, Central Bank of the UAE started the operational procedures to merge the Insurance Authority into the UAE Central Bank (CBUAE). The decision aims at transforming the CBUAE into one of the top 10 central banks in the world. The CBUAE will now assume the supervisory and regulatory responsibility, licensing and enforcement functions of the insurance sector in the UAE. The regulator will also monitor the financial solvency of insurance companies, ensure ethical conduct of firms, and protect the rights of the insured in the country.

  Following the completion of the merger process, CBUAE in co-operation with international authorities, will ensure implementation of best practices and standards in the insurance sector.

  The CBUAE also aims to further facilitate the advancement of new technologies as part of its FinTech strategy, including the adoption of InsurTech for insurance services. These initiatives are expected to make the UAE insurance sector more competitive, innovative and facilitate financial inclusion

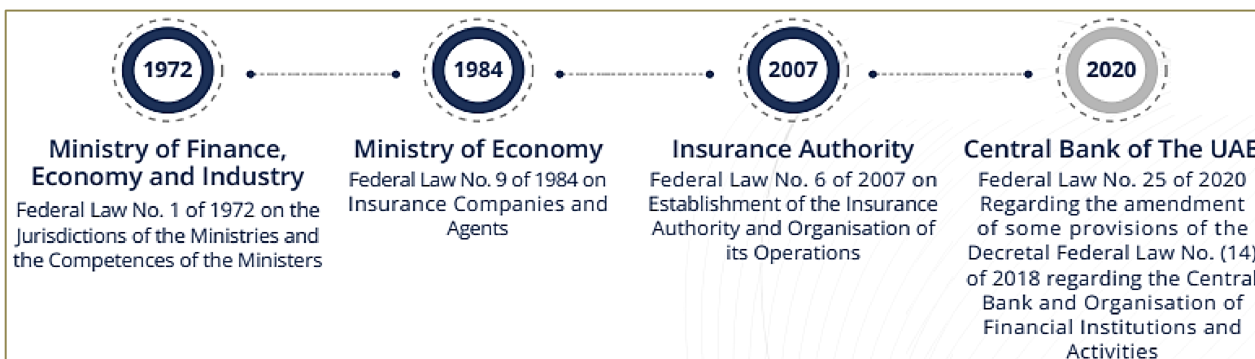
  Insurance companies made progress in 2022 implementing Internal Controls over Financial Reporting (ICFR) to upgrade the quality of insurance financial reporting. Adoption will permit high quality information-sharing with the public and other stakeholders by ensuring the reliability of insurance firms' financial reporting, in accordance with generally accepted accounting principles.

- 2022: In 2021, firms were asked to design and test their own ICFR strategies. Plans were made to require insurance firms to start preparing their general purpose financial reports in conformity with the latest IFRS 17 accounting standards in 2023. During 2022, companies submitted management assessments of their ICFRs, with a view to remedying any gaps in time for 2023 year-end external audits.
- The IFRS 17 reporting requirement for insurance firms initially covers only general purpose financial reporting. Regulatory reporting will continue under existing regulations. CBUAE plans to monitor implementation of IFRS 17 starting in 2023 once implementation is supported by robust auditing and ICFR at insurance firms.

➢ *Regulatory framework*

Regulators:

Insurance has been governed and supervised by four different regulatory authorities since the establishment of insurance services in the UAE



Until recently, the UAE insurance market was regulated by the Insurance Authority. The Insurance Authority was established in 2007 and since its inception has gradually increased the number of regulations applicable to insurance companies and other insurance-related professions operating in the UAE. However, in October 2020, the UAE Cabinet approved the issuance of a federal decree law merging the Insurance Authority with the UAE Central Bank.

In January 2021, the Central Bank announced the commencement of operational procedures aimed at assuming the supervisory and regulatory responsibility of the insurance sector, which resulted in the Insurance Authority coming under the supervisory authority of the UAE Central Bank.

In addition to the Regulator, which is responsible for overseeing onshore insurance entities, there are separate dedicated regulators for the health insurance sector in some of the individual Emirates; at present, these are the Dubai Health Authority, the Department of Health of Abu Dhabi and the Sharjah Health Authority.

Further, the Dubai Financial Services Authority (DFSA) and the Financial Services Regulatory Authority (FSRA), respectively, regulate the DIFC and ADGM insurance/reinsurance industry. Each regulator has its requirements for the authorization and regulation of companies offering insurance services.

- **Insurance Association:**
  Emirates Insurance Association

Legislations & Regulations:

There are Several laws and regulations govern the insurance sector in the United Arab Emirates.

Part 3 of Chapter 4 (Articles 1026–1055) of Federal Law 5/1985 on Civil Transactions ('Civil Code') sets out among other things:

- the basic essence of an insurance contract; and
- the obligations of the insurer and the insured under the insurance contract.

However, the main law setting out guidelines for the insurance sector in the United Arab Emirates is Federal Law 6/2007 on the Establishment of the Insurance Authority and Organisation of its Operations. Among other things, this law:

- identifies the types of insurance operations that can be conducted in the United Arab Emirates (ie, life insurance, property insurance and life liability insurance); and
- provided for the establishment of the Insurance Authority to regulate the conduct of the insurance markets in the country.

Marine insurance in the United Arab Emirates is governed by Federal Law 26/1981 on Commercial Maritime Law.

Takaful insurance is governed by the Insurance Authority's Board of Directors Resolution 4/2010 Concerning the *Takaful* Insurance Regulations.

There are various other laws and regulations and ministerial resolutions governing the conduct of insurance business in the United Arab Emirates. In summary, these laws and regulations set out guidelines on issues such as: Ethics; Corporate Governance; Insurance Broking; and Insurance consultancy.

There are two separate insurance jurisdictions in the UAE:

- The ''onshore'' UAE market.
- The wholesale ''offshore'' reinsurance centres (that is, the ''free zones'') made up of the Dubai International Financial Centre and the Abu Dhabi counterpart, the Abu Dhabi Global Market.

Form and Structure of Insurers

Types of insurance companies are regulated by:

Federal Law 6/ 2007 on the Regulation of Insurance Operations;
Federal Law 32/2021 on Commercial Companies;
Federal Law 4/2012 on the Regulation of Competition; and various Insurance Authority directives issued from time to time.

Based on Article 11 of Federal Law 32/2021 on Commercial Companies, only public joint stock companies may engage in banking and insurance business, unless otherwise provided by the special laws regulating these activities or the decisions issued pursuant thereto.

According to Article 24 of Federal Law 6/2007 on the Regulation of Insurance Operations, insurance activities may be exercised in the state by any of the following persons that are licensed and registered with the Insurance Authority:

- *a public joint stock company established in the state;*
- *a branch of a foreign insurance company; or*
- *an insurance agent.*

The prior approval of the Insurance Authority must be obtained before:

- *incorporating any insurance company;*
- *opening a branch of a foreign insurance company; or*
- *carrying out the operations of an insurance agent in the United Arab Emirates.*

Any insurance contract concluded by a company that is not duly registered according to the provisions of the law will be deemed invalid and the affected party may claim compensation due to such invalidation.

Insurance companies registered with the Dubai International Financial Centre (DIFC) or the Abu Dhabi Global Market (ADGM) are regulated by their own set of rules and regulations and are further regulated by the Dubai Financial Services Authority and the Financial Services Regulatory Authority instead of the Insurance Authority.

Capital Requirements

According to Article 1 of Insurance Authority Board of Directors' Decision 25/2014 dealing with the minimum capital requirements for insurance companies, the minimum subscribed and paid-up capital of each insurance company should not be less than:

- *AED 100 million for an insurance company; and*
- *AED 250 million for a reinsurance company*

There are also requirements under the law to maintain a minimum guarantee fund and a solvency margin.

The law initially required that at least 75% of the capital of an insurer in the United Arab Emirates be owned by:

- *UAE or Gulf Cooperation Council (GCC) nationals; or*
- *legal persons wholly owned by citizens holding UAE or GCC nationality.*

However, this provision was amended in 2017 by Cabinet Decision 16/2017, as a result of which the law now requires that 51% of the capital of an insurer in the United Arab Emirates be owned by:

- *UAE or GCC nationals; or*
- *legal persons wholly owned by citizens holding UAE or GCC nationality.*

Position of Non-Admitted Insurers

Insurers conducting insurance business in the UAE must be licensed by the Regulator. The DIFC and ADGM also prohibit non-licensed insurers operating within their jurisdictions.

There are no express legal provisions restricting insurance fronting transactions in the UAE. Therefore, as long as the insurer is in compliance with applicable prudential limitations in local regulations, there is no provision preventing it from ceding 100 per cent of a given written risk (i.e., fronting the risk), either to a local reinsurer or a foreign reinsurer. In practice, however, reinsurers may impose stricter terms and conditions.

Onshore reinsurance business is regulated by the Reinsurance Regulations

Position of Brokers

Brokers operating in the UAE are also required to be licensed by the Regulator. The primary piece of legislation governing insurance brokers is the Broker Regulations

Distribution of Products

Insurance products can only be distributed in the UAE by licensed entities.

Compulsory Insurances

List of Compulsory Insurances

- *Motor third party liability for bodily injury and material damage.*
- *Professional indemnity insurance for insurance brokers.*
- *Professional indemnity insurance for insurance consultants.*
- *Professional indemnity insurance for advocates and legal consultants.*
- *Professional indemnity insurance for medical practitioners.*
- *Medical expenses (health) insurance for expatriates and their dependants resident in Abu Dhabi emirate.*
- *Medical expenses (health) insurance in Dubai for private sector employees and their resident spouses and dependants.*
- *Health insurance for visitors to the UAE (with the exception of visitors who can obtain a visa on arrival).*
- *Aircraft operators' liability.*
- *Shipowners' liability for marine oil pollution (financial guarantee or insurance).*

Taxation of Premiums

On 1 January 2018, the UAE introduced value added tax (VAT) at the rate of 5 per cent. All insurance and reinsurance premiums are subject to VAT with the exception of life insurance.

Reinsurance Business:

The Federal Law No 19 of 2018 on Foreign Direct Investment allows for increased foreign ownership of companies in certain sectors, but not financial services. It was reported in October 2018 that the regulator is considering permitting 100% foreign ownership of insurance companies. Since branches of foreign insurers are already permitted to operate in the UAE, there may be little interest by foreign insurers in establishing a wholly owned local subsidiary.

A foreign reinsurer wishing to establish a branch in the UAE must have a minimum capital of AED 250mn. Furthermore, it must have a minimum rating of BBB (Standard & Poor's), Baa (Moody's), B+ (AM Best), BBB (Fitch) or an equivalent rating from an internationally recognised rating agency. These minimum ratings must also apply to the country where the reinsurer is incorporated.

Board of Directors Decision No 23 of 2019

The Insurance Authority issued Board of Directors Decision No 23 of 2019 on 14 May 2019 sets out the conditions for local insurers accepting reinsurance business as follows:

- *the company may only accept treaty business subject to authorisation of the IA and subject to having a minimum capital of AED 350mn (USD 95.27mn)*
- *accepted reinsurance premiums (facultative and treaty) may not exceed 49% of the total written premiums except as allowed by the IA*
- *accepted facultative reinsurance must be within the insurer's retention limit or reinsured under its treaty (if reinsured on a facultative basis, approval of the ceding company is required).*

Resolution No 4/2010, issued in 2010, provides for specific regulations in respect of Islamic insurers (takaful operators). The regulations direct that takaful operators must use retakaful (as opposed to conventional reinsurance). It is also noted, however, that if there is insufficient retakaful capacity, conventional reinsurance may be used. Retakaful protection may be placed outside the UAE as is the case currently in respect of conventional reinsurance.

Alternative risk transfer (ART) has been considered by a few locally licensed direct insurance companies, but none so far appears to have used it.

For more, see "Federal law & Executive Regulation" via this Webpage:

U.AE Information and services > Finance and investment > Insurance
Regulator of the insurance sector
Licensing insurance companies
insurance-regulations CLICK
Related eServices

(B) Insurance Market Statistics & Performance

Market Structure:

Licensed Entities in the UAE's Insurance Sector (2021 vs 2022)

	Total as 2021	Total as 2022
Insurance companies	62	62
Other Insurance Related Professions	462	491
Total	524	553

Licensing of Insurance Companies and Professionals (2022 vs 2021)

	Total as of 2022	Total as of 2021
National Traditional Insurance Companies	23	23
National Takaful Insurance Companies	12	12
Foreign Insurance Companies	27	27
Insurance Broker Companies	168	168
Insurance Agents Companies	29	30
Insurance Consultant (individuals & Companies)	51	46
Loss & Damage Adjusters (individuals & Companies)	136	126
Actuaries (individuals & Companies)	74	67
Third Party Administrator Companies	20	21
Insurance Policies Price Comparison Websites	13	4

Source: Central Bank of the UAE – Report 2022

➢ 2022 Highlights:

Gross Premiums Written Gross Premiums for the listed insurance companies	**AED 29 Billion** (AED 26 Billion in 2021)
Retention Ratio The weighted average retention ratio of the listed insurance companies.	**38%** (41% in 2021)
Profit Profit for listed insurance companies.	**AED 1.5 Billion** (AED 1.9 Billion in 2021)
Loss Ratio Weighted Average loss ratio recorded for UAE listed insurance companies.	**62%** (63% in 2021)
Return on Equity Weighted average return on equity by Listed insurance Companies.	**8%** (11% in 2021)

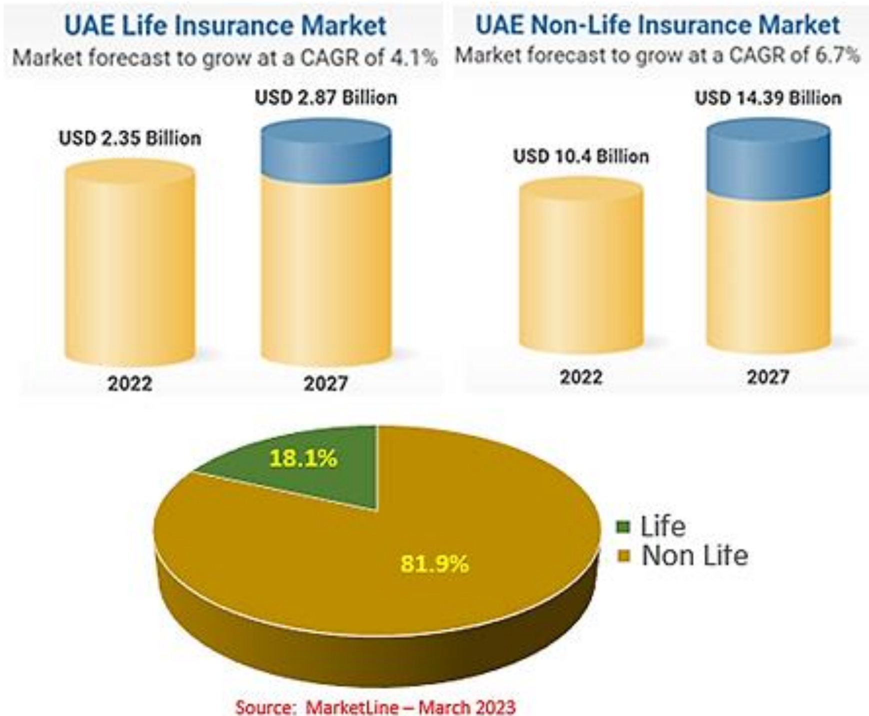
Industry GWP Growth Timeline

Industry Profit Growth Timeline

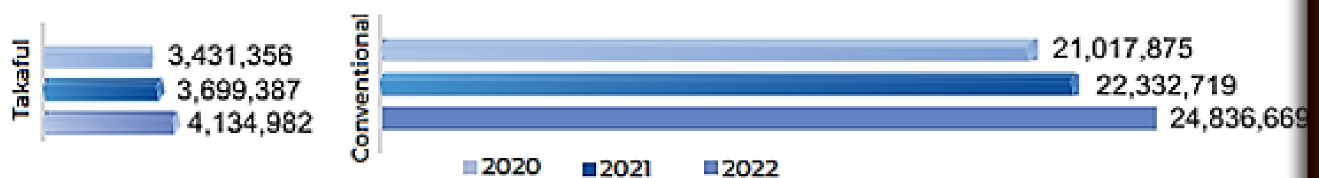
➢ Gross Premium:

▪ Market Premium (Life & Non-Life)

- The Emirati life insurance market had total gross written premiums of $2.3 billion in 2022, representing a negative compound annual growth rate (CAGR) of 2.4% between 2017 and 2022.
- The Emirati non-life insurance market had total gross written premiums of $10.4 billion in 2022, representing a compound annual growth rate (CAGR) of 1.7% between 2017 and 2022.



▪ Conventional Vs Takaful



▪ Insurance Companies: GWP, Net Profit and Total Equity (AED Millions)

INSURANCE COMPANY	GWP		NET PROFIT		TOTAL EQUITY	
	YE 2022	YE 2021	YE 2022	YE 2021	YE 2022	YE 2021
Orient Insurance (Audited)	6,071	5,008	521	476	3,998	3,796
Abu Dhabi National Insurance Company (Audited)	5,125	4,267	378	402	2,688	2,831
Oman Insurance Company (Audited)	4,390	3,539	224	206	2,461	2,229
Dubai Insurance Company (Audited)	1,469	1,226	92	81	684	630
Emirates Insurance Company (Audited)	1,136	1,118	72	71	1,150	1,173
Islamic Arab Insurance Company (Audited)	1,118	1,088	42	48	810	843
Al Buhaira National Insurance Company (Audited)	943	898	(34)	25	622	681
Al Ain Al Ahlia Insurance Company (Audited)	923	1,206	63	83	1,317	1,301
Union Insurance Company (Audited)	868	900	18	13	254	235
Dar Al Takaful (Audited)	808	706	(55)	22	204	152
National General Insurance Company (Audited)	650	646	54	71	529	533
Al Sagr National Insurance Company (Audited)	634	500	(49)	(63)	206	256
Orient UNB Takaful (Audited)	531	401	30	15	239	209
Abu Dhabi National Takaful Company (Audited)	447	370	18	88	491	516
Ras Al Khaimah National Insurance Company (Audited)	433	469	(35)	10	145	203
United Fidelity Insurance Company (Audited)	422	384	1	8	140	101
Dubai National Insurance & Reinsurance Company (Audited)	419	301	44	59	678	750
Alliance Insurance (Audited)	362	304	38	41	547	539
Takaful Emarat (Audited)	354	584	2	(7)	126	123
Methaq Takaful Insurance Company (Audited)	327	302	14	(8)	99	85
Al Dhafra Insurance Company (Audited)	317	315	28	39	451	463
Al Wathba National Insurance Company (Audited)	306	316	38	164	992	974
Insurance House (Audited)	281	207	4	10	146	149
Al Fujairah National Insurance Company (Audited)	262	237	(14)	19	295	339
Dubai Islamic Insurance & Reinsurance Co. (Audited)	254	249	(10)	12	78	85
Arabian Scandinavian National Insurance Company (Audited)	130	123	(30)	6	252	310
Axa Green Crescent Insurance Company (Audited)	71	52	3	1	123	124
Sharjah Insurance Company (Audited)	23	25	31	27	249	230
TOTAL	29,076	25,744	1,488	1,921	19,970	19,859

Source: *UAE Insurance Industry Report 2022 - by Milliman, April 2023*

The total GWP of the top 10 companies increased from AED 19,956,870 in 2021 to AED 22,852,025 in 2022, which indicates an overall growth of approximately 14.5%. ORIENT and ADNIC were the top two performers in terms of GWP in both 2021 and 2022. ORIENT had the highest GWP in both years, while ADNIC had the second-highest. ALAIN and UNION had a decrease in their growth rates from 2021 to 2022. ALAIN's growth rate decreased by approximately 23%, while decrease of 4% displayed by UNION. The bottom 5 companies, namely EIC, ABNIC, DARTAKAFUL, SALAMA, and DIN, had a combined market share of approximately 44% in 2022.

TAKAFULEM saw a significant decrease in their NWP from 2021 to 2022, with a drop of almost 40%. ASNIC saw an increase of about 32% in their NWP from 2021 to 2022. METHAQ saw a substantial increase in their NWP from 2021 to 2022, with a growth of almost 67%. DNIR also experienced a significant increase of almost 62% in their NWP from 2021 to 2022. Several companies saw a decrease in their NWP from 2021 to 2022, including RAKNIC, FIDELITYUNITED, AWNIC, DHAFRA, and SICO.

- **Insurance Companies: Market Share by GWP** (Ranked by Company)

INSURANCE COMPANY	MARKET SHARE		MARKET RANK		
	YE 2022	YE 2021	YE 2022	YE 2021	CHANGE
Orient Insurance (Audited)	20.9%	19.5%	1	1	0
Abu Dhabi National Insurance Company (Audited)	17.6%	16.6%	2	2	0
Oman Insurance Company (Audited)	15.1%	13.7%	3	3	0
Dubai Insurance Company (Audited)	5.1%	4.8%	4	4	0
Emirates Insurance Company (Audited)	3.9%	4.3%	5	6	+1
Islamic Arab Insurance Company (Audited)	3.8%	4.2%	6	7	+1
Al Buhaira National Insurance Company (Audited)	3.2%	3.5%	7	9	+2
Al Ain Al Ahlia Insurance Company (Audited)	3.2%	4.7%	8	5	-3
Union Insurance Company (Audited)	3.0%	3.5%	9	8	-1
Dar Al Takaful (Audited)	2.8%	2.7%	10	10	0
National General Insurance Company (Audited)	2.2%	2.5%	11	11	0
Al Sagr National Insurance Company (Audited)	2.2%	1.9%	12	13	+1
Orient UNB Takaful (Audited)	1.8%	1.6%	13	15	+2
Abu Dhabi National Takaful Company (Audited)	1.5%	1.4%	14	17	+3
Ras Al Khaimah National Insurance Company (Audited)	1.5%	1.8%	15	14	-1
United Fidelity Insurance Company (Audited)	1.5%	1.5%	16	16	0
Dubai National Insurance & Reinsurance Company (Audited)	1.4%	1.2%	17	22	+5
Alliance Insurance (Audited)	1.2%	1.2%	18	20	+2
Takaful Emarat (Audited)	1.2%	2.3%	19	12	-7
Methaq Takaful Insurance Company (Audited)	1.1%	1.2%	20	21	+1
Al Dhafra Insurance Company (Audited)	1.1%	1.2%	21	19	-2
Al Wathba National Insurance Company (Audited)	1.1%	1.2%	22	18	-4
Insurance House (Audited)	1.0%	0.8%	23	25	+2
Al Fujairah National Insurance Company (Audited)	0.9%	0.9%	24	24	0
Dubai Islamic Insurance & Reinsurance Co. (Audited)	0.9%	1.0%	25	23	-2
Arabian Scandinavian National Insurance Company (Audited)	0.4%	0.5%	26	26	0
Axa Green Crescent Insurance Company (Audited)	0.2%	0.2%	27	27	0
Sharjah Insurance Company (Audited)	0.1%	0.1%	28	28	0

Source: *UAE Insurance Industry Report 2022 - by Milliman, April 2023*

➢ *Performance Ratios 2018-2022*

Listed companies in the UAE experienced an 11 %increase in their topline in the year 2022.

The return on investments has gone up from 12% in 2021 to 19% in 2022, while the Profit Earning ratio has decreased from 19% in 2021 to 15% in 2022.

The loss ratio has slightly decreased from 63% in 2021 to 62% in 2022, but the expense ratio has increased from 30% in 2021 to 34% in 2022.

Growth Ratios

	2018	2019	2020	2021	2022
GWP GROWTH	1%	8%	3%	7%	11%
NWP GROWTH	-3%	3%	-3%	10%	4%
NEP GROWTH	8%	0%	3%	1%	2%

Earning Ratios

	2018	2019	2020	2021	2022
NET PROFIT / NEP	15%	17%	19%	19%	15%
INVESTMENT INCOME / NEP	6%	8%	8%	12%	19%

Management Cost Ratios

	2018	2019	2020	2021	2022
LOSS RATIO	60%	60%	58%	63%	62%
EXPENSE RATIO	32%	31%	31%	30%	34%
COMBINED RATIO	92%	91%	89%	93%	95%

Source: *UAE Listed Insurance Companies Performance Analysis Year End 2022 - by BADRI Management Consultancy, April 2023*

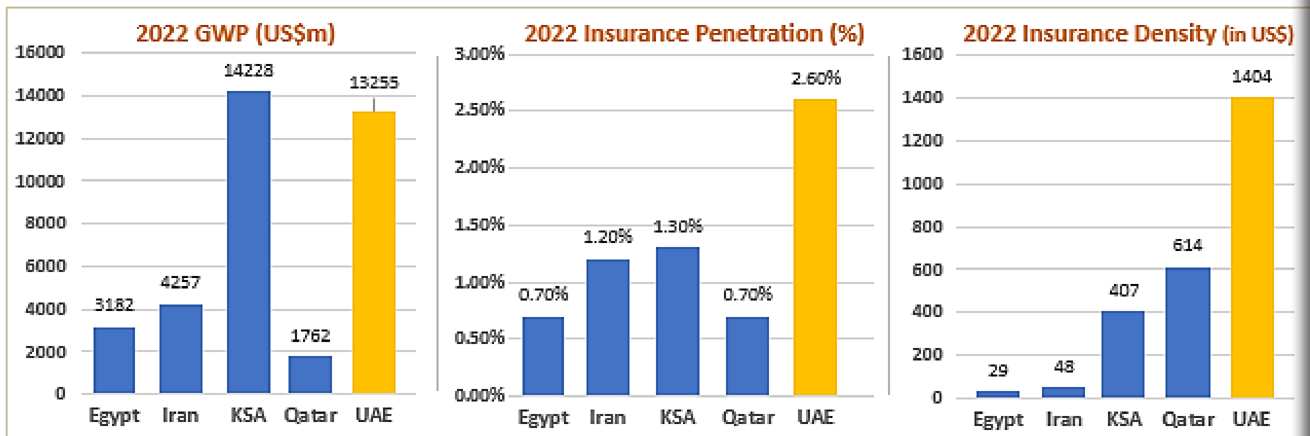
➢ UAE Insurance Market: Regional Comparison

MIDDLE EAST AND NORTH AFRICA INSURANCE RISK/REWARD INDEX

	Industry Rewards	Industry Rewards Non-Life	Industry Rewards Life	Country Rewards	Rewards	Industry Risk	Country Risks	Risks	Insurance Risk/ Reward Score	Rank
UAE	45,00	52,50	37,50	64,18	52,67	70,00	59,96	63,97	56,06	1
Bahrain	27,50	32,50	22,50	69,79	44,42	85,00	50,93	64,56	50,46	2
Saudi Arabia	32,50	50,00	15,00	65,63	45,75	60,00	55,29	57,17	49,18	3
Oman	26,25	35,00	17,50	63,67	41,22	65,00	59,00	61,40	47,27	4
Morocco	37,50	37,50	37,50	46,14	40,96	70,00	51,23	58,74	46,29	5
Kuwait	25,00	27,50	22,50	67,62	42,05	50,00	59,01	55,41	46,05	6
Jordan	23,75	27,50	20,00	54,90	36,21	70,00	48,90	57,34	42,55	7
Qatar	25,63	46,25	5,00	70,21	43,46	55,00	21,00	34,60	40,80	8
Egypt	27,50	27,50	27,50	42,74	33,60	60,00	43,50	50,10	38,55	9
Lebanon	16,25	17,50	15,00	48,84	29,29	65,00	36,88	48,13	34,94	10
Tunisia	22,50	27,50	17,50	43,97	31,09	55,00	33,47	42,08	34,39	11
Iran	18,75	22,50	15,00	41,47	27,84	20,00	45,10	35,06	30,01	12
Algeria	12,50	17,50	7,50	27,12	18,35	50,00	37,11	42,27	25,52	13
Yemen	13,75	15,00	12,50	33,59	21,68	60,00	6,06	27,64	23,47	14
Libya	3,75	5,00	2,50	35,88	16,60	15,00	21,11	18,66	17,22	15
Regional Average	23,88	29,42	18,33	51,72	35,01	56,67	41,90	47,81	38,85	

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

Source: UAE Insurance Report Q2_2023 - by Fitch solutions, February 2023



Source: SwissRe Sigma Explorer (http://www.sigma-explorer.com)

(D) UAE: Insurance Market SWOT Analysis

Strengths	▪ The potential market is reasonably large and affluent by global standards and is rapidly growing as the UAE attracts more migrant workers. ▪ Dubai is the most important regional centre for international life companies serving the needs of expatriates. ▪ Instability in neighbouring markets has strengthened the UAE's position as a safe regional investment opportunity. ▪ Stock exchange listings have improved the transparency of the sector and probably individual companies' access to capital. ▪ The Dubai International Finance Centre has attracted a number of leading international insurers and reinsurers. ▪ Certain local players have the backing of ruling families, government-linked institutions or major conglomerates based in the UAE.
Weaknesses	▪ Fragmentation - there are about 60 insurers, most of which are sub-scale, with limited access to capital and writing low volumes of premiums annually. ▪ The regulatory environment is being improved, but it is still a work in progress. ▪ Securing the proper licencing for local operations has proved difficult, even for some large foreign insurers. ▪ Brutal price competition has reduced profitability in motor insurance lines, among others. ▪ Life insurance predominantly involves the provision of solutions to expatriates, with very limited demand from local customers. ▪ Rising claims in a number of lines are eroding profitability. ▪ A lack of suitably qualified staff in the domestic labour pool makes nationalization targets difficult to achieve.
Opportunities	▪ Health insurance is growing, albeit no longer at rates seen in recent years. ▪ Takaful, in which the UAE is a global leader, continues to grow, although this growth has slowed by some metrics. ▪ The UAEA is capturing international business at the expense of other regional centres such as Bahrain. ▪ Bancassurance presents opportunities following the finalisation of the necessary regulations. ▪ Massive consolidation. ▪ Innovation is an ongoing opportunity; companies are developing new products, forming new partnerships and pursuing new opportunities.
Threats	▪ Commodity price shocks and oil price volatility could derail domestic economic growth and budgetary allocations. ▪ Non-life penetration appears unlikely to increase substantially without reform and expansion of compulsory covers. ▪ Cutthroat competition in many non-life lines keeps pressure on pricing. ▪ Potential increases in taxation rates could slow the uptake of non-essential products. ▪ A sharp deterioration in the general economic environment as a result of the global economic recession.

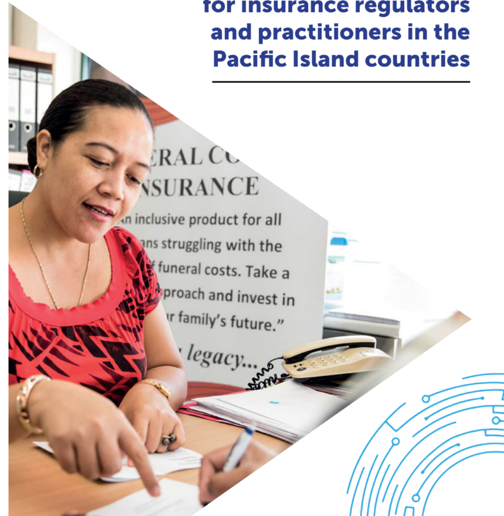
Source: Business Monitor Online, 18 September 2023

References & Resources:

- Central Bank of the UAE: Research and Statistics - Insurance Sector
- Performance Analysis of UAE Insurance Companies (including Branches) for years from 2015 to 2022 - by BADRI Management Consultancy
- UAE Insurance Industry Analysis Reports - for Years from 2021 to 2022 - by SHMA Consulting
- UAE Insurance Industry Report 2022 (PRELIMINARY) - by Milliman, 10p, March 2023
- UAE Insurance Industry report; Final results for year-end 2022 - by Milliman, 11p, 24 April 2023
- KPMG Insurance Insight- UAE
- Corporate governance for insurance companies in the UAE - by KPMG, 10p, July 2023

Book Review

Index Insurance Readings



Reports, Index Insurance, Asia-Pacific | 2022

Index insurance best practices for insurance regulators and practitioners in the Pacific Island countries

This report has been published by the Pacific Insurance and Climate Adaptation Programme (PICAP) and the Access to Insurance Initiative (A2ii).

Index insurance solutions have been around for a number of years and provide many potential benefits, especially to regions that are exposed the most to natural catastrophes. It also has the potential to benefit population groups that are most excluded from traditional insurance systems. However, supervisory frameworks to support their development and ensure consumer protection are still in the early stages of their evolution and development.

The publication provides some crucial consideration for regulators, but for other relevant stakeholders as well. The report identifies and documents best practices in managing index-based insurance solutions, covering different aspects of supervision, including:

- prudential requirements,
- legal considerations,
- design and distribution strategies and
- aspects of consumer education and protection

https://a2ii.org/en/media/5719/download

Reports, Index Insurance, Global | 2021

Reports, Index Insurance, Global | 2021

Index Insurance: 2020 Status and Regulatory Challenges

English Version | French Version

In recent years, significant developments have been seen in index-based insurance. Good results are stemming from innovative and more accurate indices - jurisdictions are better adapting business models and distribution channels to their needs.

'Index Insurance: 2020 Status and Regulatory Challenges' provides an overview of how the supervisors have been dealing with the challenges related to index-based insurance during the last years, as well as insights from the industry side, especially in emerging markets and developing economies. It is based on the results of the 2020 index insurance survey, where the A2ii received comprehensive responses from insurance supervisors from 27 different countries, as well as from industry representatives.

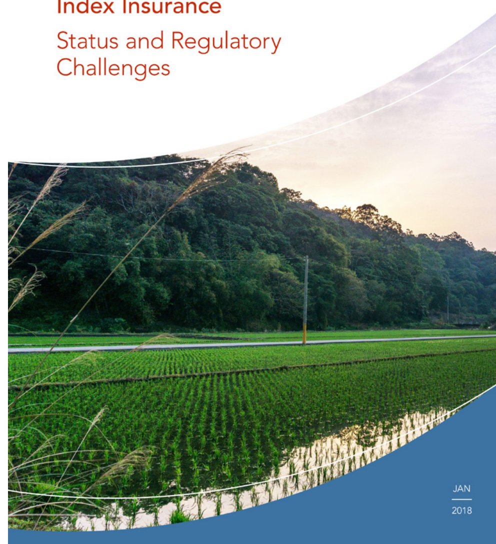
In this update of the 2018 report on the same topic, issues such as the one of the recognition of index insurance within the insurance legal and regulatory frameworks remains a challenge for jurisdictions.

However, various approaches to the recognition of index-based risk transfer contracts as "insurance" have unlocked opportunities to develop the market and promote access to insurance.

The regulatory approaches observed in the survey broadly fell into the following three categories:

1. The adoption of specific index insurance laws and/or regulations providing legal certainty for index insurance. Argentina, Puerto Rico and Uganda are examples of jurisdictions that have chosen to regulate index insurance in the last five years.
2. The issuance of a legal opinion in favour of including index products under insurance law, based on the "insurable interest" at the date of contracting. Costa Rica and Brazil are examples of countries that adopted this approach.
3. The adoption of a pilot project, usually in the context of a regulatory sandbox, as an exception to existing law, as in Kenya.

One of the findings to support supervisors is that a new regulation is not necessarily the only way - there are other approaches to enable index-based insurance. To view some examples of regulation, visit our Interactive Inclusive Insurance World Map.

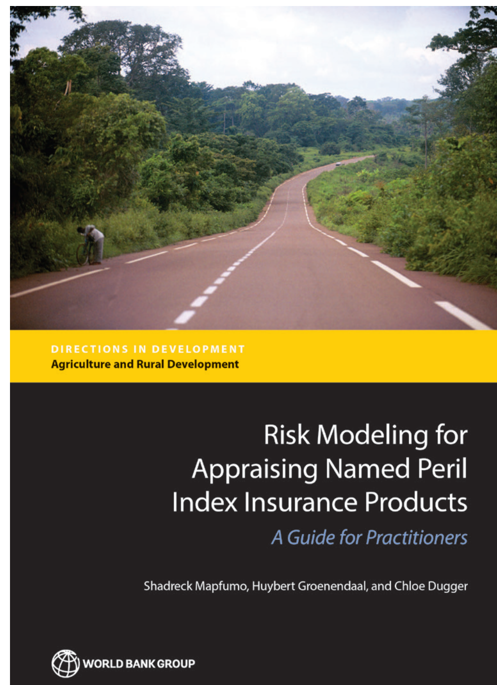


Reports, Index Insurance, Global | 2018

Index Insurance:
Status and Regulatory Challenges

This paper seeks to provide a review of supervisory approaches to index insurance and to set out some of the regulatory and supervisory challenges faced by insurance supervisors. It is drawing on the results of an online survey carried out in the first half of 2017 together with telephone follow-up. The use of index insurance as an alternative to traditional indemnity-based insurance has increased over the last twenty years, particularly as a mechanism for insuring against extreme weather risks. More recently, the range of index insurance products has expanded to protect against other types of natural disaster, such as earthquake risk.

While index insurance products continue to be developed and offered, it is important that insurance supervisors have the capacity to understand and assess them and the necessary powers and tools to supervise them.



Risk Modeling for Appraising Named Peril Index Insurance Products: A Guide for Practitioners

by Shadreck Mapfumo, Huybert Groenendaal, and Chloe Dugger,
The World bank, 2017

Named peril index insurance has great potential to address unmet risk management needs for agricultural insurance in developing economies, potentially contributing to increased agricultural sustainability and improved food security.

However, the development and appraisal of index insurance business lines is not without challenges. Insurers must rigorously evaluate the quality of the products they offer and take care to ensure that distributors and policyholders understand the benefits and limits of the purchased coverage. Without these important steps to ensure responsible insurance practices, insurers can damage the implementation and potential of index insurance in the market.

Risk Modeling for Appraising Named Peril Index Insurance Products: A Guide for Practitioners helps stakeholders in the named peril index insurance industry appraise new and existing products. Part 1 of the guide provides a summary of the insights and decisions required for the insurer to make an informed decision to launch and expand an index insurance business line. Insurance managers are the primary audience for part 1. Part 2 provides a step-by-step guide to calculating the decision metrics used by the insurance manager in part 1. These metrics are calculated using probabilistic modeling that provides insights into risks related to the index insurance product. Actuarial analysts are the primary audience for part 2.

In an increasingly competitive insurance market, creative product development and imaginative business strategies are becoming the norm. This guide will help emerging market insurers who seek to stay on the cutting edge to successfully and sustainably penetrate new market segments.

28th FAIR Conference & General Assembly

19th - 22nd November 2023

Abu Dhabi National Exhibition Centre "ADNEC", UAE

"Will The Hardening of The Reinsurance Markets Last?"

For Registration

https://fair2023abudhabi.com

Federation of Afro-Asian
Insurers & Reinsurers

جمعية الإمارات للتأمين
Emirates Insurance Association

Staying up-to-date makes a difference

To keep you informed of the must-to-know industry-related news and events, Arab Re goes beyond traditional reinsurance boundaries by bringing to you its

News App

- Relevant Daily News from all over the world
- Our Corporate News and Events

Tune-in to panoramic news and download our new App