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CHANGING SEASONS, DIFFERING FORTUNES

Bakary H. KAMARA
Editor-in-Chief

After the events of 11 September 2001 and the financial crisis of 2002, the insurance industry in general and the reinsurance sub-sector in particular experienced an exceptionally long hard cycle (2002 – 2007), unlike the preceding years when rates, conditions and terms remained soft over a long period (1995 – 2001).

Whereas in the past, insurance practitioners learnt no lessons from the serious threat that lack of underwriting discipline posed to their operations, they now seem to have opted for prudence even in moments of stiff competition.

Thus, one of the contributing authors to this twenty second edition of the « African Reinsurer » sought to recall the various developments in the world insurance industry, laying special emphasis on Africa and the improvement in underwriters' discipline and professionalism.

The role of regional insurers in the Energy sector would certainly be of interest at a moment that the price of the black gold is surging to unprecedented heights and our continent is becoming a pole of attraction to oil companies from the developed world and even those from the emerging economies (China, India and Malaysia).

Africa's economic performance in 2007 (5.7% GDP growth), triggered by the increase in the prices of raw material, justifies experts' prediction that the region would experience sustainable development within the century. While the continent might be further weakened by inflation which has affected every aspect of the world economy, it is expected that the envisaged positive prospects would be confirmed, thus opening up vistas of substantial growth to the African insurance industry, the only one in the world to have attained 12.5% growth in 2006.

Islamic insurance (takaful) also falls within the scope of these new developments. Indeed, with a contribution of about US$ 5 billion, that sub-sector is bound to grow and to triple or quadruple (US$15 - 20 billion) its current turnover, thus the need and relevance of interactive rating.

Financial analysts, conscious of the business prospect that the niche sector represents, have opted to create rating tools for takaful and retakaful operators.

Therefore, Africa Re like the mega reinsurers has decided to properly position itself so as to offer better services to Islamic insurers in Africa and beyond, while hoping that the ethical values prescribed for market players in the sub-sector will protect it against the ills and errors of conventional insurance, which include among others, unbridled competition, inappropriate rates as well as exorbitant terms and conditions.

Have a rewarding reading!

TAKAFUL – CONCEPTS AND PRACTICE

By

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Risk and Conventional Insurance

Risk is a word defined in the Oxford dictionary as exposure to danger or loss. This means that every individual or property is subject to Risk. However, Risk can be further subdivided into two kinds of risks, speculative risk and pure risk.

Speculative risk is attributable to a situation where there is a possibility of either making a gain or incurring a loss on the occurrence of an event. Gambling is an example of speculative risk, where at the throw of a dice, a gambler can either win or lose some money. On the other hand, pure risk is very different, in that the occurrence of the event can only result in a loss. Theft of a car is an example of pure risk, as the event can only result in a loss to the owner. Insurance from the perspective of the insured is therefore a contract of indemnity. The insurer would indemnify the insured on the occurrence of a loss by settling the monetary equivalent of the loss. The insured does not gain from that loss as the insured amount only brings him back to his financial position prior to the loss. Therefore, from the insured's perspective, insurance is not gambling. For the Muslim, this is not the reason why conventional insurance is not in accordance with Fiqh (Muslim jurisprudence).

However, the insured represents only one side of the equation. What makes insurance work is the existence of the insured and the insurer. The insurer puts up his capital and sets his premiums. The insurer is also underwriting risk in that he underwrites the book of business for a profit. From the insurer's perspective then he is not dealing with pure risk but with speculative risk. With the meticulous use of statistics and through reinsurance (which facilitates the spreading of risks) the element of speculative risk is reduced in line with the capital available. The investor in the insurance company puts his capital at risk in case the premiums are inadequate and can either make a financial gain or a financial loss when the insurance contract expires. One of the issues that Fiqh has with conventional insurance is this presence of speculative risk in the insurance process.

Insurance is also one of the few businesses where the "fee" (i.e. premium) is paid before the service (settlement of claims) is provided. Investment income derived from investing premiums before they are required to pay claims usually constitutes a significant percentage of the insurer's income. Such investment income can form part of the amount used to pay claims. Premiums are normally invested in banks and interest bearing bonds. These sources of riba income also present a significant issue with conventional insurance from the Fiqh perspective.

Takaful

All Sharia compliant commercial transactions have to comply with certain basic restrictions. They should be devoid of:

(i) 'Riba' (interest)
(ii) 'Gharar' (uncertainty)
(iii) 'Maysir' (gambling) and
(iv) Other investments which are 'haram' (prohibited) in Islam e.g. gambling, alcohol and tobacco production.

The insurance contract is no exception.

While reasons for avoiding Riba, Maysir and all Sharia prohibited investments are clear for most Muslims, the issue of Gharar needs some explanation. Gharar can be translated as uncertainty and by extension as the transfer of risk. Muslim jurisprudence is clear that business dealings must be transparent where the parties to the transaction are clear as to what the consideration is and what is bought with that consideration. Thus, the selling of the unborn calf or the fish in the sea (i.e. tomorrow's catch) for example is strictly prohibited. In such a transaction there is much uncertainty and, were the transaction to be completed, the risk (the calf being aborted or deformed, a small catch at sea) is transferred from the seller to the buyer. Gharar in insurance and for that matter Takaful cannot be avoided. The premium that is paid is for the right to be indemnified in case the payer suffers a loss. Not only that the event insured may not transpire, but should the loss happen the monetary loss itself is uncertain. Gharar is therefore, an integral part of Insurance and Takaful. It is for this reason that the concept of Tabarru' is introduced into Takaful. Tabarru' is a gratuitous contract. Tabarru' can be loosely translated as donation. In the act of giving a donation the utilisation of the amount donated need not be subject to strict preconditions, leaving room for the presence of Gharar in what is an acceptable Islamic contract.

The Islamic Fiqh Academy, emanating from the Organisation of Islamic Conference, convened in Jeddah, Saudi Arabia in December 1985, met to consider all available types and forms of insurances. After much deliberations, it subsequently decreed that insurance through the concept of a cooperative (which is founded on the basis of Tabarru' and cooperation) is acceptable in Islam.

In a cooperative the insured is also the insurer and the element of speculative risk is removed. Excess of claims over premiums have to be met with additional premiums among the participants or alternatively funded by a collective loan against future underwriting surplus while any excess of premiums over claims can be refunded in the form of surplus sharing.

Takaful – the beginning

Takaful is very recent in Islamic history, although many point to the practice of the payment of 'blood money' for compensation in cases of wrongful death in the Prophet's time as a precursor to modern takaful. Indeed, in some Islamic countries (for example Egypt and Turkey), Sharia scholars (scholars who are conversant with Fiqh) have ruled that in the absence of an Islamic alternative, conventional insurance is acceptable to Muslims, as it brings more good than harm and thus is of benefit to society. However, Islam being a very 'personal' religion (the Sunnis who make the majority of Muslims in the world have no supreme leader who can rule on contentious issues), this may still not be sufficient comfort for many Muslims to embrace conventional insurance. This fact has partly contributed to a lower level of insurance penetration among Muslims.

Sharia compliant commercial transactions should mirror one of the standard Islamic contracts available. By just specifying the contract type, the rights of all the parties to the transaction are known. For example, the 'Mudharabah' contract type involves two different parties:

- The 'Mudharib' - entrepreneur, the working partner, and
- The 'Rabbal Maal' - capital provider, the investor.

In a Mudharabah commercial transaction the capital provider makes the capital available for a venture while the entrepreneur brings his expertise. Any profits from the venture would be split in a pre-agreed percentage between the two parties. The unique features of this contract are:

(i) That any losses are borne only by the capital provider, and

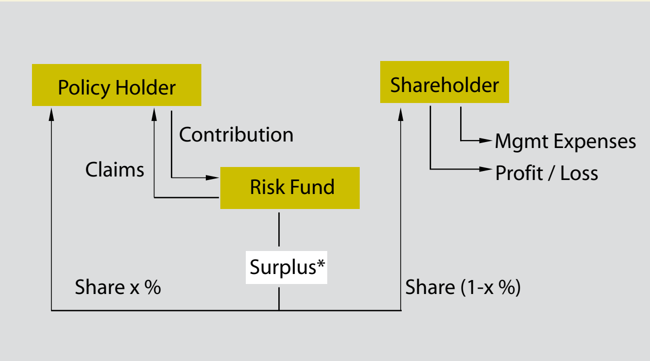
(ii) The entrepreneur cannot charge his personal expenses to the venture.

Thus, even though all losses are borne by the capital provider, the entrepreneur can also incur a loss to the extent that if the venture is loss making, he would not have any income to defray his expenses.

The first Takaful Company started in Sudan in 1976. It was effectively run as a cooperative even though there was a shareholders capital within the company. This capital was small and was seen purely as a statutory nuisance. All expenses were charged to the policyholders, who were represented on the Board of Directors even though they may have held no part of the share capital. The shareholders were only entitled to the income on the capital invested. All underwriting profits as befits a cooperative were retained by the policyholders and could be used to reduce premiums. Recently, Takaful companies were allowed to have a separate Mudharabah contract on the investment of the policyholders' funds. With this contract, the shareholders were entitled to a proportion of any investment profits in the Takaful Fund. From the shareholders perspective, it was difficult to make an adequate return on capital without such an arrangement.

The first Takaful Company in Malaysia took the basic Mudharabah contract and adapted it to insurance. Under this interpretation, premiums were treated as capital and were paid into the Takaful Fund and all management expenses incurred by the insurer could not be charged to the Takaful Fund but were paid from the shareholders fund. The 'profit' is determined at the end of the year after claims are paid and adequate provisions made. This profit is then apportioned between the shareholders and the policyholders in a pre-agreed percentage. For a start up company with heavy initial expenses, this is an especially trying model.

Chart 1: The basic Mudharabah model in Malaysia



Note: Surplus comprises both investment and underwriting profits.

This is a difficult business model especially for life (called 'Family') business but it was successful in Malaysia partly because there was only one Takaful Company in the country for almost 10 years. Another reason for its success was that it also transacts non-life business.

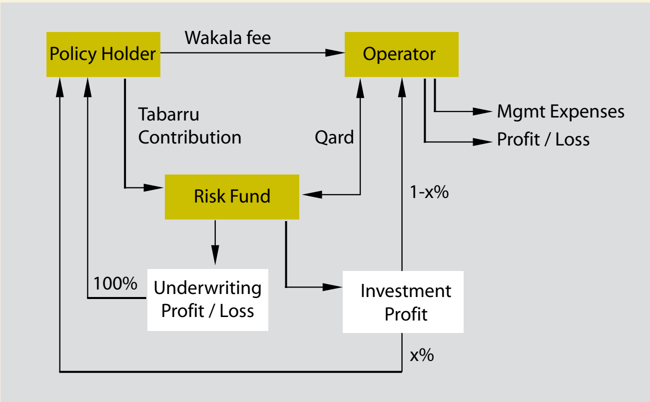
Although the Mudharabah is a difficult business model for the Family Takaful, it was fairly successful for the General (Casualty) Takaful business. The profit sharing ratio for the General Takaful business is usually 50:50 (as opposed to the usual 30% to the shareholders and 70% to the policyholders in Family Takaful) but can be a higher percentage to the shareholders. It is pertinent to note that all the Takaful companies in Malaysia are composite and this has helped them to defray expenses at a faster rate than would have been the case if they were writing only Family Takaful business.

Takaful – subsequent development

An important development of Takaful worldwide is the emergence of a quasi standard in the Takaful business model. This has been brought about by the recognition of Takaful business as one that can be split into two 'businesses', one of underwriting and the other of asset management.

For the underwriting business, it was recognised that an agency (or 'wakala') contract would be appropriate. Under the wakala contract, the Operator (Takaful Company) would collect an agency fee to defray its costs in managing the underwriting side of the business. All underwriting profits or losses would accrue to the policyholders (called participants). For the fund management side of the business, the Operator can adopt either the same wakala contract (in which case a fee would be deducted as a percentage of the value of the fund under management) or the Mudharabah contract where instead of a fee, the Operator shares in the investment profits (but not investment losses). Seven of the nine Takaful companies in Malaysia now use the Wakala business model in some form or another. One of the remaining two has also indicated its intention to move to the wakala model.

Chart 2: The generic Wakala model, with a Mudharabah share on investment profit



Note: In Malaysia some Operators also share in Underwriting Profit (but not in Underwriting Loss), on the basis of an incentive compensation.

Takaful – Role of Capital

The role of capital in Takaful is a challenging one to address. Takaful companies in Malaysia are subject to the same capital requirements (but not solvency requirement as yet) as their conventional counterparts. One important role of capital is to act as the lender to the Takaful Funds (which are physically separate from shareholders assets) should the Funds fall insolvent due to volatile or adverse claims or investment experience. These loans (called Qard Hassan) are interest free and constitute a first charge on any future surplus from the Takaful Funds until they are fully repaid.

Although the Operators do not share in losses, it is in their interest to ensure that the Takaful Funds are financially strong, as the Qard which represents a shareholders loan, would ultimately be written off and hence never recovered, if the Takaful Funds continue to be in a position of deficit.

Capital has to be serviced as otherwise there will be no investors. The wakala fees and Mudharabah sharing ratio should therefore be set to service the capital required at an appropriate rate of return and not merely sufficient to meet the expenses of running the Takaful business. The economic capital should be appropriately set to support the chosen business model.

Takaful – Comparison with conventional insurance

It would be useful to compare the differences between Takaful and Conventional Insurance and this has been done in the table below by addressing key issues that arise in an insurance and takaful contract.

Conventional versus Takaful

Issues	Conventional	Takaful
Nature of contract between policyholders and shareholders	An insurance contract where, for a consideration (called the premium), the shareholders agree to indemnify the policyholder from losses due to an accident or other calamities. There is a transfer of risk from the policyholder to the shareholders for the insured object and contingent. All expenses are met from policyholders' premium.	A management contract to manage the Takaful business on behalf of policyholders. Typical contracts applied are the agency (wakala) contract or the mudharabah contract. Because it is a management contract, all management expenses are charged to shareholders and not to the policyholders (there is a clear physical separation between policyholders' assets and shareholders' assets). There is no transfer of underwriting risk from the policyholder to the shareholder.
Sharing of Profits and Losses between shareholders and policyholders	**A proprietary insurer** Where the contract is specified as a non participating contract, the premium immediately becomes the asset of the shareholders while the shareholders' liabilities now include the contingent of a future claim. All profits and losses accrue to the shareholders. Where it is a participating contract there is a sharing of profits between policyholders and shareholders. All losses however, are met by the shareholders. **A mutual insurer** There is an agreement to share all profits and losses among policyholders. Policyholders remain as "owners" of the mutual fund.	Policyholders agree to share the risks among themselves. Policyholders are both the insured and the insurer. All underwriting profits and losses are shared between the policyholders through the premiums accumulated. In order to address the issue of gharar in Takaful, the risk premiums (termed contribution in Takaful) are deemed as tabarru' (donations). Policyholders do not own the Tabarru' Fund.

Issues	Conventional	Takaful
Investments	Investments of the policyholders' and shareholders' funds are not sharia compliant. They would include interest bearing securities and equities in forbidden businesses.	All investments (policyholders' and shareholders' funds) are sharia compliant.
Governance	There is management and a Board of Directors for a proprietary company	In addition to management and a Board of Directors there is a Sharia Advisory Board to monitor the Takaful company's continuing sharia compliance.
Policy Conditions	Bound by contract law and subject to regulatory conditions (e.g. Treating Customers Fairly in the UK).	Policy conditions must be clear and transparent and sharia 'friendly' (issues such as whether a particular policy condition is fair to the policyholder may occasionally arise with Sharia)
Guarantees	Insurance contracts normally carry some guarantees which are underwritten by the shareholders. Typically, these are guarantees that premiums paid are sufficient to pay all claims and expenses. In savings products there can be a guarantee that a minimum rate of return on investments is achieved.	No guarantees, only an undertaking among policyholders to make sufficient tabarru' to pay claims. Shareholders may be called to help in financing deficits in the Takaful Funds through interest free loans which would be repaid from future surpluses in the Tabarru' Fund.

RETAKAFUL

In addition to the requirement to have sharia compliant assets to support Takaful Liabilities, there is a need for a sharia compliant version of reinsurance.

The difference between reinsurance and retakaful is that the former provides a means of smoothening the claims experience of the shareholders. In retakaful there is an effective sharing of risks among the participants of the Takaful Funds, as the shareholders, by definition, do not underwrite but manage risks in the Takaful Funds on behalf of the participants.

As an example, a reinsurance surplus refund usually considers only the experience of the portfolio reinsured and surplus is returned to the insurance company (in this case the shareholders). In retakaful, the surplus is determined by the experience of the retakaful fund in addition to just the portfolio's (i.e. the specific Takaful Fund) own experience and the surplus is returned to the participants.

Is Takaful only for Muslims?

Definitely not so, Takaful is another way of doing insurance. It is another product line in the same way that investment linked products are a natural development of the traditional whole life and endowment policies. There are no restrictions as to who can or cannot take on Takaful.

Takaful can accommodate non Muslim participants. As an example, when Muslims are involved in Takaful, the policy conditions would state that proceeds from the death of a participant (the sum assured) must be distributed in accordance with the Muslim Law of inheritance. But this would not apply if the participant is a non Muslim, in which case, the proceeds can go to a named beneficiary.

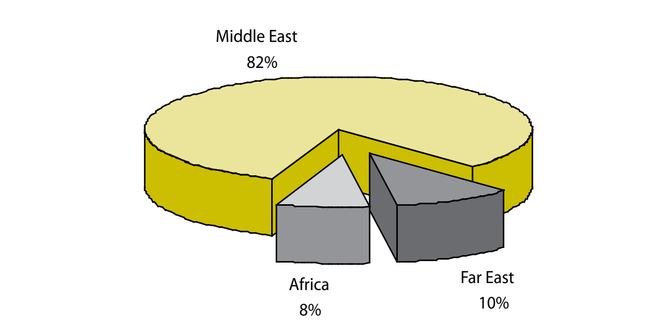
The distinctive features of Takaful – such as transparency of product documentation, the embedded feature of profit sharing to the participants, restriction to Socially Responsible Investments (no gambling, no alcohol) - may be attractive to an increasingly active "ethical investment" market, which is not defined by religion.

It is estimated that between 20% and 30% of Takaful participants in Malaysia are non Muslims. This is a country where over 40% of the population are non Muslims.

Takaful - Prospects

Currently, the most active markets are the Middle East, North Africa and South East Asia. In 2005, the total gross takaful contribution totalled US$4.3 billion, largely from the Middle East, with a historical annual growth rate that varies from 15% to 20%. This is in contrast to the potential market for Takaful, which is estimated to be in the region of US$20 billion.

Chart 3: 2005 Takaful Contributions by Region



Analysing further the potential market, taking into account not just the size of the Muslim population in a country but also the wealth and propensity of the Muslims in that country to buy insurance, Western Europe and the US market could surprisingly prove to be a lucrative Takaful market.

CONCLUSION

Takaful is not simply a name change, it is not simply a repackaging of conventional insurance under an Arabic sounding name but a new product line altogether.

There is an important role for Takaful in Islamic finance and investment. The ban against riba currently restricts the role of Islamic banks in the financing of business. The problem is one of mismatch of assets against liabilities. Banks are conduits for short-term deposits. Islam's requirement that reward can come only with risk, while forbidding riba, means that the Islamic bank's liability will be long term because banks will effectively hold equity in the investments they make with the depositors money.

Due to the issues of mismatching of deposits to investments, many Islamic banks are resigned to take a role more akin to investment banks than commercial banks. The money is in the masses, however, and accumulating small amounts of deposits over a large number of accounts among the population results in a large amount of money. Muslims make up more than one billion of the world's population. The Muslim world is generally under invested and financially underdeveloped. It sports a young demographic profile with an increasing purchasing power and savings potential.

All this points to a huge potential for long-term savings and investments. Takaful, if developed and marketed effectively, has the unique ability to tap into this potential. Here, the assets and the liabilities match. Savings through family Takaful for retirement, in particular, would provide a valuable pool of long-term funds, ready for the right investment opportunities.

KEEPING ABREAST OF DEVELOPMENTS IN THE (RE) INSURANCE INDUSTRY

By

Ms. Elizabeth AMADIUME
Regional Director - Africa Re Mauritius

I am one of those who believe that life without constant challenges is boring, so considering some past or current events in the (re)insurance industry, it seems that there is never a dull moment. In case you have been very busy to notice, I feel honoured to keep you abreast of developments.

Over the last two decades, (re)insurance practitioners have had to respond to several challenges such as increasing competition, catastrophe exposure, regulatory/ supervisory issues, including adapting to capital adequacy requirements under Solvency II for the European Union market, which are designed to streamline operations and create a level playing field, compliance with accounting requirements under International Financial Reporting Standards aimed at achieving accounting uniformity and improving transparency and disclosures. Other pressures include paying full attention to the demands of the growing number of more knowledgeable customers and getting the jurisdiction and arbitration clauses right and well spelt out in the policy wording. Issues of corporate governance are also up on the list when the rating agencies come knocking. To help manage the never-ending challenges, the industry relies increasingly on information technology.

Going down memory lane, you will recall from history that reinsurance developed earlier in continental Europe than in Britain with the situation persisting till the end of the 19th Century and up to the outbreak of the First World War in 1914.

At the outbreak of the First World War, the Trading with the Enemy Act of 1914 made it automatically void to claim under any reinsurance covers in place with Germany, Austro-Hungarian Empire and Belgium. Necessity being the mother of invention, the British companies started looking inwards and the opportunity created by this gap afforded the London-based reinsurance companies the break to acquire a volume of Fire treaty which was to be very profitable up to the period of the Great Depression. There were other factors that contributed to elevate London as an international reinsurance market but the history will not be complete without mentioning the Lloyd's market.

A lot has happened since these early stages and whilst London still claims its five star position, other centres like Bermuda and Singapore have emerged. However, the competition seems to have only started as the globe gets even flatter, considering that India and China have just arrived with big potentials.

There have been winners and losers in the competition depending on which side of the fence you are located. By this I mean those facing stiff competition due to many players in the market causing a lot of nuisance called rate cutting to retain or acquire business. You are of course not a party to such frustrating practice because you play the game by the rules as a professional and accept risks based on premium adequacy. However, a few months down the line, when the figures in your books fall below expectations you wonder what has happened to customer loyalty and perhaps you begin to lower those high professional standards. They call it soft market, which the buyer should enjoy whilst it lasts. If you doubt me, especially operating from Africa or Asia, then go down memory lane to the events of 9/11 and how much more it cost you to renew your treaties or retrocession programmes in the global market despite your profitable account and the fact that this event had nothing to do with your company or your market.

As if that was not enough, Underwriters suddenly remembered their underwriting manuals which were updated with additional exclusions and conditions. You seem to have forgotten the global nature of (re)insurance and how the loss of the few is borne by the good fortune of many.

Difficult situations and changing environment compel stakeholders to consider their options. In this connection, if you are keeping abreast of developments, you might recall the impact of political and economic reforms of the 1990's that ushered in liberalisation, privatisation and globalisation which are still the trend.

In Africa, the majority of countries have liberalized the (re)insurance sector whilst most state-owned companies have now gone fully private or partially private/public. A similar situation is witnessed in the Asian and East European markets.

In Africa

- Two state-owned companies in Nigeria namely, National Insurance Corporation and Nigeria Re have been partially privatized.
- Madagascar liberalized its market in 2006, which has seen 2 new entrants in addition to the acquisition of an agency by a Mauritian company. However, the two state-owned companies are yet to be privatized.
- The privatization of the state-owned insurance company in the Seychelles gave a Mauritian based company the opportunity to invest in the market through the purchase of some shares.
- In 2007, the Kenyan Government divested 40% of its shares in Kenya Reinsurance Corporation in the local stock market. However, the company still receives 18% treaty legal cession.
- In September 2007, Egypt Re and Al Chark, two government owned companies merged into another government owned company, Misr Insurance, to create one of the largest companies in the region in terms of premium and assets.
- Tanzania has liberalized its market but the state retains full ownership of the National Insurance Corporation.
- From 1992, the 100% ownership of African Reinsurance Corporation by member states of the African Union has been reducing and now stands at 50% whilst it receives 5% mandatory treaty cession from companies operating in the member states.

In Asia and Eastern Europe

- The long awaited liberalization of the large Indian market took effect in April 2000 with foreign concerns being able to own up to 26% equity in locally registered companies. The state-owned reinsurer, the General Insurance Company, still receives mandatory policy cessions.
- Already by the end of 1999, 15 foreign insurance firms were operating in China, along side state-owned companies. The number has steadily increased to a total of 43 foreign insurers as at the end of 2007. Lately in 2007, Lloyds launched an onshore reinsurance operation in China. Meanwhile, the state-owned China Re is still restructuring in readiness for listings in 2008.
- The Vietnam National Reinsurance Co. (Vina Re) is now a joint stock corporation, with the government still having the controlling share. However, as soon as the law on Foreign Investment was enacted, foreign insurers followed investors to Vietnam. As at the time of preparing this article, the Ministry of Finance had licensed 22 companies some of which are 100% foreign owned.
- In 2003, the supervisory authority in Russia published a report on development and reforms in the market, which has seen changes and privatization of government institutions including the insurance sector.

Brazil, the largest market in Latin America, finally opened up in 2007 but the guidelines will be clearer in 2008 and even the National Association of Insurance Commissioners in the United States is considering amending the reinsurance regulation collateral for non-admitted reinsurers. The liberalisation and privatization of many markets created vast opportunities for local investors and foreign investors seeking to expand beyond their borders.

So I go back to your problem of competition and stagnation. You have the option to follow the trend and diversify through mergers and acquisitions. This assures a faster means of increasing market share or getting into a new market whilst taking benefit of economies of scale.

A few examples of mergers and acquisitions in the

1990s include:

- Insurers: Commercial Union and General Accident (CGU)
- Reinsurers: Employers Re & Frankona Re
- Brokers: Alexander Howden and Minet (AON)
- Professional associations: London International Insurance and Reinsurance Market Association (LIRMA) & Institute of London Underwriters (ILU) – International Underwriting Association (IUA)

More recently in 2007, SCOR acquired Converium and a Bermudian group Validius Re took over Talbot Holdings. Many of the East European local companies have been acquired by Western Europe's major primary insurers such as Axa, AIG Europe and Allianz. In East Africa, the liberalization of the Tanzanian market resulted in expansion of Kenyan companies into the market. French speaking West Africa witnessed a good number of take over by French companies. Mergers and acquisitions will continue to take place in the future, being a vital financial instrument.

Thanks to modern day competition, the foresighted players have grown big, sitting on large assets which attract the attention of asset managers and large capital that must be put to work. Therefore, (re)insurance companies continue to improve on risk management, favoring maximization of retention capacity either by keeping high retentions under proportional treaties or by operating Excess of Loss covers. I wonder whether you agree with me that you are in business to grow and keep growing bigger. For this reason you increase your capital to be able to write more business, especially bigger ones since logically, if you keep a small retention and cede away most of your premiums, then chances of realizing this dream become slim. Now you see clearly why that portfolio audit is very important to assist in identifying the most exposed areas in order to purchase appropriate covers. Once again, if you are keeping abreast of developments you will agree with me that shopping for covers in respect of catastrophe exposures such as natural perils, terrorism, pandemic outbreak and some special risks like liabilities is difficult because of the limited market capacity. Before you show surprise, let me remind you of just two events:

- **Terrorism:** The 9/11 attack on the World Trade Centre in 2001 resulted in about 2,700 fatalities and 1,000 injured and the contentious insurance cover of The World Trade Centre ended up in a protracted court case. A settlement of about US$4.55bn was finally reached in 2007, certainly a good example for the insistence in recent times on contract certainty. The era of deal now, details later is history as you do appreciate that unfinished business and vague wordings can lead to long and costly disputes to the detriment of the policyholder, the broker and your company.
- **Hurricane:** Hurricane Katrina caused both human tragedy and an insured loss of about US$41.1bn

The pressing need to address the problem of catastrophe exposures, particularly in markets where they pose real threats capable of jeopardizing both the national economy and the survival of the (re)insurance industry, led different markets to find their own solutions for capacity. For example, as regards terrorism exposure, Pool Re was set up in the UK with the government's support in 1993 as a mutual reinsurance company acting as a reinsurer of last resort. Similarly, as a direct consequence of 9/11, The Terrorism Risk Insurance Act (TRIA) was set up in the USA in 2002 to create a backstop for insurance claims relating to acts of terrorism, but you have to keep abreast of developments to find out the final outcome of the revised version, TRIREA.

Beside these two notable Pools, other markets such as France (Gareat), Germany (Extremus), India, Nepal, Sri Lanka, South Africa and Namibia have set up schemes to address their needs. In the case of South Africa, the aftermath of the 1976 Soweto Riots was the teaming up of the Government and the South African Insurance Association (S.A.I.A) in 1979 to form an insurance company under the name of SASRIA.

The failed terrorists attack on Glasgow airport in June 2007 is yet one of numerous cases which will keep reinsurers in search of more answers and alternative mechanisms to manage complex risks.

Managing catastrophe exposure should be on the basis of a more reliable background information with the increasing reliance on modelling software. I agree that it would not have been a good idea to mention catastrophe modelling to (re)insurers immediately after hurricane Katrina, as the estimates fell woefully short of reality. Regardless of this setback, reliance on modelling is linked to the need to improve underwriting and better manage the risk of different classes of catastrophe exposures. Catastrophe models are currently the best tool for measuring catastrophe events in a scientific manner.

There is an alternative should you run out of capacity for catastrophe risks in the traditional market. In fact, you may prefer to venture into newer products in the market if you are keeping abreast of developments. I am talking about Alternative Risk Transfer (ART) where reinsurance and the capital markets converge. I shall not pretend to be an expert on this product and shall therefore leave it to you to follow your feelings. I will only add that the capacity provided by this alternative market is estimated at about 10-20% of the global reinsurance market. Some analysts predict that the value of cat bonds issuance in 2007 will reach US$6bn, i.e. a growth of 28% against previous year's total issuance.

Remember that there is yet another alternative should you decide to take control of your destiny by establishing your own captive insurance company. In brief, a captive insurance is a special purpose insurance company established by the parent to insure the risks of the parent company. The main advantages include cost effectiveness, flexibility in risk and claims management and availability of cover/reinsurance.

The number of captives keeps growing from about 1,000 in 1980 to over 5,000 in 2006 and they now account for more than 10% of the worldwide commercial insurance premium. Besides, it is not a bad idea to go for a business trip to any of the top five captive domiciles namely, Bermuda, Cayman Islands, Vermont, Guernsey, British Virgin Islands.

To take on the challenges of growing big and fighting off competition, you have to show your credentials as a company fit enough to do business with. If you are keeping abreast with developments, you will not make any serious move without finding out whether you belong to class A or B, so please forget about other letters of the alphabet. (Re)insurers have eventually learnt to live with the rating agencies or have they?

These agencies play an important role in determining the financial strength and claims paying ability of companies. Once upon a time the ABC…awards of reputable rating agencies such as Standard & Poor's, AM Best, Moody's etc. belonged largely to the banking sector. Not any more. Ratings serve different purposes. Regulators, investors and customers wish to assess the strength of the reserves held by (re)insurance companies providing services to them. With time, the importance of a strong financial rating was recognised in the world of competition and for the peace of mind it gives to customers that their business is in "safe" hands.

As a player, you certainly have realised by now that your chances in business are limited without improving your pass mark on the letters ABC. Worst still, if you are operating from the developing or emerging markets, no matter how strong your company's strength is, it can not exceed the sovereign rating for the simple reason that no head shall be higher than the King's. Jokes apart, there are valid reasons for this position...

It is my pleasure to keep you abreast of yet another development since the ability to respond to changing environment as earlier mentioned has remained one of the main challenges of the industry. Therefore, it was only a matter of time before the growing economic success and developments in the Middle East, Central Asia, Europe and elsewhere with large Muslim population led to the demand for products in the financial sector which are more suitable to their needs, in other words a Shariah compliant product. In this context, Islamic banking has been available for quite some time but Islamic Insurance, after being in existence for about 25 years in the United Arab Emirates and Sudan is now gaining grounds and currently growing at between 10-20% per annum. The world Takaful contribution as at 2006 was estimated at US$3bn. A number of Takaful companies operate in the Middle East, Iran, Turkey, Malaysia, Indonesia, Sudan and Sri Lanka. Going forward, the expansion of operations in Islamic banking and financial institutions will serve as a driver to the growth of Re-Takaful. You may wish to consider the position of your company regarding this product.

In the interest of the reputation of the industry, you will certainly recall the former New York State Attorney General, Eliot Spitzer, who took up high profile civil actions and criminal prosecutions in connection with white-collar crime, securities fraud and other types of malpractices. In 2004, intermediaries were hard pressed to justify their contingent commissions and overriders. The conclusion in this case is that the corporate world should adopt best practices and high standards of corporate governance. This has increased pressure on corporations to get the right calibre of people in the top management and board rooms. As expected, the demand for covers in respect of Directors and Officers Liability and Errors and Omissions increased because these officers are held more accountable for their decisions.

Consequently, the insurance community cannot take cover under any type of umbrella on matters concerning how they conduct business, more so when a lot is at stake for governments, clients, shareholders and the public at large. Such ethical issues are not lost on rating agencies, therefore making the Enterprise Risk Management concept increasingly unavoidable for corporate bodies.

I would like to end by recalling how we did business a few decades ago, especially in the developing countries. It was by typewriters, telephones, telexes and sometimes by facsimile. In the modern environment, the "technology revolution" has taken a central place as an internal and external information source. In fact, this is an understatement. Information technology is now a way of life, making the world smaller by each innovation.

Does Y2K or Millennium bug ring a bell? Well, planes did not drop from the skies. No electronically controlled system in marine vessels, motor vehicles, laboratory/ hospital equipments crashed due to the inability of the equipment to read the transition from the year 1999 to 2000. Let us say that due to serious and repeated warnings of the consequences, every business made sure that their systems were Y2K compliant. The credit goes to information technology experts that have invaded life on earth with computer hard ware and soft ware. Information Technology is an empowerment tool which has liberalized knowledge from which the industry is reaping enormous benefits. IT has helped to redefine key business processes and enhanced competitive edge through e-commerce and e-service.

Do you recall the early initiatives such as WIN, Rinet and Limnet which attempted to set up an industry-wide electronic meeting room in cyberspace but failed to achieve the necessary critical mass? The aim of such on-line co-operation is to facilitate the use of electronic commerce to improve client service, reduce processing and administration costs and provide maximum scope for competitive trading.

Despite the set back, electronic data interchange has progressed further in the industry. A notable example is the consolidation of the back–office processes of the Lloyd's and London market into a company called Ins-sure, owned 50% by outsourcing specialist Xchanging, 25% by Lloyd's and 25% by the International Underwriters Association. Added to these collective efforts, individual (re)insurance companies are increasing their competitive edge to reach a wider distribution via the internet. With such developments, there is no end to the IT revolution which I am sure your company cannot afford not to be part of.

In conclusion, I hope that I have jugged your memory on some of the major developments that have helped to define the way (re)insurance business is conducted.

As regards the African markets, in particular sub-Saharan Africa, though moving at a slower pace, the majority is keeping abreast of developments. As earlier mentioned, privatization and liberalization have been a priority, accompanied by moves to strengthen the regulatory authorities with some countries such as Ghana, Kenya, Tanzania and Uganda opting to create an independent body. As a result, there have been considerable changes starting with revision of very old Insurance Acts, introduction of corporate governance, anti-money laundering law, risk based capital requirements, investment rules to mention but a few. Some markets have come out leaner but stronger due to recapitalisation exercise initiated by their regulator such as the recent exercise in Nigeria which reduced the number of existing companies from over one hundred to forty nine as at the end of 2007. The Kenyan market is currently undergoing a similar exercise. These efforts are producing some changes like the 2006 growth in the insurance premium income for Africa, although this includes South Africa. According to the Swiss Re data reproduced below, Life premium grew by 21.6% (world average 7.7%), non-life 6.2% (world average 1.5%). Africa outperformed all the regions in life insurance growth except South and East Asia, whilst for non-life only three regions namely, Latin America and Caribbean, Central and Eastern Europe as well as South and East Asia were ahead of Africa.

As regards Islamic Insurance, though not yet a mature product in Africa, it has a bright future because of the large Muslim population in North Africa and several other African countries. The Islamic Financial Summit held in Mauritius in December 2007 is noteworthy, due to the expectations that when Islamic banking takes off in Mauritius the range of global business financial services the Island can offer will be broadened, creating opportunities for the (re)insurance sector.

Increasing transparency and confidence in the African markets are demonstrated by the swelling number of companies submitting to independent scrutiny by rating agencies. With the 2007 economic growth expected to settle at 6.5% up from 5.4% in the previous year, African Governments are aware that political stability, sound fiscal policies and a strong independent legal system are fundamental conditions for economic growth, hence progress towards these directions should be paramount.

Being more sophisticated, the South African market is keeping fully abreast of global trends and, in some areas, very competitive and innovative. With a developed capital market, South Africa presents a lot of opportunities for ART, supported by the presence of Global Credit Rating, a local rating agency. South Africa has its fair share of natural perils and therefore is no stranger to modelling techniques, which are an essential underwriting tool in the market. With the next FIFA world cup taking place in that country in 2010, if those teams with notorious fans make it to the finals, perhaps the market will innovate a cover for Football Hooliganism Catastrophe Exposure!

Life insurance growth, penetration and density by region

	Premiums (in USD mn) 2006	Real growth 2006	Share of world market (in %) 2006	Premiums in % of GDP 2006	Premiums per capita (in USD) 2006
America	601,784	4.2	27.24	3.44	672.6
North America	572,860	3.8	25.93	3.95	1,731.8
Latin America and Caribbean	28,923	14.1	1.31	0.98	51.3
Europe	940,586	12.4	42.57	5.30	1,119.6
Western Europe	927,431	12.3	41.98	5.95	1,862.9
Central and Eastern Europe	13,154	19.2	0.60	0.64	40.3
Asia	602,266	3.6	27.26	5.00	154.6
Japan and newly industrialised Asian economies	500,871	0.6	22.67	8.38	2,368.4
South and East Asia	96,627	23.6	4.37	2.06	28.6
Middle East and Central Asia	4,769	5.3	0.22	0.34	15.8
Africa	35,468	21.6	1.61	3.40	38.3
Oceania	29,214	6.1	1.32	3.36	896.3
World	**2,209,317**	**7.7**	**100.00**	**4.48**	**330.6**
Industrialised countries	2,033,051	6.6	92.02	5.53	2,026.0
Emerging markets	176,266	21.1	7.98	1.42	31.6
OECD	1,976,063	6.6	89.44	5.24	1,645.0
G7	1,609,706	6.8	72.86	5.66	2,225.7
EU, 15 countries	887,928	12.8	40.19	6.20	2,197.8
NAFTA	579,674	4.0	26.24	3.78	1,320.1
ASEAN	20,299	2.5	0.92	1.96	41.4

Source: *Swiss Re, Economic Research & Consulting, sigma No. 4/2007*

Non-Life insurance growth, penetration and density by region

	Premiums (in USD mn) 2006	Real growth 2006	Share of world market (in %) 2006	Premiums in % of GDP 2006	Premiums per capita (in USD) 2006
America	727,945	1.5	48.08	4.17	813.6
North America	685,440	1.0	45.27	4.72	2,072.2
Latin America and Caribbean	42,505	10.0	2.81	1.44	75.4
Europe	544,295	0.5	35.95	2.97	626.0
Western Europe	501,374	-0.2	33.11	3.09	966.6
Central and Eastern Europe	42,920	9.2	2.83	2.09	131.4
Asia	198,553	4.4	13.11	1.63	50.4
Japan and newly industrialised Asian economies	142,750	1.8	9.43	2.35	664.6
South and East Asia	41,670	14.5	2.75	0.89	12.3
Middle East and Central Asia	14,133	5.7	0.93	1.02	46.8
Africa	14,200	6.2	0.94	1.36	15.3
Oceania	29,102	-1.5	1.92	3.34	891.0
World	**1,514,094**	**1.5**	**100.00**	**3.04**	**224.2**
Industrialised countries	1,357,129	0.6	89.63	3.65	1,336.2
Emerging markets	156,965	10.8	10.37	1.27	28.2
OECD	1,362,097	0.6	89.96	3.57	1,120.1
G7	1,121,609	0.4	74.08	3.84	1,508.6
EU, 15 countries	469,400	-0.3	31.00	3.12	1,107.4
NAFTA	693,698	1.0	45.82	4.52	1,579.8
ASEAN	12,678	-0.6	0.84	1.01	21.4

Source: Swiss Re, Economic Research & Consulting, sigma No. 4/2007

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THE IMPORTANCE OF REGIONAL REINSURANCE MARKETS TO THE ENERGY INDUSTRY

By

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The energy insurance market, right from its formation in the mid 20th century, has been known as a subscription market. The main features of the market are as follows:

- Risks are complex and are specific to the energy sector, so their evaluation requires specialized expertise;
- Values are high and the participation of a panel of insurers is often required to secure sufficient coverage;
- Participating insurers can be identified as either leading insurers or as following insurers.

In recent years, the energy market has witnessed the deployment of underwriting capacity into key territories by major composite insurers, such as AIG, Ace, Allianz, Axis, Liberty, SCOR, XL and Zurich. This development, together with the rise in profile of the indigenous regional insurers and reinsurers, has led to the retention of a significant proportion of energy business locally, sometimes without reference to the existing global subscription market.

This article attempts to highlight the main components of the energy industry. It then looks at the position of reinsurance in the placement of Energy risks and thereafter examines the importance of regional reinsurance markets to the Energy industry, using Africa Re as a case study.

THE ENERGY INDUSTRY MIX

The energy industry cuts across not only the Oil & Gas sectors but also Hydro Electric Power, Coal, Nuclear Electric Power, Geothermal and other renewable energy. Going by the 2005 Annual Energy Review, Oil and Gas accounted for about 61% of the 2004 primary energy production.

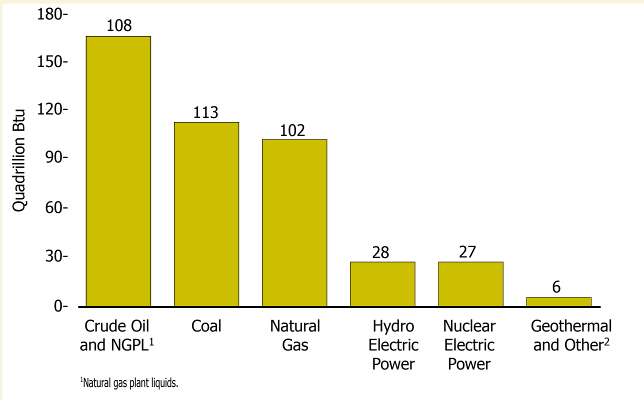


Figure 1

Source: *Energy Information Administration/Annual Energy Review 2005*

Primary Energy Production (quadrillion Btu)

Oil	38%
Coal	26%
Gas	23%
Hydro	6%
Nuclear	6%
Others	1%

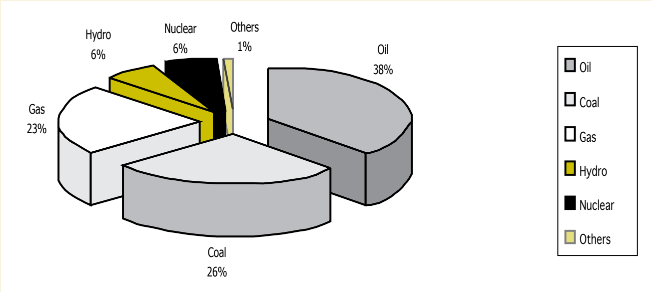


Figure 2

Source: *Energy INFOcard, October 2006, Energy Information Administration. US Department of Energy*

The 1970 – 2004 trend suggests that production of Dry Natural Gas would soon occupy the second position after Crude Oil.

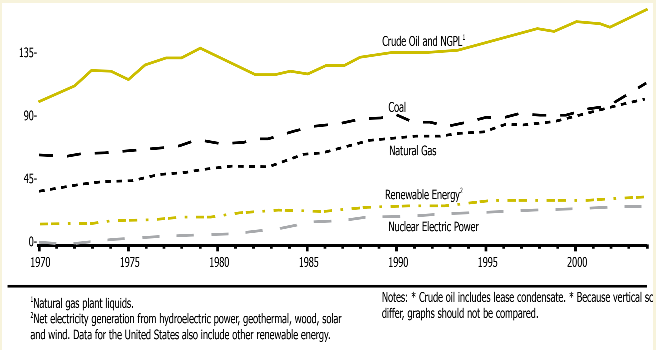


Figure 3

Source: *Energy Information Administration/Annual Energy Review 2005*

A lot of attention, therefore, is given to Oil and Gas in the Energy Industry with Crude Oil and Natural Gas occupying the dominant position. Focus is now being placed on this sector in discussing the importance of regional reinsurance markets to the energy industry.

REINSURANCE PLACEMENT IN THE ENERGY INDUSTRY

The energy industry prides itself as one where safety is never compromised. The services of Advisers on Risk management are often engaged and strict production, maintenance and design procedures are continually adhered to. Yet incidents resulting in very large losses still occur. In 2005, for instance, there were 7 energy sector incidents with losses in excess of US$100m each, besides Hurricanes Katrina and Rita. In that year alone, losses were nearly 5 times the premium earned by insurers and reinsurers, underscoring the importance of the market in stabilizing revenues and operations of the energy industry. Without insurance, the impact of such losses on the sector would be unimaginable.

Energy Losses 1994-2005 vs. Estimated Global Energy Premium – including Katrina & Rita

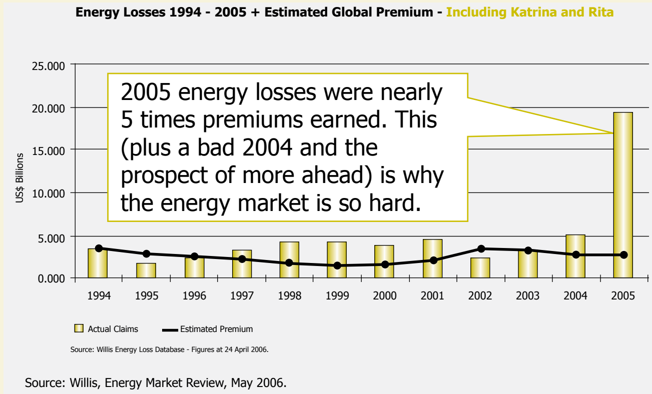


Figure 4

2005 Losses Worldwide Exceeding $100m, excluding Katrina & Rita

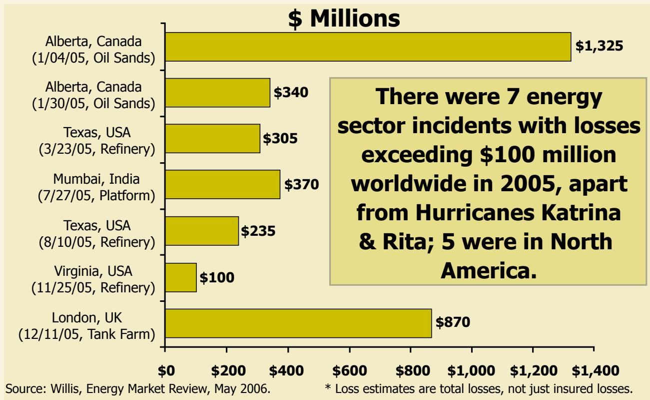
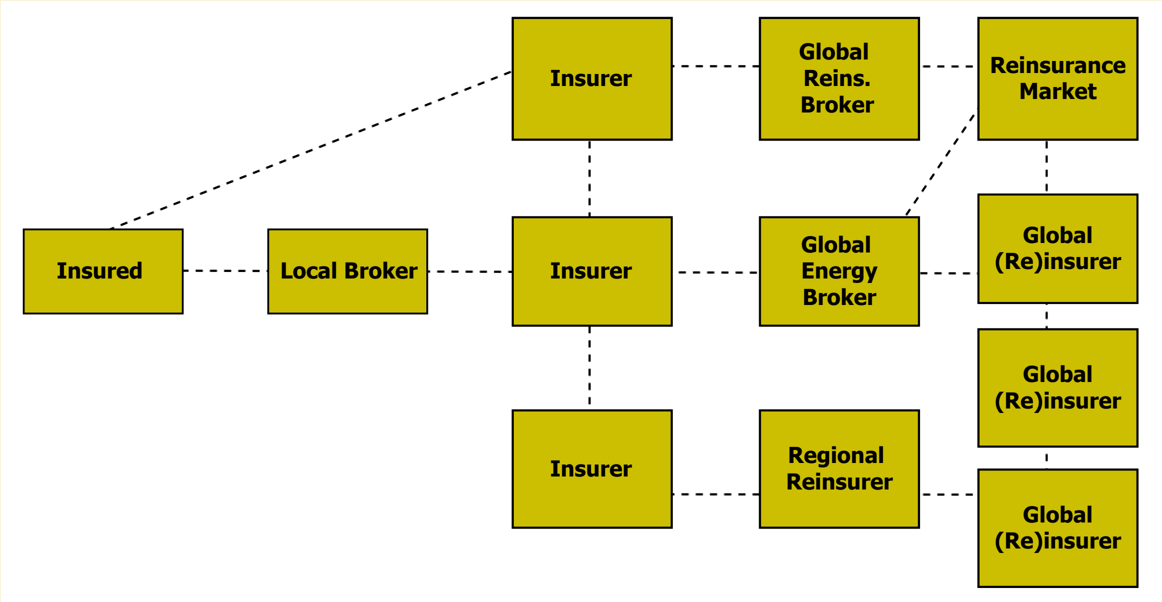


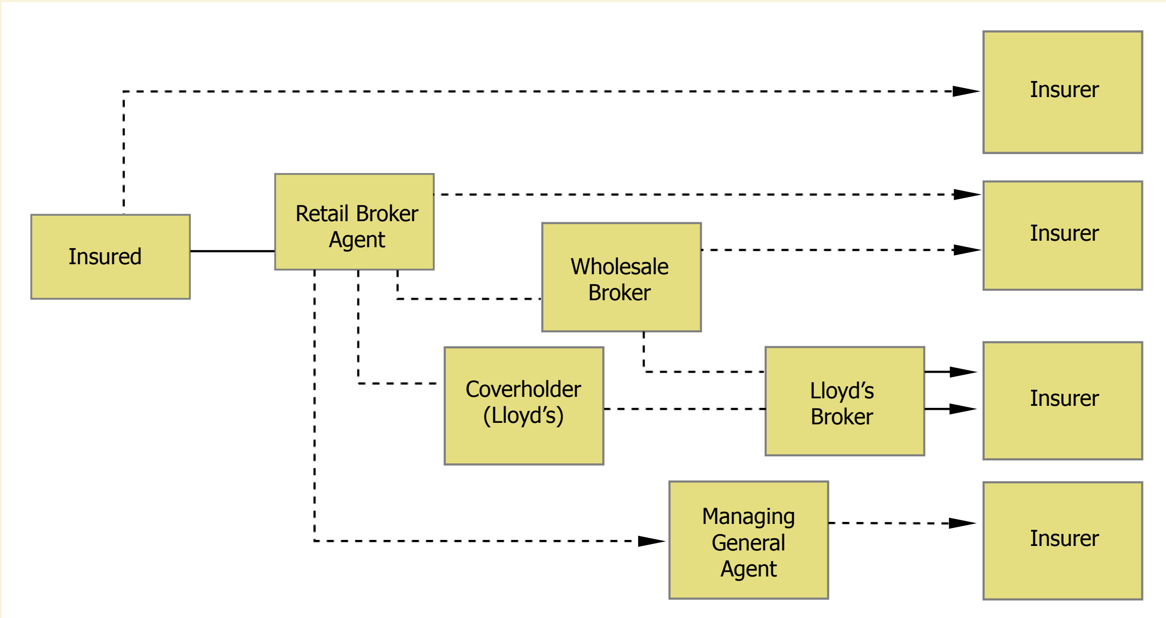
Figure 5

Where then is the place of reinsurance in the risk mitigation process?

Placement Diagram 1



Placement Diagram 2



Typically, the insured could place his business directly with an insurer or through a broker. Irrespective of the source of business, it is common to place energy risks with a panel of insurers and in order to ensure that adequate coverage is purchased; placements are often extended to reinsurers/professional reinsurers.

THE IMPORTANCE OF THE REGIONAL REINSURANCE MARKET

Generally, the insurance capacity for Energy risks is almost exclusively provided by the subscription market. This is more so in the upstream sector where the subscription market - mainly London, Europe, and New York - control over 90% of placements. Consequently, less than 10% share is left for the indigenous regional markets, including international capacities deployed to the regions. The situation is slightly different in the downstream sector where, in virtually every region, available regional capacity is sufficient to cover the policy limits required for most energy programmes.

Available regional underwriting capacity in major energy markets include:

- EUROPE: Capacity of US$2,918 million, split into 4 main regions (London – 70% of the market, Germany, France and Switzerland share the remaining 30%).
- USA & CANADA: Capacity of US$1,455 million split between the USA (62%) and Canada (38%). Capacity is essentially available from global insurers domiciled within the region, in Bermuda or in Europe.
- LATIN AMERICA: Capacity available is US$735 million. Local market capacity is insignificant, almost evenly split between global players onshore and those outside the region.
- MIDDLE EAST: Capacity of US$500 million is split evenly between local and global players resident within the region.
- ASIA PACIFIC: Capacity of US$1,250 million with local players accounting for 1/6th and global underwriting houses resident in the region accounting for the balance.

The table below reveals that while regional capacity represents on the global level about three quarters of total capacity, the truly local component is less than 10% of global energy capacity. Is there really any role for the regional reinsurance market?

In US$ Millions	Middle East	North America	Latin America	Asia Pacific	Europe	Total	% Weight
Local Regional Capacity	250.00	33.00	7.35	212.50	132.77	635.12	9.30
Foreign Regional Capacity	250.00	892.12	359.93	1,037.50	2,345.20	4,884.75	71.20
Outside Region Capacity	-	529.88	367.72	-	440.03	1,337.63	19.50
Total	**500.00**	**1,455.00**	**735.00**	**1,250.00**	**2,918.00**	**6,858.00**	**100**

Source: *Willis Energy Market Review, June 2007*

Clearly, the regional markets are beginning to play key roles in insurance/reinsurance, particularly for the downstream sector. The establishment of national/ regional reinsurance companies, introduction of higher minimum capital requirements for insurers/reinsurers as well as local content policies have all facilitated the process.

In Africa, regional and sub-regional institutions were set up to among other things, address the issue of capacity and consequently stem the outflow of foreign exchange. These reinsurance institutions include Africa Re, CICA Re and Zep Re.

Africa Re is the Continent's leading reinsurer. Established by 41 member States of the African Union and the African Development Bank in 1976, the Corporation has now expanded to include African insurers and reinsurers as well as non-regional Development Financial Institutions in its shareholding.

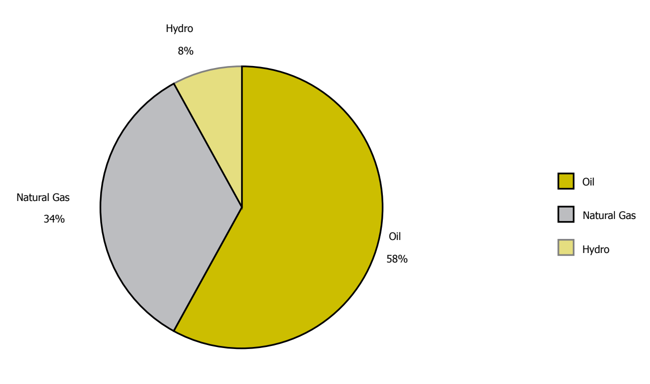
Today, Africa Re has AAA rated institutions (ADB, IFC, DEG, FMO and PROPARCO) controlling 29% of its capital and has shareholders' funds in excess of US$200m. Its BBB+ and A- ratings have been affirmed by S & P and AM Best respectively.

Perhaps, the case of Africa Re and the Nigerian Energy industry would aptly demonstrate the importance of the regional reinsurance market to the industry.

Nigeria is the largest oil producer in Africa. The country's economy is heavily dependent on the oil sector, which accounts for 95% of its total exports revenue.

In 2004, Nigeria's energy consumption mix was dominated by oil (58%), natural gas (34%) and Hydroelectricity (8%). Coal, nuclear and other renewables were not part of the mix.

Total Energy Consumption in Nigeria, by Type (2004)



Source: *EIA International Energy Annual Report 2004*

In order to effectively manage the sector, the Government, in 1977, created the Nigerian National Petroleum Corporation (NNPC). The Corporation was set up primarily to oversee the regulation of the Nigerian Oil industry, with secondary responsibilities for upstream and downstream development. In 1988, the NNPC was divided into 12 subsidiaries to facilitate the management of the oil industry and in 2007, the decision was made to unbundle the Corporation. Most of the country's major oil and natural gas projects (95%) are funded through Joint Ventures (JVs) with the NNPC as the major shareholder.

Foreign companies operating in joint venture with the NNPC include Shell, ExxonMobil, Chevron, ConocoPhillips, Total, Agip and Addax Petroleum. The remaining funding arrangements are comprised of production sharing contracts (PSCs), which are mostly confined to Nigeria's deep offshore development programme.

The initial involvement of the local insurance/reinsurance market in the energy industry was limited to the NNPC account. Being a Government account, the business was placed with the wholly owned state insurance/ reinsurance companies, who arranged placement in the international market with marginal net retention. Africa Re by virtue of its Establishment Agreement was offered 5% legal cession. With time, there was pressure from other local insurers to participate in the NNPC insurance package leading to the establishment of the Nigerian Oil Pool.

With a very low underwriting capacity for Energy business, the Pool could not support the local market, which still lacked the capacity and security to play a meaningful role in the Energy sector. The oil majors continued to utilize the international market as well as their captives in placing major construction and operational risks, and had the local insurers merely for fronting. Yet the government was calling for increased local content capacity in insurance placements. Africa Re's major role in this regard could be summed up as follows:

Improved Capacity

Africa Re's purposeful involvement in energy risks not only improved the local market capacity, but also its security. Thus, a higher degree of comfort was given to NNPC and the foreign oil companies to place a bigger share of insurance in the local market.

Current participation of the market in the operational programmes of the Oil majors as well as in recent construction projects in Nigeria attests to the progress made by insurers and reinsurers with the support of Africa Re.

Notable construction projects recently embarked upon include: Shell's Bonga, Exxon Mobil's Erha and Yoho, Chevron's Agbami, Total's Amenam & Akpo. The average share of the local market on these projects was about 12% and Africa Re provided support for an average of 90% of the local participation. With the increased minimum capitalization of Nigerian insurance companies together with the large reinsurance covers arranged by the companies, the market is set to play a more meaningful role in the new projects coming online in the Gbaran/Ubie, Bosi and Usan fields. A role is also envisaged for the local market in the many gas and Gas-to-Liquids projects.

Technical Assistance

In addition to its business of providing capacity, the reinsurer also offers technical back up services. Because of the closeness of Africa Re to its markets, technical support and advice are readily provided to facilitate the growth of the market. Moreover, Africa Re had set up a Technical Assistance and Management Consultancy outfit, which aimed at achieving the following objectives:

- keep a data bank on African Insurance Experts who could be called upon to assist local companies;
- promote research activities that are aimed at enhancing the scope and quality of products and services offered by the industry;
- collaborate with regional and international institutions with similar aims and objectives to foster the growth of the industry;

Ninety (90) Consultants from 22 countries were retained out of the 120 initially identified from 25 countries.

Training and Manpower Development

Africa Re sees human resources development as a cardinal objective in growing the industry. Thus, training assistance is readily rendered to cedants on a continual basis. In addition to its annual seminars, necessary training is also provided to target markets to ensure that, as many people as possible are given the opportunity to develop the required technical skills. Moreover, the Corporation welcomes attachment from cedants and encourages its staff to serve as seminar facilitators.

Establishment and Management of Regional Insurance and Reinsurance Institutions

Africa Re is in the forefront in promoting inter-regional trade and capacity building in reinsurance. Its role in the establishment of regional reinsurance Pools attests to this. A notable example is the African Oil & Energy Insurance Pool, which was formed in 1989.

The Pool is managed by Africa Re and has been a success story in inter-African cooperation. It currently supports the Nigerian market with a US$50m capacity on energy risks. It also provides technical support and advice to insurance companies on matters relating to the insurance of energy risks.

CONCLUSION

The global energy consumption is on the upward trend. It is reckoned that the developing world would account for about 66% of the projected consumption and thus be in a position to develop and support its economy to levels that would be robust enough to cater for the welfare of its people.

Accordingly, producers of energy have put in place necessary legislations, structures and facilities to support the growth and development of the sector. Of note is the local content policy, which though desirable, has put pressure on the regional market to provide the necessary underwriting capacity and other technical know-how to support the energy sector.

Clearly, the process of achieving higher levels of underwriting capacity would be slow but eventually, the desired objective would be achieved, with further increase in the capital base of insurers and reinsurers. In the meantime, therefore, local players would have to strengthen their working relationship and, at the same time, collaborate with international trading partners to grow a sector that has the potential to turn around the regional economies.

THE ROLE AND IMPORTANCE OF RATING AGENCIES IN INSURANCE

By

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I. INTRODUCTION AND BACKGROUND INFORMATION

I.1 INTRODUCTION

Over the years, rating agencies have evolved as key components in the operation of modern financial systems. The activities of these agencies have grown enormously to the level of exerting considerable influence on the smooth operation of financial systems and, indeed, of the global economy. The concern of this article is to examine the role and importance of these rating agencies in the business of insurance especially in Africa.

I.2 WHAT RATING AGENCIES ARE

Rating agencies can be defined as commercial, professional service institutions that conduct independent, expert evaluation and assessment of the financial condition and/or credit worthiness of business institutions, instruments and transactions and then communicate such information to interested market participants. This overtly simple definition is not without basis.

Rating agencies conduct their business for a profit, hence they operate commercially. Their activities are, by the same token, undertaken as a service to both the rated entity and other interested market operators. With certain degree of objectivity, independent judgment and expertise, rating agencies operate as professionals. The key end-product of a rating exercise is the rating agency's perception or judgment on the financial condition and/or credit worthiness of the rated entity, instrument or transaction, and this judgmental assessment is of little value unless communicated to, and utilized by, interested market participants.

The leading rating agencies in the global arena are AM Best, Duff & Phillips, Fitch, Moody's and Standard & Poor's – most of which have their roots in the United States. In Africa, the leading rating agency is Global Credit Rating (GCR) of South Africa, while Standard & Poor's have partnered with the African Insurance Organisation (AIO) to develop a peculiar rating system for insurance and reinsurance companies on the continent. In several countries, many local rating agencies exist that largely pride themselves on detailed knowledge of the local environment rather than on posing any serious challenge to the global agencies.

In the United States, the Securities & Exchange Commission designates qualifying entities as "nationally recognized statistical rating organizations" or "NRSRO's". There is much less statutory designation elsewhere. Most rating agencies have evolved in stature, expertise and market recognition over time. Rating agencies also gain varying degrees of reputation across sectors.

I.3 WHAT RATING AGENCIES ARE NOT

To better understand the work of rating agencies, it is important to stress what these agencies are not. This is necessary given the widespread misconception even in the advanced economies, of the nature and extent of their role in the financial system. About the most prominent of these misconceptions is the fact that rating agencies are advisors. Their reports are not to be taken by users as pieces of advice recommending particular courses of action, whether the reports are specifically addressed to them or not. This issue has even been subject of litigation, involving some economic agents that lost substantial sums following their application of rating reports to make investment decisions.

One way to appreciate the basis for not holding rating agencies responsible should their reports be used in investment decisions, for instance, is the fact that a funds or investment manager retains responsibility for his decisions and ratings are but one factor in making such decisions. A poor judgment by a funds manager can therefore not be visited on the factors he has considered; he is expected to have the required expertise to make informed investment decisions.

Another area in which rating agencies have been misunderstood is regulation. The activities or requirements of rating agencies are but persuasive and neither prescriptive nor mandatory. So, while rating agencies do influence regulation and best market practices, they are not expected to be followed as a matter of course. Hence, it is possible for a rated entity to disagree with the findings of a rating agency and provide more information that it believes would have resulted in a different conclusion had such been properly evaluated by the rating agency.

To some extent, rating agencies have been wrongly viewed as financial intermediaries and 'social service' institutions. Rating agencies serve as providers of information to other market players with a view to promoting market efficiency (the financial markets operate better with up-to-date information). Rating agencies hardly have any direct role to play in the financial intermediation process. If anything, they can be said to be information intermediaries or 'infomediaries', bridging the gap between the 'knows' and the 'know-nots'. Similarly, rating agencies operate with a profit motive and should not be expected to discharge their obligations as a 'charity'.

I.4 WHAT DO RATINGS TELL US?

Quite expectedly, rating reports are a bundle of information for different users. Among others, they provide indications on how well a company, industry or financial instrument is managed, its relative standing vis-à-vis others, as well as its overall financial strength and credit worthiness. They also touch on the rating agency's expectations on the entity's future prospects.

II. THE ROLE OF RATING AGENCIES

Putting all the foregoing background together, it is now possible to identify and discuss the role, importance, benefits, uses and drawbacks of rating exercises with particular reference to providers of insurance services.

II.1 THE ROLE

As is done for other entities and instruments, the basic role of rating agencies is to undertake an independent, objective and standardized evaluation of the providers of insurance services. Consequently, in order to validate underlying rating criteria, ensure balanced and secured risk portfolios, and affirm the claims paying ability and capital adequacy of each insurer, rating agencies focus on and assess the underwriting policies, level of portfolio monitoring, record of financial strength, adequacy of claims-paying resources (e.g. as measured by various ratio analyses), prudence of fiscal management practices, scope and depth of risk management practices, ability to generate additional capital, soft capital support available as well as the reinsurance and retrocession programmes in place.

The role of rating agencies also extends to the provision of insights through in-depth and unbiased analysis of insurance companies in the areas of market trends, historical data, growth strategies, business mix, business results, forecasts and expectations, etc.

Through their continuous monitoring, industry analysis and market commentaries, rating agencies provide capital and financial market operators, issuers, investors, intermediaries, regulators and the public at large with a high degree of comfort and confidence in the products, services and prospects of insurance companies.

Of growing importance in the emerging role of rating agencies is their standard-setting responsibility. As opposed to rules and regulations, which are mandatory and sometimes arbitrary, standards are often based on expertise and in most cases voluntary. Through their rating methodologies and assessment criteria, rating agencies are increasingly providing benchmarks not just for measuring corporate performance but also for indicating desirable performance. The inadequacy of audited financial statements and other publicly available information to measure corporate success and prospects is no longer in contention. The activities of rating agencies are therefore a welcome development to fill this vital void.

Similarly, ratings complement the work of other independent professional services firms, regulators and quasi-independent governance institutions like the non-executive directors in promoting good corporate governance and sound management practices in today's corporate world. The oversight responsibilities of these bodies have become virtually indispensable to the smooth running of the complex modern economy.

By the very nature of their activities and reports, rating agencies provide useful information on the credit worthiness and financial status of institutions and financial instruments. In this way, they guide insurance practitioners not just in evaluating their relative standing among peers, competitors and business partners, but they also help in the making of everyday business decisions especially regarding choice of investment instruments, region of operations and reinsurance relationships.

In general terms, rating agencies promote the efficiency of financial markets through the provision of information that is based on in-depth analysis of market operators, market instruments and market environments.

II.2 RATING FACTORS FOR THE INSURANCE INDUSTRY

Noticeable from the focus and role of rating agencies are the following key factors that insurance institutions need to pay attention to in order to achieve stronger capital base and improved claims paying ability:

Underwriting policies – underwriting policies and programmes must be prudent, professional and somewhat conservative. The underwriting function must be discharged in a disciplined manner not inconsistent with industry norms and professional practices. Changes to the underwriting policies must also be carefully planned and diligently executed. If anything, rating agencies hate surprises!

Ability to generate / access to additional capital – the average insurance company must demonstrate the ability to raise additional permanent funds as may be required. Such funds would typically be required to support business growth or to plug holes that may arise in the company's resources in the course of operations (e.g. from catastrophes, however rarely they may occur). In developed economies, the ability of insurance companies to raise capital is greatly enhanced by the depth of the capital markets, and is therefore a factor considered in assessing entities. In the same vein, rating grades influence the ability of companies (and cost) to raise additional funds.

Availability of soft capital support – the level and ability of funds providers to provide affordable long-term funding support is also critical for insurers. Excessive equity can be expensive. It is therefore imperative for insurers to be able to raise softer funds to meet their business needs without always resorting to their equity providers.

Reinsurance and retrocession arrangements and programmes – the shared nature of risks in insurance business calls for insurers to have reinsurance arrangements that augment their ability to meet business obligations. Reinsurance (and retrocession) arrangements must truly provide further succour to the primary risk taker. The quality and worth of such arrangements is therefore critical for improved ratings.

Management practices – the Management team in the insurance company must demonstrate adequate, broad and deep knowledge of the business, appropriate risk acumen suitable to the operating environment, sufficient experience, discipline, prudence and professionalism to provide assurance that the company is in 'safe hands'. Policies and operating procedures must show acceptable standards of corporate governance and risk management in tune with modern times.

Investment – the business of insurance is inherently risky. It is therefore expected that the insurance companies would be less aggressive than most other entities in the management of their investment portfolio. This however does not preclude the placement of funds in the hands of professional managers but such should be undertaken with clear guidelines that seek to optimize the risk-return equation.

II.3 USES OF RATING REPORTS

The use to which rating reports can be put is enormous and it varies depending on the needs of the user. To regulators, rating classifications and changes thereon can trigger the need for closer monitoring of the rated entity or instrument. In the extreme situation, rating reports can trigger the taking of appropriate interventionist measures by the regulatory authorities (e.g. suspension of trading in a debt instrument with a major rating downgrade). Regulators also use ratings to assess and approve investment listings as well as to license market operators.

For investors, ratings are useful for guiding investment decisions and for setting return levels. Financial intermediaries as a matter of course use ratings to assess the credit worthiness of their customers and to channel their investible funds.

Insurers would definitely utilize rating reports in all of these ways. The competitive nature of insurance business demands that insurers show interest in the relative standing and performance of their peers as encapsulated in ratings, if available. As custodians of policyholder funds, insurers are major actors in both long- and short-term investments within the ambit of the law. Their investment decision is more enriched when the underlying instruments or investees are rated, moreso as rating reports often touch on credit worthiness of the rated entity or instrument. Rating reports are also useful for evaluating market prices and returns.

Of paramount importance to insurers is the choice of business relationships, especially reinsurance and retrocession arrangements. The quality of reinsurance support can be determined by the rating grades of the reinsurance partners, while highly-rated buyers would definitely imply quality business in the books of the insurer.

II.4 THE BENEFITS OF RATINGS

Quite distinct from the uses to which ratings are put is the benefits that ratings inherently confer on both the rated entities and the larger economy. For completeness of this analysis, a few of them will be enumerated.

The rating process enables the rated entity to do a guided self-review of its processes and procedures. In this way the entity gains valuable insights that enable it improve on its management practices and corporate governance standards.

The rating process also provides a uniform set of evaluation standards and benchmarks against which corporate performance and financial standing can be measured. This is an important by-product of ratings that enables economic actors evaluate performance within and across industries on the basis of the criteria set by rating agencies.

For insurers, one important benefit of ratings is the protection it ensures in the management of policyholder funds through the guided investment of such funds in financial instruments with acceptable rating grades and the related positive market perception that sustain an acceptable level of returns on them.

Ratings benefit the larger economy by promoting market efficiency as well as optimal allocation and utilization of resources. For insurers, such efficiency and optimisation gives some further measure of protection to policyholder funds invested in the economy.

II.5 THE DRAWBACKS OF RATINGS

Ratings suffer from certain drawbacks, which potentially limit the extent to which reliance can be placed on the reports or the extent to which reports can be put to effective use for desired results. These include the one-off nature of rating evaluation visits, the degree of independence of rating agencies given the reliance they place on their clients for both information and income, the inadequate level of transparency of rating processes that remain restricted to the rating agencies and their clients, the judgmental nature of rating reports as well as the inability of rating agencies to effectively monitor their clients in-between rating reports.

To address these drawbacks, rating agencies need to improve on their use of quantitative techniques to drive the rating process, broaden the scope of their work coverage and information sources, formulate round-the clock programmes in the rating process as well as grow sufficient clientele to minimize the influence of their major clients.

II.6 CRITICAL EVALUATION OF RATING AGENCIES

Against the backdrop of the drawbacks just identified, what then has been the impact of rating agencies? How effective have they been? It would indeed be wrong to conclude that rating agencies have been constrained in any significant way by these drawbacks. To the contrary, they have had a profound impact the world over on the workings of financial systems especially in the Western economies.

In a nutshell, world-class providers of insurance and, indeed, financial services cannot be taken seriously unless they are rated regularly and even at that, they must be assigned rating grades at levels acceptable to their markets. Ratings are increasingly becoming indicators of the relative worth and prospects presented by the rated entities or instruments. For instance, rating of a bond at the lowest level possible automatically classifies it as totally worthless.

Also, with market players including investors, consumers and financial intermediaries making increasing use of rating reports, our insurance institutions would only ignore rating exercises at their long-term peril. The earlier we start to subject our insurance companies in Africa to this exercise the better for their long-term survival.

Ratings have also impacted significantly in promoting sound corporate governance and best practices in the management of businesses, in providing comparative framework for evaluating companies and in serving as a vital link between companies and external parties including shareholders, suppliers, consumers, regulators, financial intermediaries, government and the public at large.

II.7 CHALLENGES FACING RATING AGENCIES

The increasing influence exercised by rating agencies in the global economy has led to a number of issues that pose serious challenge to their operations. These include:

Consistency - the need for rating agencies to apply their standard and criteria evenly across all their rated entities and instruments such that, assigned rating grades would be equivalent for companies and instruments with identical characteristics. In this regard, many companies in Africa with excellent qualities have often had their ratings unduly restricted or pegged for inexplicable reasons other than, perhaps, just being 'African'.

Reliability - since Enron, the issue of how reliable ratings are has shot to the front burner. Lest we forget, just four days before Enron declared bankruptcy, rating agencies had continued to rate the company a good credit risk! This will haunt rating agencies for some time and so the reliability of rating reports remains a key challenge.

Transparency - some have argued that the application of rating methodologies and the conduct of the rating process itself between rating agencies and their clients is not open enough. With transparency as a key component of sound corporate governance, there are increasing calls for rating agencies to open up more on their processes, management responses to issues as well as the accessibility and clarity of even the published reports. Many published reports are said to be too general to permit the appreciation of any issues unique to particular companies.

Independence - rating agencies derive most of their income from a few large corporations who exercise considerable influence on their activities and related reports. More often than not, rating reports are a rehash of submissions by the rated entity's Management. These therefore leave the question begging as to the extent of the independence of the rating agencies.

Objectivity - a corollary to the issue of independence is objectivity. How objective can a rating exercise be when most information on which reliance is based is obtained from the entity itself? From another angle, to what extent is the bias of the rating analysts eliminated? After all, rating classification is a largely judgmental exercise.

Timeliness - rating exercises are largely retrospective and are based more on historical data than anything else. They are also often issued in arrears. The issue then is the extent to which such reports remain relevant and appropriate given that rapid changes may have occurred within and outside the business entity.

Regulation - this is another key issue rating agencies have to contend with. Should the activities of rating agencies be regulated? Given that rating reports influence important economic sectors (especially the financial sector) and decisions, it has been argued that the responsibilities of rating agencies are increasingly becoming public duties that should be regulated. Besides and, perhaps more urgently, the enormous and growing influence of rating agencies may make them become a law unto themselves unless appropriately rated. In the words of an industry player, "rating agencies are accountable to no one. They are not subject to oversight or any form of quality control which given their position, operating as they do in the financial markets, makes them unique... The rating agencies are commercial organizations which effectively wield tremendous power and responsibility without any accountability whatsoever. They can make or break businesses and get it wrong, as they sometimes do, but when they do, it is far too late to do anything about it". The last is certainly not heard yet about the increasingly loud call for rating agencies to be subjected to some form of regulatory oversight.

Market crisis and failure - the issue has also been raised as to whether rating agencies are proactive enough to prevent financial crisis and market failure. It can however be validly said that the duty to prevent market crisis or failure is that of the regulator and not that of the rating agencies. It would be difficult to justifiably hold rating agencies liable in the event of a market failure or crisis.

III. CONCLUSION

THE NEED FOR RATINGS IN THE AFRICAN INSURANCE INDUSTRY

This article will be summed up by stressing the need for insurance providers in Africa to embrace rating exercises.

In order to promote transparency in the management of African insurance businesses, to upgrade professionalism to international standards / to internationalise the practice of insurance on the continent, to deepen the insurance industry, to promote efficiency of resource allocation and usage, to create a framework for comparative evaluation of regional industry players, to develop world-class indigenous players in the industry, to facilitate cross-border underwriting and risk management services (especially given the relatively small size of many national economies), one can only conclude that there is an overriding need for insurance institutions in Africa to undergo rating exercises.

The current level and number of rated providers of insurance services on the continent is less than satisfactory. One hopes that the wave of reforms that seems to be blowing across the continent, which includes enhancing the quantum of capital and the broadening of ownership beyond family levels, will lead to an emergence of fewer but much stronger institutions that are able to withstand the rating process to the benefit of all stakeholders in the industry.

This paper hopes to be an eye-opener on this matter and looks forward to concerted efforts at encouraging African insurance and reinsurance institutions to go the rating route.

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MARKET PRESENTATION

THE REGIONAL RE/INSURANCE MARKET

By

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I. INTRODUCTION

This article examines the growth of the regional insurance market with special emphasis on the COMESA (Common Market for East & Southern Africa) insurance market and the East African Community market.

However, based on the conviction that, in addition to their internal complexities, the socio-economic situation in the African and international insurance markets influence and pose challenges to the reinsurance industry of these markets, this article starts with a brief presentation of the global insurance market and the top ten markets (Life & Non-life) and its future prospects.

It then analyses the historical development and growth of the regional market in the last few years: the top ten countries by premium income and penetration level, the minimum capitalization level of selected countries and the major players in the African reinsurance market.

Finally, the article analyses the COMESA (Common Market for East and Southern Africa) insurance market particularly the top three markets; Egypt, Kenya and Mauritius and the East African Community market, especially the top three: Kenya, Tanzania, and Uganda. It concludes by enumerating the challenges facing the regional Re/insurance market and its future prospects.

II BRIEF PRESENTATION OF THE GLOBAL ECONOMY

After the September 11, 2001 terrorist attack of the World Trade Centre and the subsequent stock market crisis (Enron, WorldCom etc), the world economy went into recession with the deficit in the United States of America's current account balance resulting in a weaker dollar. However, in 2006 the world GDP (US$48,342b) started to recover with a 15% growth from 3.4% to 3.9% in 2005 and 2006 respectively. It grew by only 3.1% from 3.2% to 3.3% in the United States of America, 52% from 2.1% to 3.2% in Europe, while in Japan, it dropped by 8.3% from 2.4% to 2.2% as indicated below:

TABLE 1 – WORLD GDP GROWTH

	2005	2006	Increase
United States	3.2%	3.3%	15%
Europe	2.1%	3.2%	52%
Japan	2.4%	2.2%	-8.3%
South East Asia	6.5%	9.2%	42%
Middle East	4.9%	6.7%	37%
Africa	5.7%	5.8%	1.8%
Latin America	4.2%	5.1%	21.4%
Eastern Europe	5.5%	6.2%	13%

From the data, it can be observed that the highest regional GDP growth of 9.2% was in South East Asia, the main drivers being China and India, which had been returning a GDP above 8% for the previous four years. Middle East, Eastern Europe, Africa and Latin America, followed with 6.7%, 6.2%, 5.8% and 5.1% respectively.

However, the highest growth in 2006 against 2005 was registered in Europe, South East Asia, Middle East and Latin America viz 52%, 42%, 37% and 21.4% respectively. This global growth resulted in increased demand for insurance services. The growth trend was expected to continue into 2007 but the credit crunch resulting from the US sub-prime crisis and high oil prices (above US$100.00) which started impacting on the economy in the 4th quarter of 2007 slowed it down.

III GLOBAL INSURANCE MARKET (LIFE AND NON-LIFE)

Reduced Capacity

The capacity crisis experienced in the developed countries stemmed from the increase in risk values. Indeed, in the United States, values doubled well above inflation, especially in the property class. Catastrophes also increased tremendously. Between 2001 and 2005, catastrophe losses increased by 18% from US$127 billion to US$150 billion culminating with hurricane Katrina in 2005 and the resultant shortage in reinsurance capacity that followed. Capacity has since returned to the market after two benign loss years.

The Tsunami disaster of December 2004 had very little impact on European insurance/reinsurance markets. Consequently, the spiral effects on other markets through retrocession arrangements were minimal. However, it is expected that claims will be higher when such events recur. Predictions are that such losses are set to increase due to global warming, coastal population growth, increased construction costs and rising threat of terrorism.

Rising Demand for Insurance

Emerging economies notably those of India and China, are expanding at accelerated rates. Most of their nationals are commanding a lot of wealth, thereby creating the need for financial protection through insurance cover. For example, India's middle class population is estimated at about 240 million, more than twice the population of the United Kingdom and France combined. Car ownership is set to rise to over 140 million in the next fifteen years and this creates significant demand for insurance.

Increased Regulation

In the aftermath of disasters, regulators in some markets suspended premium increases, for the sake of their citizens. Whilst this might be noble from a society protection perspective, the initiative stifles capital development as it will result in low rates of return on capital. In Florida, for example, there was a price freeze on property insurance when the real need was to attract extra risk capital. Such protective regulations compromise industry viability and availability of risk capital to the industry.

Hard and Soft Cycles

- Since 1980, there have been four cycle switches, driven in most cases by the largest insurance market (USA) and lasting for an average of five to six years.

- The good return from the equity market contributed to increased insurance capacity, fierce price and market competition leading to widely available coverage and low premium rate, which are the characteristics of a soft cycle.

- Until 1998, although there was a general decline in underwriting results, net investment income, including realized capital gains increased in most major markets (US, Japan, Canada, Germany, France, UK, Italy).

- After 1999, investment income started deteriorating as interest rates bottomed out and stock markets declined, setting the stage for a hard cycle.

- The increase in Natural Catastrophe losses coupled with the various emerging risks (GMO, terrorism, Sept 11, Asbestos, etc) led to the exit and downgrading of many companies as well as shortage of capital in late 2000. Those factors clearly accelerated the price increase trend.

- For nearly 6 years (2001- 2007), there was adequate pricing at least in the international market and most players strengthened their balance sheets. Additional capacity was generated by Bermudian based companies although interest rates and the equity market performance remained low. Companies prudently increased their risk appetite.

- The cycles seem to have run their courses as global property-catastrophe reinsurance rates dropped by an average of 9% at the January 2008 renewals.

Premium Growth

Against this background, the total world premium in 2006 was US$3,723 billion (Life: 59% and Non-life: 41%). Growth in the Life class was significant while Non-Life grew at a slower pace. The total world premium increased by 5% (Life: 7.7% and Non-life:

1.5%). Whereas the growth in the Non-Life class in the industrialised world was slim at 0.6%, the emerging countries recorded a robust growth of 11%.

In 2006, the 10 top countries contributed 79.76% of the world premium with the United States accounting for about a third, as indicated below:

Rank	Country	Non-Life premiums US$'000	Life premiums US$'000	Total Premium US$'000	% change from prior year	% of total world premiums
1.	**United States**	636,452	533,649	1,170,101	5.43	31.43
2.	**Japan**	97,495	362,766	460,261	-3.75	12.36
3.	**United Kingdom**	106,676	311,691	418,366	24.46	11.24
4.	**France**	73,262	177,902	251,164	13.65	6.75
5.	**Germany**	109,633	94,911	204,544	0.55	5.49
6.	**Italy**	49,103	89,576	138,679	-4.90	3.72
7.	**South Korea**	28,881	72,298	101,179	8.73	2.72
8.	**Canada**	48,988	39,212	88,200	12.99	2.37
9.	**China**	25,713	45,092	70,805	17.73	1.91
10.	**Spain**	37,528	28,285	65,813	8.92	1.77

Source: *Swiss Re Sigma Report No.4/2007*

Profitability of Global Insurance Industry: 1999 - 2006

An analysis of the results of the top 5 industrialised nations (USA, Japan, UK, France and Germany) indicates that Life insurance was more profitable in 1999 and recorded the lowest performance in 2002 due to moderate investment return occasioned by low interest rates, with mild increase in stock prices and dividends. The US market was the least profitable, while UK and Germany were the most profitable. Statistics for 2004 to 2006 show that profitability continued to improve.

Non-Life insurers on the other hand witnessed a significant increase in their profitability from 2002 due to the disciplined underwriting sustained after the September 11 attacks and other events. Germany and Japan posted the highest results while UK and US recorded the lowest performance. Thus, for the first time since 1998, the industry recorded positive underwriting results in 2004 because insurance business profitability was not subsidized by investment returns as in previous years

The outlook for the future suggests a mixed picture. While healthy growth is expected in Life insurance, with strong development of savings and pensions products, premiums in Non-Life are likely to stagnate. The outlook for profits remains robust, however, with the life sector also making further progress on profitability. Non-life insurance combined ratios are expected to deteriorate slightly, as premium growth is sluggish.

Growth Prospects

Life insurance is expected to grow by 4% and 10% for industrialized countries and emerging markets respectively, mainly due to the following reasons:

- the shift from public to private old age provision will favour life insurance, in particular annuity and pensions business;
- more attractive capital market returns will gradually pump up sales of profit-participation products;
- the outlook of risk products is also positive. Increasing GDP per capita and decreasing social security benefits among others are likely to push risk premiums up in the mid term;
- increase in mergers and acquisition activities.

For Non-Life insurance, the growth in nominal premium growth should be slightly above the GDP growth rate. In the industrialized countries, it is expected to be low and close to stagnation while in the emerging markets, it is expected to slow down in 2008 and stabilize around 8% in the mid-term (due to the high oil prices) from the current 11%. Economic growth will however continue to foster increases in insurance demand while further softening of rates will hinder premium growth.

IV. THE AFRICAN INSURANCE MARKET

In addition to its internal complexities, the insurance industry in Africa is confronted with challenges posed by the socio-economic situation of the continent and the international insurance markets.

African insurance markets are both diverse and at different stages of development. For example, countries such as South Africa are at an advanced level of development, with a very high penetration rate, which equals or exceeds those of developed countries in the life sector.

The development of the industry in Africa has been gathering momentum over the last 50 years, as governments have realized the importance of insurance in the mobilization of earnings to support national development and the general preservation of resources. Insurance can be used as an empowerment tool for local people directly as individuals and through their governments. Insurance and reinsurance companies are increasingly expected to play a developmental role by addressing the issues of poverty alleviation, the needs of the rural sector as well as the formal and informal sectors of the economy. This creates a strain on company resources and profitability.

In the initial stages, African governments played a direct role in the insurance industry by setting up reinsurance and insurance companies to mobilize investible funds and stem the outflow of foreign currency. Reinsurance companies had provision for compulsory cessions from local direct insurers and some operated as monopolies in a bid to facilitate their take off.

In the 1960s, the United Nations Conference on Trade and Development, UNCTAD, which was tasked to further the development of emerging nations through trade and establishment of tariff preference systems favouring less developed nations, formally acknowledged the importance of the insurance industry in developing countries and assisted with the drafting of appropriate legislation to facilitate the development of the industry.

Premium Growth

In 2006, the total continental premium was estimated at US$49.75 billion (US$40.025 in 2005), out of which South Africa accounted for 82%, i.e. US$40.75 billion leaving a paltry 18% or US$9 billion for the rest of Africa. Out of that income, life and health accounted for 71.4% or US$35.4 billion and again South Africa generated 93.35% or US$33.1 billion of the business as against US$2.36 billion or 6.66% for the rest of Africa. Non-Life premium for the period amounted to US$14.2 billion, the bulk of which emanated from South Africa (53.7% or US$7.62billion), leaving the rest of Africa with US$6.58 billion or 46.3% of the pie. The detailed breakdown of these figures reveal that motor, which accounts for 45% (US$6.39 billion), forms a significant part of non-life premium followed by property with 32% or US$4.544 billion and engineering with 3% or US$0.426 billion.

Strong Life Growth

Life insurance premiums in Africa increased by 22% in 2006, compared to 6.5% in 2005. South Africa accounted for 93% of the regional life premium volume in 2006. Growth in that market was driven by strong increases in single volume business. Sentiment towards life products improved following a long period of uncertainty helped by the settlement between the government and the industry on retirement annuity products, although sustained strong equity markets have also played a role. The second largest market, Morocco, grew strongly by 22%.

With the positive economic development in the region, growth should remain healthy in the future.

Non-life insurance

Non-life business grew by 6.2% in 2006, after a 9.4% leap in the previous year. Growth was mainly driven by South Africa, where premiums rose by 8%. The country accounts for more than half of all regional premium volume in this sector. Business was again very profitable in South Africa, thanks to positive underwriting and strong investment results. In Morocco, the second largest market, premiums increased by 3.8%. The strong growth in fire and accident insurance was partly offset by decline in workers' compensation and engineering insurance. In 2008, the African insurance sector will continue to benefit from strong economic growth.

The table below indicates the top 10 African countries premium income in 2006:

	Country	$ billions	%	$ billions	%	Total Amount	% change against 2005	% of world total	Penetration rate	GDP
		Life		Non-life						
1	South Africa	33.1	81	7.624	19	40.731	17.13	1.09	15.97	255.05
2	Morocco	0.469	28	1.206	72	1.675	12.85	0.04	2.89	57.96
3	Egypt	0.358	42	0.487	58	0.843	10.93	0.02	0.79	106.71
4	Nigeria	0.112	16	0.605	84	0.716	17.68	0.02	0.64	111.88
5	Angola	0.063	9	0.624	91	0.687	34.15	0.02	1.91	35.97
6	Algeria	0.039	15	0.586	85	0.625	10.01	0.02	0.53	117.92
7	Tunisia	0.054	9	0.55	91	0.604	1.74	0.02	1.95	30.97
8	Kenya	0.186	31	0.406	69	0.592	23.1	0.02	2.47	23.97
9	Namibia	0.358	70	0.151	30	0.509	3.7	0.01	8.48	6.00
10	Mauritius	0.245	65	0.13	35	0.375	2	0.01	2.25	16.70
11	Others	0.484	21	1.831	79	2.31		0.055		
	TOTAL	**35.468**		**14.2**		**49.667**	**16.27**	**1.33**		

Source: *Swiss Re Sigma Report No.4/2007*

Zimbabwe used to rank among the top 10 countries in Africa but the massive devaluation witnessed in that country in the last three years has reduced its income drastically.

Comparison between the minimum capital required in some African countries (at current ROE for non-Life Business)

	Countries	**Currency**	**Amount**	**Amount in US$**
1.	Nigeria	NAIRA	5,000,000,000	40,000,000
2.	Kenya	KSHS	300,000,000	4,615,385
3.	CIMA	F CFA	1,000,000,000	2,000,000
4.	Mauritius	MUR	25,000,000	900,000
5.	Morocco	DHM	50,000,000	5,700,000
6.	South Africa	ZAR	10,000,000	1,700,000
7.	Tanzania	TSHS	1,000,000,000	1,000,000
8.	Uganda	UGSHS	2,000,000,000	1,000,000
9.	Malawi	MKW	50,000,000	355,000
10.	Zambia	ZKW	1,000,000,000	250,000
11.	Ethiopia	BIRR	3,000,000	333,333
12.	Egypt	EGP	60,000,000	10,000,000
13.	Madagascar	AR	600,000,000	340,000
14.	Djibouti	FDJ	100,000,000	570,000
15.	Rwanda	FRW	1,000,000,000	1,837,000
16.	Burundi	FBU	300,000,000	257,000

African Reinsurance Market

The African reinsurance market is characterized by low capitalization and high cession rates

As a result, 35% of the business including oil & energy, aviation, heavy industries, fire, engineering and business interruption is placed through fronting and captives in the international market. About 50% of the remaining 65% is ceded to local and international reinsurers.

It is therefore clear that at least 50% of the African insurance premium (through insurance and reinsurance) is placed in the international market, which is subject to global trends. The major players in the African market can be classified as follows:

- **International Players:**
  Munich Re, Swiss Re, Hannover Re

- **Regional Players:**
  Africa Re, CICA Re, ZEP Re

- **National Players:**
  Egypt Re, Kenya Re, Ghana Re, Nigeria Re, Tunis Re, SCR Morocco, CCR Algeria, SEN Re, Zim Re and more recently, Tan Re.

- **Private companies:**
  Globe Re and Continental Re in Nigeria and East Africa Re in Kenya. Also present are non-resident players like GIC of India, ARIG (Bahrain) and SCOR of France. There is also BEST Re in Senegal and Tunisia.

See table below:

	Company	Country
1.	Swiss Re	South Africa
2.	Munich Re	South Africa
3.	Hannover Re	South Africa
4.	Africa Re	Regional
5.	Zep Re	Regional
6.	CICA Re	Regional
7.	Nigeria Re	Nigeria
8.	Globe Re	Nigeria
9.	Continental Re	Nigeria
10.	Ghana Re	Ghana
11.	SEN Re	Senegal
12.	Aveni Re	Cote d'Ivoire
13.	Kenya Re	Kenya
14.	East Africa Re	Kenya
15.	Tan Re	Tanzania
16.	Prima Re	Zambia
17.	CCR Algeria	Algeria
18.	SCR Morocco	Morocco
19.	Tunis Re	Tunisia
20.	GIC	India
21.	ARIG	Bahrain
22.	Zim Re	Zimbabwe
23.	Intermarket Re	Zimbabwe
24.	Colonade Re	Zimbabwe
25.	ZB Re	Zimbabwe
26.	FBC Re	Zimbabwe
27.	First Mutual Re	Zimbabwe
28.	BEST Re	Senegal and Tunisia
29.	SCOR	France

V. THE COMESA MARKET

The Common Market of Eastern and Southern Africa (COMESA) seeks to promote regional economic integration through trade and investment. It comprises 19 member States from the south and north of Africa with a land area of 12 million square km. Its total population is 389 million people with a GDP of US$275 billion.

It has huge mineral wealth (oil, copper, phosphates, iron, uranium, nickel, cobalt etc), and 90% of the land area is yet to be exploited. Member countries are as follows:

Burundi	Comoros	D. R. Congo	Djibouti	Libya
Egypt	Eritrea	Ethiopia	Kenya	Seychelles
Madagascar	Malawi	Mauritius	Rwanda	Zimbabwe
Sudan	Swaziland	Uganda	Zambia	

Out of the US$8.936 billion African premium income (excluding South Africa), COMESA markets account for about US$2.75 billion or 31% but when production from South Africa is included, the market accounts for 7.55% of the continent's total production.

Premium (US$ MILLIONS)

COUNTRY	Life	%	Non-Life	%	TOTAL	GDP 2006 growth %	No. of Cos.	% of Africa Total
Egypt	354.00	41.99	489.00	58.01	843.00	6.8	18	11.06
Kenya	177.00	29.90	415.00	70.10	592.00	6.0	43	7.77
Mauritius	245.00	65.33	130.00	34.67	375.00	5.0	19	6.23
Sudan	25.00	10.00	225.00	90.00	250.00	9.6	14	2.62
Libya	10.00	5.00	190.00	95.00	200.00	3.5	7	1.97
Zambia	29.90	25.89	85.60	74.11	115.50	5.8	7	1.52
Tanzania	17.76	18.77	76.86	81.23	94.62	5.9	17	1.24
Ethiopia	5.90	5.40	103.30	94.60	109.20	8.5	9	1.43
Uganda	3.40	5.67	56.60	94.33	60.00	5.0	20	0.77
Swaziland	24.00	60.00	16.00	40.00	40.00	4.0	1	0.52
Madagascar	5.65	15.21	31.50	84.79	37.15	7.6	4	0.48
Malawi	24.50	47.82	26.73	52.18	51.23	8.5	9	0.38
Seychelles	14.54	71.31	5.85	28.69	20.39	1.0	2	0.26
D R Congo	2.00	10.00	18.00	90.00	20.00	6.0		0.26
Rwanda	7.00	38.89	11.00	61.11	18.00	5.8	5	0.24
Eritrea	0.15	1.32	11.23	98.68	11.38	2.0	1	0.15
Burundi	1.60	17.58	7.50	82.42	9.10	3.8	5	1.19
Djibouti	2.00	25.00	7.97	75.00	9.97	4.2	2	1.07
Comoros	0.03	5.66	0.50	94.34	0.53	1.2	1	0.70
TOTAL					**2,755.23**			

Source: *Swiss Re Sigma Report No.4/2007*

It can be observed from the above statistics that Egypt leads the pack with about 31% of the regional premium, followed by Kenya with 21%, then Mauritius with 13.6% while the top 5 countries control 78% of the insurance business in the COMESA region. The three top markets are analysed below:

Egypt

With a GDP growth of 6.8% in 2006, Egypt is the third largest insurance market in Africa with 18 companies and premium income of US$843m (58% of which is non-life) up from US$670m in 2005 amounting to a 10.93% increase. It had a population of 78,887,007 and a GDP of US$328.1billion in 2006. See the data below for leading life & non-life insurance companies.

In the year 2005/2006, the market witnessed growth in different areas as illustrated by the following figures:

- Gross premium income increased to L.E.4,850 million compared to L.E 4,519 million in the previous year (growth rate of 7.3%).

- Life insurance premiums increased to L.E.1,788 million compared to L.E.1,522 million in the previous year (growth rate of 17.5%)
- Non-life insurance premiums increased to L.E.3,062 million compared to L.E.2,997 million in the previous year (growth rate of 2.2%).
- Total claims paid increased to L.E.3,618 million compared to L.E.2,489 million in the previous year (growth rate of 45.4%).
- Life insurance claims increased to L.E.1,161 million compared to L.E.763 million in the previous year (growth rate of 52.2%)
- Non-life insurance claims increased to L.E.2,457 million compared to L.E.1,726 million in the previous year (growth rate of 42.4%).
- New investments increased to L.E18,695 million compared to L.E.16,813 million in the previous year (growth rate of 11.2%).
- Net investment income increased to L.E.2,749 million compared to L.E.1,868 million in the previous year (growth rate of 47.2%).
- Policy holders' rights reached L.E.14,295 million compared to L.E.12,651 million in the previous year (growth rate of 13.0%).
- Shareholders' equity reached L.E.4,052 million compared to L.E.3,750 in the previous year (growth rate of 8.1%)
- The number of private insurance funds reached 628 funds compared to 618 in the previous year.
- The Fund's total assets increased to L.E.18,622 million compared to L.E.16,557 million in the previous year (growth rate of 12.5%).
- The Funds' total contributions amounted to L.E.1,934 million compared to L.E.1,957 in the previous year (reduced rate of 1.2%).
- The Funds' total paid benefits increased to L.E. 2406 million compared to L.E.2,058 million in the previous year (growth rate of 16.9%).
- The government funds' investments increased to L.E.167 million compared to L.E.148 million in the previous year (growth rate of 13.0%).

ROE: LE 5.5 = US$1

The table below analyses performance development in 2004/05 and 2005/06

Revenue & Expenditure Account
Property & Liability Business

L.E '000

Revenue	**2004/2005**	**2005/2006**
Net premiums	1,103,758	1,262,438
Unearned premiums reserve b/f	699,910	749,719
Unearned premiums reserve c/f	749,719	870,954
Reinsurance commissions	425,782	416,025
Investment income	721,824	1,229,185
Other income	21,758	26,166
TOTAL	**2,223,313**	**2,812,597**
Expenditure		
Net claims	763,286	870,327
Outstanding claims reserve c/f	2,077,291	2,583,134
Outstanding claims reserve b/f	1,856,524	2,077,291
Loss ratio fluctuations reserve c/f	1,039,528	1,130,325
Loss ratio fluctuations reserve b/f	1,103,777	1,039,528
Commissions & acquisition costs	548,953	575,147
Expenses	250,851	282,226
Commercial reserves	69,661	226,538
Other expenditure	-	-
TOTAL	**1,789,269**	**2,555,195**
SURPLUS	**434,044**	**257,402**

Revenue & Expenditure Account
Life Business L.E '000

Revenue	2004/2005	2005/2006
Net premiums	1,441,213	1,692,881
Mathematical reserve b/f	6,469,963	7,292,183
Mathematical reserve c/f	7,292,183	8,083,829
Reinsurance commissions	17,038	21,036
Investment & other income	653,004	866,269
TOTAL	**1,289,035**	**1,810,558**
Expenditure		
Net claims	728,297	1,138,504
Outstanding claim reserve c/f	95,857	151,698
Outstanding claim reserve b/f	68,475	95,857
Commission & acquisition costs	213,983	254,134
Expenses	157,788	177,370
Other reserves	52,653	42,187
TOTAL	**1,180,103**	**1,668,041**
SURPLUS	**108,932**	**142,517**

Leading non-life insurance companies – 2005/6			Leading life insurance companies – 2006		
Company	**EGP Mn**	**US$ Mn**	**Company**	**EGP Mn**	**US$ Mn**
Misr	1,478.0	257.8	Misr	401.8	70.1
Al Chark	458.9	80.1	Al Chark	356.1	62.1
National	199.0	34.7	CIL	244.2	42.6
Suez Canal	153.0	26.7	Alico	158.6	27.7
AIG	114.5	20.0	Allianz Life	122.0	21.3
Allianz	75.6	13.2	National	117.5	20.5
Delta	74.7	13.0	Mohandes	49.4	8.6
Mohandes	70.2	12.3	Delta	32.8	5.7
AMIG	45.0	7.9	Suez Canal	22.7	4.0
Ace ACIIC	32.1	5.6	NSGB Life	11.5	2.0

Kenya

With a GDP growth of 6.8% and a population of 33 million in 2006, Kenya had 43 licensed insurance companies in 2006. Twenty one companies wrote general insurance business only, seven wrote long term business only, while fifteen were composite (both life and general). There were 197 licensed insurance brokers, 2,633 insurance agents, 2 locally incorporated reinsurers, 26 loss adjusters, 209 loss assessors/investigators and 30 risk surveyors during the year.

Premium Income

The gross premium written by the industry was Kshs.41.68 billion or US$592 million compared to Kshs.36.42 billion (US$517 million) in 2005 representing a growth of 14.5%.

The gross written premium from general insurance was Kshs.29.20 billion (2005: Kshs.25.39 billion) while that from long term business was Kshs.12.48 billion (2005: Kshs.11.03 billion), representing a ratio of 70:30 in favour of general insurance.

General insurance premium grew by 15% while life insurance premium and contributions from deposit administration business grew by 13.1%. The industry recorded growth over the last five years as illustrated in Table 1 below:

Table 1: Growth in Gross Premium for the Period 2002 - 2006

	2002	2003	2004	2005	2006
Short term	17.23	19.40	22.78	25.39	29.20
Long term	7.30	8.50	9.97	11.03	12.48
Total	**24.53**	**27.90**	**32.75**	**36.42**	**41.68**

Figures in billions Kenya Shillings (ROE – Kshs 65 to US$1)

The top 10 Companies account for 60% of the premium income as listed below:

(Billions Kshs)

	Company	Non Life	Life	Pension	Total	US$.M
1.	KENINDIA	2.904	0.294	0.560	3.758	57.82
2.	ICEA	1.163	0.887	1.383	3.433	52.81
3.	JUBILEE	1.921	0.460	0.780	3.161	48.63
4.	BRITAK	0.157	1.538	0.243	2.298	35.35
5.	APA	2.008	0.205	0.068	2.281	35.09
6.	BLUE SHIELD	2.016	0.113	0.026	2.155	33.15
7.	UAP	1.578	0.154	0.075	1.807	27.80
8.	AIG	1.694	-	-	1.694	26.06
9.	HERITAGE	1.309	0.101	0.156	1.566	24.09
10.	MADISON	0.559	0.552	0.162	1.273	19.58
				TOTAL	**23.426**	**360.38**

Insurance Industry Profitability

Most companies recorded underwriting losses in the year 2006. Sixteen general insurance companies had an underwriting profit but only four life insurance companies recorded an underwriting profit.

The overall underwriting loss for the industry was Kshs.1.23 billion with general insurance recording an underwriting profit of Kshs.0.58 billion while life insurance recorded an underwriting deficit of Kshs.1.81 billion.

Earnings from investment income of Kshs.14.42 billion mitigated an otherwise undesirable situation resulting in a gross profit of Kshs.5.8 billion in 2006 compared to Kshs.4.32 billion in 2005. This represents a growth of 35% in gross profit.

Industry Combined Profit & Loss Statement

The insurance industry's profit and loss statement for 2004, 2005 and 2006 is shown in the table below:

	2004	2005	Growth %	2006	Growth %
Gross Earned Premium	25.60	31.95	24.80	36.14	13.11
Reinsurance ceded	7.03	8.22	16.93	8.74	6.34
Net Earned Premium	18.56	23.73	27.86	27.40	15.47
Investment & Other income	5.71	10.66	86.69	14.42	35.27
Net Income	24.29	34.39	41.58	41.82	21.61
Net Incurred claims	11.86	17.27	45.62	21.20	22.76
Total Commissions & Expenses	10.06	12.80	27.24	14.77	15.39
Profit before taxation	2.34	4.32	84.62	5.85	35.42
Provision for Taxation	0.44	0.77	75.00	0.87	12.99
Profit after Taxation	1.90	3.55	86.84	4.97	40.00

Figures in billions Kenya Shillings

The gross premium and investment income increased by 13.1% ad 35.3% respectively in 2006 compared to 2005.

Net incurred claims and commissions & expenses increased by 22.8% and 15.4% in 2006 respectively. Growth in profit before taxation was recorded at 35.4% in 2006 compared to 84.6% in 2005.

Similarly, there was an increase in provision for taxation by 13% to Kshs.870 million in 2006 compared to Kshs.770 million in 2005. This is an indication that the insurance industry's contribution to the Treasury continues to go up steadily.

Industry combined balance sheet

The insurance industry's combined Balance Sheet is shown below:

	2004	2005	Growth %	2006	Growth %
Shareholders Capital, Life Fund & Reserves	16.60	20.82	24.45	27.40	31.60
Total Assets	75.10	91.28	21.54	110.07	20.59
Total Liabilities	58.50	70.46	20.44	82.67	17.33
Net Assets	16.60	20.82	24.45	27.40	31.60
Profit before tax	2.34	4.32	84.62	5.85	35.42
Return on Capital employed	0.14	0.21	50.00	0.21	0.00
Return on Assets	0.03	0.05	66.7	0.05	0.00

Figures in billions Kenya Shillings

Mauritius

With a population of only 1.3 million and GDP of US$6.5 billion, Mauritius is the 10th largest market in Africa with a premium income of US$375m (63.4% life) produced by only 19 players. Below is a summary of market data for 2006:

Gross Premium -	Non life Life	US$ 134.6 million US$ 254.6 million
Total profit before Tax-	Non life Life	US$ 57 million US$ 66.3 million
Total Gross premium as a % of GDP		5.99%
Net Loss Ratio	Non life Life	69.81% 67.69%
Reinsurance Premium -	Non life Life	US$ 65 million US$ 8 million

Leading Non-life Insurance Companies, 2006			Leading Life Insurance Companies, 2006		
Gross Written Premiums					
Company	**MUR Mn**	**US$ Mn**	**Company**	**MUR Mn**	**US$ Mn**
Swan	757.2	28.04	BAI	1944.3	72.01
Albatross	547.5	20.27	SICOM	2138.1	79.19
Mauritius Union	397.3	14.72	Anglo Mauritius	1531.5	56.72
Mauritian Eagle	494.4	18.31	LIC	303.5	11.24
La Prudence	300.9	11.15	Mauritius Union	287.67	10.65
SICOM	312.7	11.58	La Prudence	190.46	7.05
Island General	149.1	5.52	Albatross	203.71	7.54
New India Ass'ce	186.6	6.91	Mauritian Eagle	103.86	3.85
Ceylinco Stella	91.4	3.38	Island Life	75.98	2.81
Sun	102.9	3.81	Sun	42.52	1.57

VI. EAST AFRICAN COMMUNITY INSURANCE MARKET

Core East Africa which is made up of Kenya, Uganda and Tanzania (Rwanda and Burundi joined recently) with a population of 100 million people contributes about US$775 million premium income, which is about 28% of COMESA production. Since the Kenyan market had already been treated under COMESA markets, the remaining two markets of the East African Community can be analysed as follows:

Tanzania

In 2006, Tanzania recorded a GDP growth of 6.9%. It is a new market having been liberalized only seven years ago. Hitherto, only the National Insurance Company of Tanzania operated in the market but, currently, there are 15 players, most of them being subsidiaries of Kenyan companies. Records indicate that since liberalization, premium has been increasing by over 25% annually, from US$30 million in 2000 to about US$100 million (90% non-life) in 2006 and is likely to grow further. The market has 40 brokers and 300 agents who generate about 50% of the market income. Brokers are required to raise Tshs10 million (about US$10,000) to be registered with Tshs25 million security deposit and Tshs50 million professional indemnity cover. Tanzania now has one reinsurance company, Tan Re.

Selected Recent Historical Performance Indicators

General Insurance	2002	2003	2004	2005	2006
Gross Premium (Tshs Billion)	53.76	69.44	81.77	100.13	115.28
Underwriting Result (Tshs M)	(1,433)	(1,064)	1,402	(2,988)	460
Premium Growth	21%	33%	21%	22%	16%
Loss Ratio (Net)	54%	50%	52%	57%	50%
Expense Ratio (Net)	49%	53%	47%	51%	45%
Combined Ratio	102%	101%	98%	108%	98%
Long Term Assurance	**2002**	**2003**	**2004**	**2005**	**2006**
Life Fund Growth	79%	1%	-21%	11%	45%
Premium Growth	-10%	3%	-7%	26%	9%
Claims/Benefits Ratio	90%	52%	88%	75%	76%
Expense Ratio	50%	42%	45%	47%	50%
Year end funds position (Tshs M)	24,193.0	24,324.0	19,102.3	21,219.6	30,704.6

Top 10 Non-Life Companies

Premium Figures in Tshs'000

	Insurer	2006 Total	2005 Total	% increase
1.	Heritage	22,670,534	16,636,378	36.27%
2.	Alliance	13,031,982	11,839,188	10.07%
3.	Phoenix	12,422,197	12,014,496	3.39%
4.	Jubilee	11,016,907	9,976,016	10.43%
5.	NIC	10,363,276	10,864,032	-4.61%
6.	Reliance	6,519,107	5,853,037	11.38%
7.	Lion	5,894,575	5,372,560	9.72%
8.	Royal	5,249,108	5,023,888	4.48%
9.	Niko	5,098,279	1,627,962	213.17%
10.	Tanzindia	4,893,312	5,361,144	-8.73%
11.	Others	8,108,382	6,401,539	26.66%
	Total	**105,267,659**	**90,970,240**	**15.72%**

Top 5 Life Companies

Premium Figures in Tshs'000

	Insurer	2006 Total	2005 Total	%increase
1.	NIC	7,313,257	7,854,476	-6.89%
2.	African Life	1,169,101	44,257	N/A
3.	Alliance	1,022,798	760,457	34.50%
4.	Jubilee	349,175	324,409	7.63%
5.	ZIC	159,693	179,500	11.03%
	Total	**10,014,024**	**9,163,099**	**9.29%**

(ROE: Tshs1167 to US$1)

Uganda (2006 GDP Growth – 6.8%)

Some Economic Indicators – 2005 & 2006

Economic Indicator	2005	2006
GDP at factor cost at current prices	Ushs 16,268,320m	Ushs 18,608,430m
Per capita GDP	Ushs 614,024	Ushs 680,210
GDP growth rate (real growth)	6.3%	6.8%
Inflation rate (headline)	8.5%	7.3%
Total population	26.5m	27.3m
The Ushs/US$ exchange rate (annual)	US$1 = Ushs1,780.70	US$1 = Ushs1,831.45

Insurance Industry Performance

Having dropped from 24.64% to 11.64% in the preceding two years, the industry's total production in 2006 registered a percentage increase of 13.44%. Non-life business continued to claim the usual lion's share by accounting for 94.33% (2005: 94.26%) of the total gross direct written premium. Life business's contribution was 5.67% (2005: 5.74%).

Gross premium income

The table below presents the general trend in the growth of Life and Non-life premium income for 2005/6:

Non-Life Premium

Year	Gross Premium (Ushs '000	Increase/ (decrease) in absolute terms (Ush '000)	% Increase/ (decrease)
2005	85,001,173	9,216,986	12.16
2006	96,494,673	11,493,500	13.52

Life Premium

Year	Gross Premium (Ushs '000	Increase/ (decrease) in absolute terms (Ush '000)	% Increase/ (decrease)
2005	5,177,901	207,242	4.17
2006	5,800,924	623,023	12.03

The Ugandan market is about half the size of the Tanzanian market, with an income of about US$60 million in 2006, a 13.44% increase (95% Non life) with 20 players reduced recently from 25. About 4 Kenyan companies have subsidiaries in the market. The market has only 23 brokers and 436 agents. Capitalization requirement to set up a broking outfit is Ushs 50 million (US$27,500), with Ushs10 million as security deposit plus professional indemnity cover of Ushs100 million. 90% of the business is generated by top 10 brokers, with AON, the leading broker, accounting for 47% of production.

Top 10 Companies

Figures in Ushs '000

	Insurer	Non-Life	Life
1.	AIG	20,764,974	-
2.	Jubilee	14,339,796	401,211
3.	United	12,263,942	940,845
4.	National Insurance	6,863,872	1,251,366
5.	Goldstar	8,007,872	-
6.	E.A. Underwriters	4,392,070	1,547,252
7.	Excel	4,681,681	-
8.	Lion	3,913,901	-
9.	I.C.E.A.	2,142,703	1,660,250
10.	Statewide	3,147,421	-
11.	Others		
	Total	**96,494,673**	**5,800,924**

ROE: Ugshs.1670 = US$1.

Selected recent historical performance indicators: (figures: Ushs. Billions)

Non-life	2004	2005	2006
Gross Premium Income	75.78	85.00	96.49
Reinsurance premium	33.82	36.91	39.69
Net earned premium	38.30	45.16	53.00
Net incurred claims	11.66	15.73	18.39
Loss ratios	30.44%	34.82%	35.04%
Retention ratio	55.37%	56.58%	58.87%
Expense ratio (comm + mgmt expenses over gpi)	38.50%	71.64%	38.75%
Return on equity	11.20%	10.92%	9.81%
Life	**2004**	**2005**	**2006**
Gross premium income	4.97	5.18	5.80
Reinsurance premium	1.31	0.73	1.13
Net earned premium	3.35	4.45	4.67
Net incurred claims	1.71	2.92	1.92
Loss ratios	51.01%	65.57%	41.17%
Retention ratio	71.98%	85.91%	80.61%
Expense ratio	44.79%	46.34%	54.99%

VII. CONCLUSION

The data provided earlier indicate that African economies are growing at an average of 6% over the last few years, outstanding performers being Sudan (9.6%) and Ethiopia (8.5%). They are expected to grow at about 10% in the medium to long term next to South East Asian economies like India and China. This means that the need for insurance can only be higher. In 2008, the regional insurance sector will continue to benefit from strong economic growth. Penetration level seen in the above data is expected to increase reasonably going forward, since at the moment, only South Africa is above 10%.

The data also indicate that the regional premium is higher on non-life than general business, apart from South Africa and Namibia where life business generates more premium than general business. In the COMESA region, only Mauritius writes more Life than Non-life premium. Life business is therefore a growth area for most regional players as witnessed by a 22% growth in 2006 over 2005 African premium compared with only 6.2% in non life. For industrialised countries it was 12% and 0.6% respectively. Angola, DRC, Sudan and to some extent Ethiopia are however considered emerging markets in Africa to be watched closely as future African Tigers.

Another area which needs to be addressed for regional players to be competitive is the minimum capital requirement which remains very low except in Nigeria and Egypt. The Supervisory Authorities therefore need to rise to the occasion to advocate higher minimum capital requirement in order to build a stronger insurance industry in Africa.

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NEW DEVELOPMENTS IN THE IVORIAN INSURANCE MARKET AND POST-CRISIS PROSPECTS

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INTRODUCTION

Insurance companies in Côte d'Ivoire are regulated by the Intra-African Conference of Insurance Markets (CIMA) Treaty and its ancillary - the common insurance code (CIMA Code) that entered into force on 15th February 1995. The insurance sector is controlled and supervised by CIMA's Regional Insurance Control Commission (CRCA) in close collaboration with the Department of Insurance.

On 19th September 2002, a serious crisis erupted in Abidjan and culminated in virtually splitting the country into two almost equal parts. Côte d'Ivoire has a total surface area of 322,463 square kilometres and its population was estimated at 18.2 million inhabitants as at the end of 2007. The crisis resulted in the closure of several companies and a negative GDP growth rate during the first years.

How did the insurance sector survive those difficult years? Has there been any new development? What are the prospects when the crisis eventually ends as expected in 2008?

I: MARKET PLAYERS AND MAIN FEATURES

1.1. Ivorian insurance market players

As at 31st December 2002, 25 companies operated in the insurance market, out of which 15 were Non-Life and 10 were Life companies. As at February 2008, there were 32 Non-Life and 11 Life insurance companies, all locally incorporated[1]. They include 3 mutual and 29 public limited companies following the conversion of 4 mutual companies (MACI, MCA, STAMVIE and SOMAVIE) to public limited companies in 2005-2007. Eight (8) licences were issued over the period 2002-2007 to CEA (2002), ATLAS (2003), SIAC (2004), LOYALE (2004), SONAR CI (2004), FEDAS CI (2004), AIA (2006) and CEA-VIE (2006).

Also operating in the market are insurance intermediaries, including 65 licensed brokers as at the end of 2007 (37 as at 31st December 2002) as well as general and sole agents. Two of the brokers are subsidiaries of international groups MARSH, MC LENNAN INC and GRAS SAVOYE. The licences of seven (7) brokers were withdrawn in 2006, while three (3) others experienced the same fate earlier in 2003.

Other market operators include AFRICA RE's Regional Office for Francophone West and Central Africa, AVENI-RE, a locally incorporated reinsurer established in 2005, a subsidiary of GLOBE RE, a Nigerian company (established since 2006) and several regional or foreign reinsurance companies not based in Côte d'Ivoire (CICA-RE, SCOR, BEST-RE, GERLING, CONTINENTALE-RE,…)

1.2. Production

In 2005, production stood at CFA130,120 million (of which CFA79,174 million emanated from Non-Life and CFA50,946 from Life) compared to CFA113.348 million in 2002 (CFA75,439million from Non-Life and CFA37,909 million from Life), representing a growth rate of 13.8% (cf. Table 1).

Basically, the sectoral distribution of Non-Life business has not changed for several years. With 40% of the market share, Motor risks still occupy the top position of Non-Life business (as against 38.3% in 2002); the Motor class is followed by "Bodily injuries and Health" class (24% as against 27.6% in 2002) and then "Fire and other direct Property Risks" (19% compared to 21% in 2002). The Marine classes account for 11% compared

[1] *Locally registered company: constituted according to Ivorian law notwithstanding the nationality of the shareholders.*

to 6% in 2002 and all the other risks share 6%.

Unlike Non-Life premium which grew by a mere 4.95% over the period 2002-2005, Life business recorded a growth rate of 34.39%, mainly due to:

- The loss of insurable items in Non-Life class following the closure of companies as a result of the crisis;
- The doubling of premiums from endowment funds business over the period due to the emergence of new products, insured persons' greater awareness of the importance of retirement covers as well as Life assurers' use of new channels to distribute their products (banks, savings funds, financial institutions).

Total premium income for 2006 stood at CFA138.04 billion, of which CFA82.49 billion emanated from Non-Life classes and CFA55.55 million from Life business.

2. Other market Features

As at 31st December 2005, claims paid amounted to CFA61,334 million as against CFA68,028 million and CFA54,533 million in 2004 and 2002 respectively (cf. Table 2). Net investment income stood at CFA9,920 million in 2005 and accounted for 7.62% of written premium compared to 7.31% in 2002. The ratio of management expenses (commissions plus general expenses) to written premium stood at 39.79% as against 41.60% in 2002 (cf. Table 3) and remains high compared to the usual acceptable standards, although it is close to the average ratio in the CIMA zone (37.27% in 2004). Overall loss experience stood at 52.48% in 2005 as against 59.66% in 2002 (43.15% for the whole CIMA zone in 2004).

Although the operating result revealed a deficit in 2002, profit was made in 2003, 2004 and 2005 (cf. Table 3). The net balance sheet results also showed deficits in 2002, 2003 and 2004, but posted a profit of CFA10,776 million in 2005 (cf. Table 4).

The whole asset base used to cover regulated liabilities amounted to CFA291,015 million as at 31st December 2005. Included in the assets are securities amounting to CFA122,208 million, made up of government securities (CFA44,988 million), property rights (CFA52,411 million) and bank deposits (CFA79,029 million) (cf. Table 2).

II. CHALLENGES, DIFFICULTIES AND MAJOR DEVELOPMENTS IN THE INSURANCE SECTOR SINCE 2002

The main challenges and difficulties faced by the insurance sector can be summarized as follows:

1. To be able to profitably improve production figures in the different insurance classes in the midst of crisis and in a highly competitive environment.

It will be difficult to develop the Marine class, for instance, with the 1997 law nullifying the compulsory insurance of imported goods with licensed insurance companies operating within the country. Côte d'Ivoire is the only African country that has adopted such a measure, at the instance of lenders. However, in 2007, another law restored the compulsory domiciliation of import cargo insurance.

In the Motor class, the new rates fixed in 2003 by the supervisory authority in conjunction with the industry, based on the criteria determined by the CIMA Code (geographical circulation area, nature and use of vehicle, socio-professional status and kind of the regular driver), have not yet come into effect for the "Public Transport of Passengers and Goods" categories, as some transporters consider the premiums high, and would like to wait for the crisis to end before applying the said rates.

In order to develop Life Assurance, insurers are asking for:

- Tax incentives on insurance savings for both salary earners and companies when subscribing to policies or at maturity;
- A restoration of the practice that up to 50% of investments allocated to covering mathematical reserves may be placed outside the CIMA zone (presently investments must be within the CIMA zone);
- CIMA to accept experience-based mortality tables validated by national markets, as a basis for pricing Life Assurance policies instead of the French table PM 60/64 – PF 60/64;

- The establishment of a single licensing system in order to promote the emergence of regional insurance companies;

2. To be able to pay claims and comply with prudential management ratios, mainly solvency margin, cover rate of regulated liabilities and minimum cash flow ratio in a crisis situation;

It should be noted that as at 31st December 2005, of the 30 companies operating in the market, twenty-two (22) achieved solvency margin as against 16 out of 25 in 2002, Eighteen (18) generally covered their regulated liabilities compared to 16 out of 25 in 2002, Nineteen (19) complied with the minimum cash flow ratio compared to 13 out of 25 in 2002;

The cash flow level of some companies is negatively influenced by the volume of premium arrears, which have been difficult to collect due to the crisis situation. Total Premium arrears as at 31st December 2005 amounted to CFA59,731 million and accounted for 45.9% of written premiums for the year compared to 54% in 2002.

Furthermore, insurers believe that the delays in repayment of some government loans (FNI, RCI, CAA…) have impacted negatively on both their cash flows and the cover ratio of regulated liabilities. However, part of the arrears due was paid in 2006 and 2007, while the balance was securitised.

It should be emphasised that in recent years, Government loans are packaged in such a way as to ensure no delays in repayment.

As a number of companies tend not to settle claims promptly, an important sensitization seminar was organized in May 2006 by the supervisory authority, to which were invited all the major stakeholders (insurers, judges, lawyers, law enforcement agents, bailiffs…). The implementation of the resolutions is in progress and it is hoped that Motor claims would be settled more promptly in the years to come.

It is worth noting that one of the resolutions is on the resources that Government should provide to law enforcement agents and/or insurance companies to ensure that police and accident reports are prepared promptly and submitted to the insurers involved in cases of traffic accidents. While expecting that insurers will come to an agreement to that effect, the Government is planning to provide the agencies in charge of public facilities with some equipment (motorcycles, copiers, computers, office furniture and various materials) in 2008.

During the last quarter of 2007, the supervisory authority organised an important meeting to determine measures to be taken in order to insure market stalls against fire. Participants at the meeting included the supervisory authority, insurers, the Mayors of Abidjan District, architects, fire servicemen, civil protections agents, Department of Urban Planning and traders.

Other developments that can be highlighted for the period 2002-2005 include sale of shares, change in the legal status of companies, permanent supervision, temporary administration and licensing of new companies. Indeed, for reasons of profitability or redirecting of activities towards other parts of the world, four French companies (GROUPAMA VIE, AXA-VIE, LE MANS ASSURANCES INTERNATIONALE IARD, LE MANS ASSURANCES INTERNATIONAL VIE) sold the shares of their subsidiaries to other market operators. As a result, GROUPAMA VIE, Côte d'Ivoire became COLINA AFRICA VIE and AXA VIE became UA VIE, while LE MANS ASSURANCES INTERNATIONAL IARD & VIE are now part of SUNU ASSURANCES group.

As part of their recovery package, Compagnie Nationale d'Assurances (CNA) sealed a merger-acquisition deal with Tisserins Compagnie Assurances (TCA). CNA, which bought over TCA recently, changed its name to AMSA Assurance.

PRELUXCIA VIE (formerly AFRAM VIE) experienced a significant change in its shareholding and has changed its name to LOYALE VIE.

Similarly, seven new insurance companies were licensed between 2002 and 2006, which testifies to investors' confidence in the insurance market despite the crisis.

In order to achieve prudential ratios, five (05) mutual insurance companies opted to convert to public limited companies. Only one of them has not yet completed legal formalities.

Two (02) companies were under permanent supervision before 2002. Over the period 2002 to 2006, the

Regional Insurance Control Commission (CRCA) placed five other companies under the permanent supervision of the Insurance Department, two of them were placed under temporary management in 2007. The temporary management status placed over Mutuelle d'Assurances des Taxis-Compteurs in 2001 was lifted in 2005.

Although it is true that some insurance companies in the market have more or less serious financing needs partly due to the crisis, most of the rest have no major concern in that respect.

During the period 2002-2007, Côte d'Ivoire or CIMA took a number of regulatory and fiscal measures aimed at:

- Encouraging the development of Life and Health insurance
- Promoting Community co-insurance in the CIMA zone
- Fixing appropriate rates for Motor insurance
- Creating new insurance distribution channels (banks, financial institutions, Savings Fund, Micro-Finance Institutions);
- Harmonising, within CIMA member countries, the computation methods for premium cancellation and late claims reserves, so as to avoid conflict between the tax authorities and insurance companies on the level of such reserves.

Therefore:

- The deductibility of premiums paid by the employer to an insurance company as part of terminal benefits contract, adopted through the tax schedule to the 2005 financial law, should promote the growth of Life assurance premiums;
- The Reduction of taxes on health insurance contracts (8% for individual contracts and 3% for group instead of 14.5%) on the basis of the tax schedule to 2006 financial law, is a most popular social action;
- The adoption of Rule N° 0002/CIMA/PCMA/PCE/SG/06 on community co-insurance by the CIMA Council of Ministers in 2006 makes it possible for insurers to retain as many risks as possible within the sub-region before resorting to reinsurance;
- Article 503 of the CIMA Code now allows banks, financial institutions, savings funds and micro-finance institutions to market all sorts of insurance products provided that they comply with certain criteria. Therefore, it creates a synergy between such institutions and insurance companies which enables them to reach out to as many clients as possible. Order N° 389/MDFMEF/DGTCP/ of 8th November 2006 defines the implementation modalities for Article 503 of the CIMA Code, in particular the requisite professional qualification and financial guarantees for micro finance outfits;
- In 2005, discussions between the tax authorities, insurers, Insurance Departments and the General Secretariat of CIMA resulted in the definition of reserve calculating methods for premium cancellation and late claims, which are often the reason for tax adjustments. The calculation methods are laid out in Memorandum n° 00229/CIMA/CRA/PDT/2005 and 00230/CIMA/CRA/PDT/2005;

In addition, Rule N° 0001/CMA/CI/SG/CIMA/2006 on the amendment of CIMA Insurance Code classifies reserves for premium cancellation and late claims as technical reserves.

The tax schedule to the 2008 financial law specifies the tax deductible portions of premium cancellation and late claims reserves. Henceforth, conflict between the tax authorities and insurance companies over such reserves should be minimised.

In order to encourage the growth of Life assurance, the rate of contributions to supervision charges for that class was reduced from 1.25% to 0.6% of written premiums in 2007.

Furthermore, with the adoption of the two proposed orders submitted to the authorities, it should be possible on the one hand, to set up a motor compensation fund, and on the other hand stimulate the development of fidelity guarantee through fair treatment of guarantees issued by banks and insurance companies.

The implementation order for the Ordinance adopted in 2007, which reinstates the localization of the insurance of imported goods, should be concluded in the next few weeks.

On their part, insurers recently initiated a project to introduce a Public Transport Passengers' pool (PTP), which when completed, will contribute to sanitizing the Motor class, as has been the case in Senegal for some years now.

III. POST-CRISIS PROSPECTS

Since the political agreement was signed in Ouagadougou on 4th March 2007, the economic environment has benefited from the peaceful political climate.

Thus, according to the Ministry of Finance, GDP growth should stabilize at 1.5% in 2007 as against 1.2% in 2006. Unlike the previous year's, this growth is sustained by the secondary sector, where business picked up again at 1.5% from a drastic drop to -6.2% in 2006, and the tertiary sector which grew by 2.6% compared to 1.9% in the previous year. The primary sector, comprised of agricultural, food, oil production and others receded in 2007 due to the drop in crude oil production and agricultural exports, mainly cocoa. The above-indicated GDP growth rate is also sustained by an increase in final consumption (3.4%) and private as well as public investments (4.5%). Compared to the previous years, the monetary situation in Côte d'Ivoire was characterized by a growth of 12.2% in the country's net external assets and 4.4% internal credit. This led to increased money supply to the tune of 4.8%.

With regard to public finance, the environment was relatively favourable in 2007 due to the restoration of development partners' confidence and commitment to assist Côte d'Ivoire in the crisis resolution process. As a result, the post-conflict assistance programme (AUPC) was concluded in mid 2007.

For 2008, a budget of CFA2,129 billion was voted in December 2007 for implementation as from 2nd January 2008, in accordance with conventional budgeting, a principle which has not been complied with for several years due to the crisis. The budget increased by 8.6% compared to 2007 and focuses mainly on disarmament, social re-integration, communal rehabilitation, elections, civil service, redeployment of government offices to the Centre-North and Western areas and the re-constitution of a new army. Among others, the budget is based on a cocoa production of 1.3million tons, oil production of 18,500,000 barrels as against 13,211,526 barrels in 2007, increased rubber, banana and cashew nut production, higher tax revenues and a growth rate of 2.9% compared to 1.5% in 2007.

The growth rate itself is sustained by improved exports to the tune of 2.8% due to a strong external demand.

The successful completion of the post conflict assistance programme should enable Côte d'Ivoire receive no less than US$400 million in loans and aids financed by the IMF, World Bank and the European Union. Furthermore, the country would be eligible for poverty reduction and growth facility (PRGF), and ultimately benefit from the HIPC initiative.

It should be noted that Côte d'Ivoire's total outstanding public debt (excluding arrears) was estimated at CFA5,178.1 billion as at 2007 year end, including CFA4,291.3 billion on account of external debt and CFA886.8 billion representing internal debt (amounts due to economic players and suppliers).

Public debt arrears for the same period was CFA2,568.4 billion, of which CFA2,166.6 billion was in respect of external debt and CFA402.8 billion for internal debts.

For the 2008 budget, a total of CFA555.9 billion is devoted to debt servicing, with CFA161.5 billion for internal debt and CFA374.4 billion to meet external debt obligations.

The following table captures written premium in Côte d'Ivoire and CIMA zone from 1995 to 2005:

	WRITTEN PREMIUMS (in millions of CFA)					
	Côte d'Ivoire			CIMA		
	LIFE	NON-LIFE	TOTAL	LIFE	NON-LIFE	TOTAL
1995	18,553	63,747	82,300	46,922	181,789	228,711
1996	21,613	69,153	90,766	50,447	195,850	246,297
1997*	26,498	59,930	86,428	51,244	181,655	232,869
1998	30,990	73,185	104,175	55,350	210,853	266,203
1999	34,246	78,774	113,020	63,507	218,648	282,155
2000	33,316	77,451	110,767	61,743	236,514	288,257
2001	35,121	76,029	111,150	67,489	261,836	329,325
2002	37,909	75,439	113,348	71,356	301,625	372,981
2003	38,407	76,654	115,061	75,294	324,522	399,960
2004	45,054	79,068	122,068	86,492	330,505	416,997
2005	50,946	79,174	130,120	98,315	341,060	439,375
As a % of the total	39.15 %	60.85 %	100 %	22.38 %	77.62 %	100 %

From the table, it can be observed that Non-Life premiums in Côte d'Ivoire stagnated from 2000 (as a result of the December 1999 crisis when a coup d'état toppled the serving government), whereas they continued to increase in the CIMA zone. The average growth rate in that market (excluding Côte d'Ivoire) over the period 2002-2005 stood at about 5%.

On the contrary, Life premium in Côte d'Ivoire grew normally despite the crisis and accounted for 51.8% of total CIMA Life business production in 2005, with a growth rate of 9% between 2005 and 2006 compared to 13% between 2004 and 2005 (the 13% rate being mostly due to terminal benefit policies).

Assuming the crisis finally ends, with the combined effects of poverty reduction and the above-mentioned tax incentive measures, Life business should grow at an annual rate of at least 12% over the next three years (2009-2010-2011).

As regards the Non-Life classes, almost all the motor vehicles and other goods from the Centre-North of the country are not insured, except transport vehicles going to the Southern part of the country. It goes without saying that the reunification of the country, settlement of a part of the internal debts and the expected return of investors to the country, will result in increased insurable interest. Furthermore, several projects are planned for 2008 and beyond, namely:

**The drop observed in 1997 resulted as insured companies aligned their financial year with the calendar year (Côte d'Ivoire and CIMA).*

- The extension of the North bound motor way to Yamoussoukro and then Bouaké;
- The continuation of infrastructural constructions to effectively transfer the political capital to Yamoussoukro;
- The construction of the 3rd bridge which will link Marcory and Riviera Golf areas;
- The construction of a free trade zone aimed at promoting the development of NICT;
- The rehabilitation of Abidjan/Bassam expressway; Etc.

The well organized and vigilant Ivorian insurers will be able to make profit by insuring risks related to such projects, which are valued at several hundred billions CFA.

For the Motor class, the new tariffs for "Public Transportation of Passengers" and "Public Transportation of goods" categories should come into force at the end of the crisis.

For the Marine class, the law restoring the localization of insurance for imported goods will provide its full advantages.

The end of the crisis will definitely have a positive impact on written premiums in all Non-Life classes, the annual growth rate of which, with the restored dynamism of the Ivorian economy and the effects of catching up, should be higher than the 4.2% recorded between

2005 and 2006, to stand at not less than 10%, which is slightly higher than the pre-crisis rates of 8% and 7.6% achieved between 1995 and 1996 and 1998 and 1999, respectively.

Therefore, the following production forecasts can be made for Côte d'Ivoire:

(In CFA million)

	2005	**2006**	**2007[1]**	**2008 [2]**	**2009**	**2010**	**2011**
LIFE	50,946	55,554	60,554	66,004	75,924	85,035	95,239
NON-LIFE	79,174	82,488	85,952	89,562	98,518	108,370	119,207
TOTAL	130,120	138,042	146,506	155,566	174,442	193,405	214,446

In addition to the expected growth in production, the general improvement of the business environment should enable insurance executives to better monitor the prudential management ratios of the most solvent companies, which are capable of fulfilling their primary mission, i.e. prompt payment of claims.

Insurers themselves have a duty not to kill the glimmer of hope for a healthy development of the insurance sector by tariff war, more so as, in addition to the 32 companies operating on the Ivorian market, five others have applied for licence.

CONCLUSION

To some extent, the insurance sector was able to withstand the crisis, which has been on for 5 years and is fortunately coming to an end. Contrary to all expectations, whereas insurance services were not provided on a large part of the country, the overall market production figure has consistently recorded a slight increase.

This can be explained by the fact that most investments and production tools are found in the southern part of the country and were not subjected to major damage during the crisis. Furthermore, many people in the Centre-North, mainly salary earners, moved down to the South and most of them did not terminate their Life assurance contracts.

The expected end of the crisis in 2008, along with the promising prospects of the Ivorian economy, should reviltalise the financial sector in general and the insurance sector in particular, and hopefully impact positively on the economies of countries in the sub-region as well as CIMA insurance and reinsurance companies.

(1) *and* **(2)** *the 2007 & 2008 production figures were estimated using the growth rate observed between 2005 and 2006*

Table 1: Evolution of written and ceded premiums from 2001 to 2005

In FCFA million

	1. Non-Life companies										
	2001		2002		2003		2004		2005		2006*
	Written premium	Ceded premium	Written premium	Ceded premium	Written premium	Ceded premium	Written premium	Ceded premium	Written premium	Ceded premium	Written premium
Bodily Injury & Health	**21 692**	**801**	**20 874**	**1 008**	**21 284**	**419**	**19 164**	**578**	**19 071**	**651**	
Motor Liabilities	19 106	1 143	18 039	880	19 772	765	21 185	715	21 923	835	
Other Motor risks	11 186	332	10 875	272	9 841	432	9 281	389	9 651	438	
Total Motor	**30 292**	**1 475**	**28 914**	**1 152**	**29 613**	**1 197**	**30 466**	**1 104**	**31 574**	**1 273**	
Fire and other property damages	**13 673**	**8 437**	**15 950**	**9 631**	**14 905**	**11 036**	**13 804**	**10 081**	**14 948**	**11 013**	
General liabilities	**3 016**	**814**	**3 557**	**1 297**	**2 814**	**1 238**	**3 200**	**1 382**	**4 108**	**1 511**	
Air transport	255	84	535	300	643	472	2 502	1 867	2 042	1 442	
Marine transport	4 799	2 767	3 881	2 381	5 712	4 893	5 903	4 940	5 436	4 555	
Other transport	463	92	418	211	467	87	291	112	666	115	
Total transport	**5 517**	**2 943**	**4 834**	**2 892**	**6 822**	**5 452**	**8 696**	**6 919**	**8 144**	**6 112**	
Other property risks	**824**	**843**	**1 022**	**827**	**1 021**	**845**	**1 392**	**765**	**1 223**	**489**	
TOTAL DIRECT NON-LIFE RISKS	75 014	15 313	75 151	16 807	76 459	20 187	76 722	20 829	79 068	21 049	
Non-Life acceptances	**1 016**	**-21**	**288**	**0**	**196**	**0**	**292**	**0**	**106**	**0**	
TOTAL NON-LIFE BUSINESS	76 030	15 292	75 439	16 807	76 655	20 187	77 014	20 829	79 174	21 049	82 498

2. Life Companies

	2001		2002		2003		2004		2005		2006
	Written premium	Ceded premium	Written premium	Ceded premium	Written premium	Ceded premium	Written premium	Ceded premium	Written premium	Ceded premium	Written premium
Ordinary class	17 022	52	17 847	150	10 500	48	8 484	297	13 212	419	
Collective	8 151	355	8 631	302	5 098	365	8 690	182	11 897	264	
Additional	5	0	46	0	9	0	18	0	125	0	
Other Life risks	38	11	36	28	62	0	162	26	181	17	
Endowments	9 812	0	11 237	0	22 626	12	27 570		25 298	5	
TOTAL DIRECT LIFE RISKS	35 028	418	37 797	480	38 295	425	44 924	505	50 713	705	
Life acceptances	92		114		112		131	93	233	135	
TOTAL LIFE BUSINESS	35 120	418	37 911	480	38 407	425	45 055	598	50 946	840	55 554

* The 2006 production figures are provisional

3. All the companies

	2001		2002		2003		2004		2005		2006
	Written premiums	Ceded premiums	Writte premiums	Ceded premiums	Written premiums	Ceded premiums	Written premiums	Ceded premiums	Written premiums	Ceded premiums	Written premiums
TOTAL NON-LIFE BUSINESS	76 030	15 292	75 439	16 807	76 655	20 187	77 014	20 829	79 174	21 049	
TOTAL LIFE BUSINESS	35 120	418	37 911	480	38 407	425	45 055	598	50 946	840	
GRAND TOTAL	**111 150**	**15 710**	**113 350**	**17 287**	**115 062**	**20 612**	**122 069**	**21 427**	**130 120**	**21 889**	**138 042**

Table 2: Summary of Data on the Ivorian market from 2001 to 2005

In FCFA million

		2001	2002	2003	2004	2005
Net written premiums (production figure)	Non-Life classes	76 029	75 439	76 654	77 014	79 174
	Life classes	35 121	37 909	38 407	45 054	50 946
	Total	111 150	113 348	115 061	122 068	130 120
Net investment income (1)	Non-Life classes	4 079	3 246	961	2 211	3 475
	Life classes	4 420	5 043	6 093	4 555	6 288
	Total	8 499	8 289	7 054	6 766	9 763
Commissions received from reinsurers	Non-Life classes	3 317	3 126	3 090	3 605	3 513
	Life classes	47	52	82	53	119
	Total	3 364	3 178	3 172	3 658	3 632
Benefits	Claims paid (Non-Life)	35 976	35 361	33 911	35 045	36 093
	Non-Life benefits	33 337	33 369	31 495	32 971	32 727
	Life benefits	20 408	21 164	26 476	30 057	28 607
	Including buy-backs	9 689	13 151	17 469	17 994	16 297
	Total	53 745	54 533	57 971	63 028	61 334
Premiums ceded to reinsurers	Non-Life classes	15 291	16 806	20 187	20 828	21 048
	Life classes	418	480	426	599	840
	Total	15 709	17 286	20 613	21 427	21 888
Other net charges (4)	Non-Life classes	28 752	25 994	29 773	26 602	26 637
	Life classes	8 839	8 783	9 140	10 576	10 303
	Total	37 591	34 777	38 913	37 178	36 940
Commissions	Non-Life classes	9 871	9 913	9 162	9 503	10 806
	Life classes	1 445	1 965	1 845	2 477	3 311
	Total	11 316	11 878	11 007	11 980	14 117
Regulated liabilities	Reserve for Unexpired Risks (Non-Life classes)	7 456	7 188	6 864	7 351	9 732
	Reserve for Outstanding Losses (Life classes)	100 758	104 155	93 632	88 612	84 961
	Mathematical Reserve (Life classes)	105 135	119 423	127 639	139 429	156 968
	Other liabilities (5)	20 426	16 049	23 201	29 200	29 165
	Total	233 775	246 815	251 336	264 592	280 826
Cumulated investments (Life and Non-Life companies)	Securities	92 947	98 986	112 837	114 518	122 208
	Property rights (6)	66 055	62 575	67 625	49 998	52 411
	Deposits in financial institutions (7)	60 251	74 241	63 989	67 530	79 030
	Total	219 253	235 802	244 451	232 046	253 649
Number of Companies	Non-Life classes	15	15	15	16	20
	Life classes	10	10	10	10	10
	Total	25	25	25	26	30

Notes

(1) Amount of investment income net of investment charges for Life companies, less the interest earned on reserves for profit-sharing and interests credited to mathematical reserves net of cessions.

(2) Claims paid net of recoveries.

(3) All matured benefits.

(4) "Other charges" included in the general operating account, less ancillary products and transactions done by the companies for themselves.

(5) In addition to the « Other liabilities » of Life and Non-Life companies, Reserve for unexpired Risks and Reserve for outstanding losses of Life companies, mathematical reserves of Non-Life companies on the one hand, and on the other hand, the other technical reserves of Life and Non-Life companies have also been included in this section.

(6) Excluding (securities, collaterals and others)

* Up till 2003, buildings were registered at completion value. From 2004, such assets are retained at their insurance value, which mainly justifies the significant drop from 2003 to 2004.

(7) These are companies that filed returns; the number of companies does not take into account those that did not close their financial accounts as at 31 December of the year of inventory

Table 3: Comparative analysis of the Ivorian and CIMA markets between 2001 and 2005

In FCFA million

	1. WRITTEN PREMIUMS											
	Côte d'Ivoire						CIMA					
	LIFE		NON-LIFE		TOTAL		LIFE		NON-LIFE		TOTAL	
	Amount	% Total	Amount	% Total	Amount	% Total	Amount	% Total	Amount	% Total	Amount	% Total
2001	35 121	31.60	76 029	68.40	111 150	100.00	67 489	20.49	261 836	79.51	329 325	100.00
2002	37 909	33.44	75 439	66.56	113 348	100.00	71 356	19.13	301 625	80.87	372 981	100.00
2003	38 407	33.38	76 654	66.62	115 061	100.00	75 294	18.83	324 522	81.17	399 816	100.00
2004	45 954	37.37	77 014	62.63	122 968	100.00	86 492	20.74	330 505	79.26	416 997	100.00
2005	50 946	39.15	79 174	60.85	130 120	100.00	98 315	22.24	343 797	77.76	442 112	100.00

	2. CLAIMS EXPENSES											
	Côte d'Ivoire						CIMA					
	LIFE		NON-LIFE		TOTAL		LIFE		NON-LIFE		TOTAL	
	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums
2001	28 138	80.12	29 403	38.67	57 541	51.77	48 177	71.38	125 461	47.92	173 638	52.73
2002	30 270	79.85	37 353	49.51	67 623	59.66	56 864	79.69	128 966	42.76	185 830	49.82
2003	29 376	76.49	20 772	27.10	50 148	43.58	59 570	79.12	112 295	34.60	171 865	42.99
2004	37 298	81.16	24 546	31.87	61 844	50.29	68 376	79.05	111 561	33.75	179 937	43.15
2005	39 050	76.65	29 231	36.92	68 281	52.48	77 132	78.45	126 304	36.74	203 436	46.01

	3. GENERAL EXPENSES											In FCFA million
	Côte d'Ivoire						CIMA					
	LIFE		NON-LIFE		TOTAL		LIFE		NON-LIFE		TOTAL	
	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums
2001	8 839	25,17	28 752	37,82	37 591	33,82	16 675	24,71	73 968	28,25	90 643	27,52
2002	8 846	23,33	26 427	35,03	35 273	31,12	17 798	24,94	79 190	26,25	96 988	26,00
2003	9 149	23,82	30 148	39,33	39 297	34,15	19 968	26,52	89 741	27,65	109 709	27,44
2004	10 906	23,73	26 926	34,96	37 832	30,77	20 986	24,26	88 702	26,84	109 688	26,30
2005	10 387	20,39	27 266	34,44	37 653	28,94	23 075	23,47	98 240	28,58	121 315	27,44

	4. COMMISSIONS											
	Côte d'Ivoire						CIMA					
	LIFE		NON-LIFE		TOTAL		LIFE		NON-LIFE		TOTAL	
	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums
2001	1 445	4.11	9 871	12.98	11 316	10.18	3 185	4.72	31 142	11.89	34 327	10.42
2002	1 965	5.18	9 913	13.14	11 878	10.48	4 041	5.66	36 895	12.23	40 936	10.98
2003	1 845	4.80	9 162	11.95	11 007	9.57	4 342	5.77	38 174	11.76	42 516	10.63
2004	2 477	5.39	9 503	12.34	11 980	9.74	4 896	5.66	40 851	12.36	45 747	10.97
2005	3 311	6.50	10 806	13.65	14 117	10.85	6 267	6.37	44 032	12.81	50 299	11.38

	5. COMMISSIONS & GENERAL EXPENSES											In FCFA million
	Côte d'Ivoire						CIMA					
	LIFE		NON-LIFE		TOTAL		LIFE		NON-LIFE		TOTAL	
	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums
2001	10 284	29.28	38 623	50.80	48 907	44.00	19 860	29.43	105 110	40.14	124 970	37.95
2002	10 811	28.52	36 340	48.17	47 151	41.60	21 839	30.61	116 085	38.49	137 924	36.98
2003	10 994	28.62	39 310	51.28	50 304	43.72	24 310	32.29	127 915	39.42	152 225	38.07
2004	13 383	29.12	36 429	47.30	49 812	40.51	25 882	29.92	129 553	39.20	155 435	37.27
2005	13 698	26.89	38 072	48.09	51 770	39.79	29 342	29.84	142 272	41.38	171 614	38.82

	6. UNDERWRITING RESULTS NET OF REINSURANCE											
	Côte d'Ivoire						CIMA					
	LIFE		NON-LIFE		TOTAL		LIFE		NON-LIFE		TOTAL	
	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums	Amount	% of written premiums
2001	1 226	3.49	3 324	4.37	4 550	4.09	6 521	9.66	1 895	0.72	8 416	2.56
2002	1 917	5.06	-7 365	-9.76	-5 448	-4.81	1 975	2.77	11 509	3.82	13 484	3.62
2003	4 063	10.58	1 802	2.35	5 865	5.10	647	0.86	20 897	6.44	21 544	5.39
2004	-949	-2.07	5 691	7.39	4 742	3.86	831	0.96	28 909	8.75	29 740	7.13
2005	4 142	8.13	5 046	6.37	9 188	7.06	7 288	7.41	28 801	8.38	36 089	8.16

Table 4: Summary of the balance sheet of insurance companies of CIMA between 2001 and 2005

In FCFA million

	All companies				
ASSETS					
	2001	**2002**	**2003**	**2004**	**2005**
Fixed assets	160 150	169 656	185 588	189 892	194 844
Reinsurers' share of technical prov.	23 498	20 322	18 896	19 876	22 327
Debts/Agents and insured	57 063	61 237	55 962	56 783	59 648
Liquidity	73 491	76 668	65 879	73 089	56 691
Others	47 595	46 629	43 163	42 884	73 219
Losses	0	2661	2011	4823	0
Total assets	361 797	377 173	371 499	387 347	406 729
LIABILITIES					
	2001	**2002**	**2003**	**2004**	**2005**
Shareholders' Funds	42 965	42 412	39 327	34 857	29 675
Debts to LMT	19 918	19 600	16 312	24 548	24 397
Technical Reserves	226 139	245 271	248 656	255 771	268 280
Other debts	65 254	68 638	67 204	72 171	73 601
Profits	7 520	1 250	0	0	10.776
Total liabilities	361 796	377 171	371 499	387 347	406 729

ANGLOPHONE WEST AFRICA

1. Major Losses

Nigeria

Shell Petroleum Development of Nigeria/Eastern Gas Gathering System (EGGS), Pipelinebuckle following river bed slip along New Calabar River Bille/krakama Creek, River

Estimated Loss: US$14.5 million.

2. Executive Appointment

Nigeria

Mr. Fola Daniel has been appointed and confirmed as the Commissioner of Insurance.

3. Others

The recapitalisation exercise in Nigeria has been completed. 48 insurance companies were recertified, while one reinsurance company received approval.

THE MAGHREB REGION

1. New Companies/Privatisation & Acquisitions

Libya

- A new private (Takaful) company was established in May 2007 and started business operations in October 2007;
- Libya Insurance Company was fully privatized in 2007 and Mr. Mokhtar Daerah has been re-appointed as the Chairman of LIC in January 2008.

Algeria

Emerging Markets Partnership (EMP Africa) took over control of "Général Assurance Méditerranéenne" with effect from 12/08/2007 having acquired the shares of the previous owners.

2. Appointments

Libya

- Mr. Mokhtar Daerah was re-appointed as the Chairman of LIC in January 2008.
- Mr. Mohamed R. Mejrab, former Vice President (Reinsurance) has been appointed as the Deputy Chief Executive of Sahara Insurance Company.

3. Legislation

Morocco

The 5% compulsory cession on Health and Credit insurance was abolished with effect from 01/01/2007.

Tunisia

The law transferring Health Insurance Portfolio to the National Social Security Fund was promulgated in 2007 to take effect from 01/07/2008.

4. Major Losses

Morocco

- A major flood loss occurred on 17/10/2007 and affected the Management risk jointly insured by Axa – Maroc and Wafaassurance to the tune of 70% and 30% respectively. Provisional estimate for total loss stood at DH70 000 000 i.e. US$8.5 million.
- The Provisional estimate for the Dolidol Fire loss of 24/09/2007 stood at DH39 000 000 i.e. US$5 million.

NORTH EAST AFRICA

1. New Companies

Egypt

The Egyptian Government has established a new Holding company, the Holding Insurance Company, to run the four Government owned companies, Mr. Mahmoud Abdallah has been appointed as the Chairman and Chief Executive Officer of the new entity.

2. New Legislation

The Egyptian Insurance Supervisory Authority has submitted two draft laws to the Egyptian Parliament for approval: a draft law to organise the broking industry in Egypt as well as a draft law to put a maximum limit for the compulsory motor insurance liability.

3. Others

Sudan
A new Executive committee has been elected by the Sudanese Insurance Federation

THE INDIAN OCEAN ISLANDS

1. Company Liquidation

Mauritius
In December 2007, Rainbow Insurance Co Ltd was placed under liquidation by the FSC but the decision is being contested by Rainbow.

2. Legislation/Insurance Regulation

Seychelles

- The insurance industry is now regulated by a newly established body namely The Non Banking Financial Services Authority.

Mauritius

- The Insurance (Amended) Act 2007 took effect from 28th September 2007.

3. Others

Madagascar and Mauritius witnessed the passage of several cyclones although no significant insurance loss was recorded.

Madagascar
General Elections were held peacefully in September 2007 with the incumbent President retaining his post.

EAST AND SOUTHERN AFRICA

1. New Companies

Ethiopia
Lion Insurance Company SC started operation in the middle of 2007 as the latest entrant into the Ethiopian market and the General Manager is Mr. Haddush Hintsay.

Uganda
Liberty Life of South Africa opened offices in Uganda in 2007 after buying the Life business for East Africa Underwriters Ltd. The new company is called Life Assurance Uganda Ltd. The General Manager is Mr. J. Almeida, who was the Life Manager at East Africa Underwriters Ltd.

2. Appointments

Kenya

Kenya Re
Mrs. Eunice Mbogo was appointed as The Managing Director of Kenya Re in 2007. Also Kenya Re became the only reinsurer to be listed on the Nairobi Stock Exchange. The IPO was very successful and a total of 40% of the Company's shares have now been divested to the public and 60% remains with the Government of Kenya.

Gateway Insurance

Effective from July 2007, Mr. Godfrey Karuri, the former CEO, has been appointed as non-executive Chairman of Gateway Insurance and Mr. Obuya, erstwhile Deputy Managing Director, is now the new Managing Director.

Burundi

SOCABU: Honorable Onésime Nduwimana has been appointed as CEO of Socabu in April 2007.

Insurance Regulatory Authority: Mr. Eloi Rugenerinyange has been appointed as the Director of the Insurance Regulatory Authority.

Tanzania

Tanzania National Reinsurance Co. Ltd: Mr. Steven Oluoch was appointed as Managing Director in early 2007.

3. Legislation

Kenya

The Insurance Act

1. Paid up Capital for insurance companies increased by 200% from 1st July 2007 for new companies. Existing companies have three years to comply.

   Under the new requirements, companies writing short term business should have Ksh300 million (US$4.3 million) Paid-up Capital and Ksh150 million (US$2.15 million) for long term insurance. Paid up Capital for composite companies is Ksh450m (US$ 6.45 million).

2. The Insurance Regulatory Authority came into operation on 1st May 2007. The acting CEO of the Authority is Mr. Sammy Makove who was the immediate former Commissioner of Insurance.

3. All classes of Insurance are now on "cash and carry" basis.

New Labour Laws

1. The Employment Act, 2007: Among the key highlights, the Act bars discrimination in employment policy or practice on grounds of religion, political affiliation, race, colour, sex or other opinion, nationality, ethnic, social origin, pregnancy, mental status/disability of any kind or HIV status. It introduces paternity leave for fourteen days and maternity leave for three months without forfeiting annual leave. Employers who dismiss employees are required to give the labour officer a written report within seven days, giving reasons for such dismissal.

2. The Work Injury Benefits Act, 2007: The new Act repeals the existing WCA Act and makes it compulsory for all employers to insure employees. The Act also seeks to bar claims under common law.
   - No limit on the amount of earnings of an employee, which was restricted to Kshs400,000 p.a. under the previous Act.
   - Compensation structured on basis of 96 month's earnings, against 60 months specified by the previous Act.
   - All employers are required to register details of their business with a director of work injury benefits and to keep records of their employees for up to six years.
   - Employees have a limitation period of up to twelve months to report injuries to employers who then have to report to the director within seven days.
   - Employers are required to meet all medical expenses incurred relating to benefits under the Act.

4. Major Losses

Kenya

a) Fire Damage to Africa Safari Club/Watamu Beach Hotel (Has Makuti roofing). DOL 28/08/2007. Loss amount US$2.3 million.

b) Fire Damage to Bamburi Cement Factory. DOL 02/10/2007. Estimated Loss amount US$35 - US$40 million. The major loss is on business interruption.

c) Marine Cargo Loss following a road accident on 07/10/2007 that damaged a printing machinery belonging to Standard Group Ltd. Settled Loss Amount US$1.2 million.

Malawi

Fire Damage to one of Celtel's Electronic equipment on 03/03/2007. The current Loss estimate is US$12 million (US$4 million for Material Damage and US$8 million for Business Interruption).

Tanzania

A fire damage in 2007 to one of the Key resort Hotels in Dar-es-Salaam by the name of Hotel Sea Cliff. Date of loss 22/09/2007. Estimated Loss Amount US$8 million.

Eritrea

On 23/06/2007, a ship named "MV Denden" belonging to Eritrean Shipping Liner capsized off the New Mangalore Port, India following adverse weather conditions that caused the dragging of the vessel's anchors and the subsequent grounding and capsizing. The vessel had anchored having developed some engine problems. The ship became a total loss and settled amount totals to US$1 million.

AFRICA RE MANAGERIAL STAFF

HEADQUARTERS

Executive Management	Group Managing Director / CEO Deputy Managing Director, Operations Deputy Managing Director, Services	Bakary KAMARA Haile M. KUMSA Ganiyu MUSA
Secretariat	Corporation Secretary	Mamadou DIALLO
	Deputy Director, Secretariat & Languages	Sunday UDOH
Administration	Director of Administration & Human Resources	Muhammed ALI-KOTE
Finance & Accounts	Assistant Director, Finance & Accounts Assistant Director, Treasury & Investment	Silifat AKINWALE George AMOAKO-TEMENG
Information Technology	Assistant Director	Gabriel OPADOKUN
Technical Operations	Director, Central Operations and Inspection	Alain G. RAVOAJA
	Director, West Africa and Special Risks	K. AGHOGHOVBIA
Internal Audit	Director of Internal Audit	Ike O. UDUMA

REGIONAL OFFICES

Casablanca	Regional Director Assistant Director, Finance & Accounts Deputy Directors, Underwriting & Marketing	Mohammed KANNOU Ousmane SARR Mohammed BELAZIZ Fuad ELGDERI
Nairobi	Regional Director Assistant Director, Operations Assistant Director, Finance & Accounts Assistant Director, Internal Audit	George OTIENO Shimelis BELAY Ibrahim A. IBISOMI Sere Mady KABA
Abidjan	Regional Director Deputy Regional Director Assistant Director, Finance & Accounts Assistant Director, Information Technology	M. HAIDARA Patrick N'GUESSAN Assemian O. ASSEMIAN M. KANTE
Mauritius	Regional Director Assistant Director, Finance & Accounts	Ms. E. AMADIUME Eshan GAFFAR
Cairo	Regional Director Regional Accountant	Omar A. H. GOUDA Austine IKHEKUA

SUBSIDIARY

South Africa	Managing Director Acting Deputy Managing Director General Manager, Finance & Accounts	Paul RAY Daryl De VOS Godfrey WAWERU

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