Africa Re News

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CELEBRATING 45 YEARS OF EXCELLENCE

STRONG & LOOKING AHEAD

GMD/CEO's Message

[February 1976 – February 2021]
45 Years of Belief and Focus on the Capacity of Africa

Dr. Corneille Karekezi

Dear Readers,

As we celebrate our 45th Anniversary (Sapphire) this year, I hereby, on behalf of the Board of Directors and the entire Staff of Africa Re, express our sincere gratitude to all our stakeholders – notably, the African States, the African insurance and reinsurance companies, the African Development Bank (AfDB) and our successive foreign partners over the years. Their precious support has been instrumental to what we have been able to achieve thus far: the leading reinsurer in Africa and the Middle East, the first and only African reinsurer to rank among the top 50 reinsurance groups in the world, the best rated reinsurance company based in Africa with our "A" and "A-" by AM Best and Standard & Poor's, respectively.

The journey has not been easy. There has been a tough social, political and economic environment, as well as stiff competition at every juncture , from both local and international reinsurers. But the Corporation has always been able to sail through and achieve succes, thanks to our core values of Integrity, Professionalism, Creativity and Passion for Excellence.

Our founding fathers had a genius idea. In 1973 already, the Heads of State and Government, members of the then Organization of African Unity (OAU), had adopted in their Action Plan for Economic Development, the establishment of a continent-wide insurance and reinsurance company as a way of resource mobilization for development.

Today, I can say that the vision has been carried out successfully. In our 45 years of existence, Africa Re has written and retained a cumulative premium in excess of US$ 11.35 billion. That sum could otherwise

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have left the continent. The Corporation has been consistently profitable since inception, accumulating a total profit in excess of US$ 1.16 billion since 1977.

We have been giving valuable technical support to our cedants, thus enabling them to confidently write business at the national or regional levels. Thousands of insurance professionals in the continent have benefited from this support.

In days like this, we also thank our successive foreign partners. Their partnership with us is a testimony to the fact that we are truly of international standard. This is also part of the mission. We appreciate their collaboration.

But there is still work ahead. Challenges keep coming every day. The current Covid-19 pandemic is one of them. As it affects the African populations, it also affects the very reason why we have been established as a Corporation. That is why we have decided to move even closer to our communities in this unprecedented challenging time.

I seize this opportunity to also thank all the participants of our last edition of the African Insurance Awards. We didn't want Covid-19 to stop an initiative that has become a traditional rendez-vous for the industry. That is why we went ahead and organized it virtually. It turned out to be a very successful edition with over 1,200 participants from all over the world. I say a big "congratulations!" to all the winners, namely Valentine Ojuma of FBN Insurance of Nigeria, Pula of Kenya, Mauritius Union Assurance of Mauritius and Alpha Direct Insurance Company of Botswana. Thank you also for accepting to share your experience in this edition of Africa Re News.

In this edition you will also read an exclusive interview with Mr. Godfrey Kiptum, the CEO of the Kenyan Insurance Regulatory Authority.

I also hereby thank Mr. Andy Tennick, Managing Director of Africa Re South Africa, for his insightful article, "Covid-19 & Business Interruption Insurance" in this edition.

Thank you!

Dr. Corneille Karekezi
Group MD/CEO

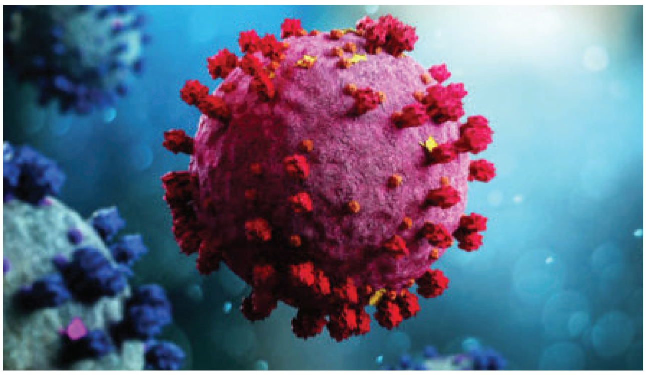
COVID-19 and Business Interruption Insurance in South Africa

by **Mr Andy Tennick,,**
Managing Director of ARCSA (Subsidiary of Africa Re)

1. Background

It is said that humans will face a pandemic crisis every 100 years and now, after the Spanish flu pandemic of 1918, the world is experiencing another pandemic crisis known as the COVID-19 pandemic. This virus was first identified in 2019 in a Chinese city called Wuhan and quickly spread across the world. To curb the spread of the virus, all nations implemented various strategies and measures that they deemed fit, with travel restrictions and hard lockdown being common across most countries.

On 5 March 2020 the South African Minister of Health confirmed the first COVID-19 case in South Africa and the first death was reported on 27 March 2020. On 15



March the President of South Africa declared a national state of disaster and certain measures and travel restrictions were implemented. On 23 March a national lockdown was announced, starting on 27 March 2020. On 1 May 2020 a gradual and phased easing of the lockdown restrictions began. On 1 June 2020 the national restrictions were lowered to level 3 on a 5-level scale and on 17 August 2020 to level 2.

In December 2020 the country experienced a second wave of COVID-19 infections and the lockdown was then adjusted back to level 3 with revised conditions. The crisis and the subsequent lockdowns imposed by the government affected the economy and the insurance industry received claims under travel insurance policies, cancellation of bookings claims under hospitality policies and business interruption claims from all business sectors under the contingent business interruption sections of property policies. This article discusses the issues surrounding the latter category of claims. The initial exposure for the insurance industry was expected to be minor as the majority of these claims were rejected on the grounds that most policies required that there was physical damage in order for the business interruption section to respond, whereas the COVID-19 virus did not cause that. In addition, where policies did provide pandemic cover, the intention of the policy was to provide cover for an interruption to a business caused by an infectious disease at the premises or within a specific radius of the business and not to provide cover for losses caused by a lockdown.

2. Policy Coverage

There were numerous different policy wordings in the market that contained an extension to the business interruption section of property policies that granted cover for infectious/contagious disease that caused an interruption to a business due to an infection at the premises or within a specified radius of the premises. The general interpretation by the insurance industry was that the infectious/contagious disease extension applied only where the loss of income was due to the business being interrupted because of localised infections and not because of the lockdown introduced

by the Government. In short, as far as insurers were concerned, there was no connection/causation between the business interruption and the lockdown. This approach was challenged mainly through the following four significant litigations regarding the coverage under contingent business interruption policies (three from South African courts), namely:

2.1 Café Chameleon vs Guardrisk Insurance

This case was heard by the Western Cape High Court which found that:

- The insured peril is the combination of Covid-19 generally and the government response to it (including the lockdown).
- It is a trigger requirement that there has been a local occurrence in the radius or vicinity, but the insured does not have to establish that the local occurrence itself caused the interruption.

The Supreme Court of Appeal in a judgement handed down on 18 December 2020 confirmed the Western Cape High Court's decision that the Guardrisk CBI insurance policy indemnifies the insured for the loss suffered due to the lockdown and dismissed the appeal.

2.2 Ma-Afrika Hotel and The Stellenbosch Kitchen vs Santam Ltd

The court found in favour of the Insured and concluded that Covid-19 and government response to Covid-19 were inseparably part of the same insured peril.
It was accordingly concluded that the national response to the Covid-19 disease that has a local occurrence is sufficient to satisfy the policy requirements.

There were numerous different policy wordings in the market that contained an extension to the business interruption section of property policies that granted cover for infectious/contagious disease that caused an interruption to a business due to an infection at the premises or within a specified radius of the premises

In summary, in the words of Santam, "...the Ma-Afrika judgment by the High Court resolved that there is cover for business interruption losses caused by Covid-19 itself and generally by the national lockdown and related restrictions imposed by government in response to the pandemic, provided there was an occurrence of Covid-19 infection within the designated radius of the insured premises.... The Supreme Court of Appeal decision in the Café Chameleon court case confirmed that approach".

Some elements of the Santam case judgement are being appealed by Santam, the most significant one being the lower court's decision that the indemnity period of the cover be for the full indemnity period of the Business Interruption section (18 months) even though the policy wording contained a limited period of indemnity (3 months) under the infectious disease extension. The latter judgement was made due to poor contract construction that the court interpreted in favour of the insured.

2.3 Financial Conduct Authority v Arch Insurance (UK) Ltd

On 15 January the Supreme Court in England handed down the following judgement.

The Court upheld the argument that the interruption of an insured's business must have been caused by a local outbreak of Covid-19, but finding that causation is satisfied in circumstances in which the lockdown or other government restrictions were imposed in response to the widespread emergence of the disease; and making clear that claims did not fall to be rejected or reduced on account of the fact that even if the disease had not occurred locally it would still have occurred elsewhere.

2.4 Interfax vs Old Mutual

The Western Cape High Court found in favour of the insured on a similar basis as the Ma-Afrika and Café Chameleon cases.

It is therefore safe to say that the trend of decisions, both locally and abroad, consistently reflects that it is sufficient for the policy to respond if the government action was a response to the disease in general, including the imposition of lockdown nationally, provided there has been a local outbreak. It is very unlikely that a subsequent decision by any court will reverse this position.

3. Implications for the South African Insurance Industry

The interpretations of the South African courts regarding coverage provided by insurance policies for Contingent Business Interruption are not aligned with the coverage intended by the majority of Insurers and the focus this brings to the importance of clarity of policy wordings cannot be understated. Indeed, the reaction by Insurers was swift with mid-term endorsements to policies being the order of the day. Many policies now explicitly exclude any coverage for infectious/contagious disease and this is not surprising as the industry cannot be expected to insure the actions of a government. It is clear, that a different solution is now required to be able to provide the man on the street with coverage against future events of this nature. A potential solution being discussed

in industry circles is an approach similar to that provided by SASRIA for the perils of riot and terrorism. An additional aspect to this experience was the role played by the Regulatory Authorities in South Africa – the Prudential Authority (PA) and the Financial Sector Conduct Authority (FSCA). The legal uncertainty that existed due to the debate around policy coverage meant that settlement of claims submitted by policyholders was delayed awaiting the outcome of the various court litigations. Fulfilling one of their stated objectives – the protection of policyholders – the PA and the FSCA intervened and encouraged Insurers to make Interim Payments to policyholders, particularly small and medium sized enterprises, which may be suffering hardship due to the business interruptions brought on by the pandemic and indeed, may not be able to survive if relief was not provided sooner rather than later. These Interim Payments, which were not mandatory but very much encouraged, needed to be meaningful and preferably not on a full and final basis, were forthcoming from a number of Insurers. This is commendable as Insurers were required to commit to these payments without consulting their reinsurers and the payments were not refundable if the courts ultimately found for the Insurers. In addition, any Interim payments would have to be "topped-up" if the full and final settlement required additional payments.

With the outcome of the above-mentioned court cases providing clarity regarding most aspects of the policy coverage, Insurers have begun settling the claims to their policyholders and the focus has now shifted to coverage under catastrophe event reinsurance coverages particularly around the aggregation of claims. In this respect, the judgement by the courts that the lockdown is part of the trigger has provided the market with a date that can be considered as the inception of the business interruption to businesses.

A further aspect faced by Insurers was how to quantify their potential losses for the purpose of their reinsurance programme renewals, particularly those Insurers which had renewals prior to the court judgements becoming available. The Reinsurance market settled on a mechanism that required Insurers to agree to contribute up to 10% of the loss ultimately suffered under catastrophe treaty programmes in order to renew their programmes. This additional premium would be payable to those reinsurers which elected to renew their participations going forward.

4. Conclusion

The market loss estimate for COVID-19 is difficult to assess due to the many different aspects discussed above. Some estimates put this in the range from R25 billion up to R35 billion making this a significant event which will have repercussions for years to come.

The pandemic has clearly enabled the insurance industry to again demonstrate its resilience in the wake of substantial losses on a catastrophic scale, helping to restore several businesses to operation in an otherwise fledgling economy. This has come just two years after the unprecedented catastrophe losses of 2017 that cost the industry in excess of R6 billion. All these underscore the important role insurance plays in keeping the economy running regardless of devastating interruptions.

The pandemic has also taught the industry and policyholders alike, important lessons especially regarding policy wordings and contract certainty. Parties to an insurance contract would henceforth be alert to the wordings of their policies being a clear reflection of their intentions.

Regulator's Interview

Kenyan Regulatrory Authority

Interview by **Adogbo A.**

Mr Godfrey KIPTUM ,
CEO of Insurance Regulatory Authority of Kenya-
Commisioner of Insrance – Kenya

1) Concerning full implementation of Risk Based Capital regulatory framework, kindly share with us the journey and milestones to date.

What are the challenges and lessons that others embarking on the same journey could learn from your experience?

By way of background, the Authority had been, since establishment using the rules-based supervision regime. With the changing economic situation in the world after the 2008 economic meltdown, there was a move by regulators to focus their attention to risks. This was evidenced with the implementation of supervisory models like solvency II in Europe and Own Risk & Solvency Assessment (ORSA) in some other regions. IRA Kenya embarked on the process of implementing the Risk Based Supervision framework in 2010 to enable better response to risk by the industry and hence ensure that insurers are well capitalized. This involved amendment of the law, development of the RBC regulations, development of the framework and several trainings and consultations. Implementation of RBC has had its fair share of challenges but the Authority is on course.

One of the immediate challenges we noted was the lack of actuarial skills in the industry which is a key requirement for the implementation of RBS. To mitigate this, we developed an actuarial scholarship programme and I am happy to announce that since its establishment 10 years ago, we have had around 20 people qualify as full actuaries. The other challenge we experienced was understanding of the concept since Implementation of RBS required a total mind shift for all stakeholders –both the industry and employees of the Authority. We have also had to retrain our employees and retool them appropriately.

Some of the lessons that we have learnt are that Successful implementation of RBS requires data hence the need for quality systems to facilitate monitoring of risks. Transition to a fully risk-based supervision regime takes time and it is important to have a buy-in from all stakeholders so as to move together at the same pace. RBS also comes with more work for the insurers since the regulator expects the insurers to do most of the work of identifying the risks and the response thereof.

Overall, RBS involves a total change in the way in which supervision and regulation is done and all stakeholder appreciation and buy in is necessary for its success.

2) Few years ago, a legal and regulatory reform was made to increase the insurance of Kenyan assets at importation and expeortation.

What are the progress of the marine insurance intake induced by such reform?

The domestication of marine insurance business by the government was a good move. However, the overall performance of this class of insurance business has not significantly improved since the National Treasury directive to enforce Section 20 of the Insurance Act came into effect on 1 January 2017.

In the first year of implementation of the new requirement (2017), premiums under Marine business grew by 37%. However, over the past four years, the average growth has been 3% compared to the industry average of 5% under general insurance business. Given the import volumes into the country, the premium remains far much lower than what the industry anticipated.

Are there issues and challenges?

The main challenge is that the change was done before an implementation framework was agreed upon.

As such, the problems largely experienced have been to do with collaboration and coordination between key stakeholders, gaps in the enforcement of the law and lack of awareness. We are now jointly working on an implementation framework to address these challenges.

3) In light of the "National Construction Authority (Defects Liability) Regulations, 2020" requiring contractors to maintain an insurance policy to cover patent and latent liability for a period of 1 and 6 years respectively.

Please, can you give insights on the industry's preparedness to this emerging opportunity?

The Authority has been in consultation with the National Construction Authority (NCA) to develop a framework for the protection of property owners. We recognize the need for this requirement and are working with other stakeholders to amend the law to recognize Defects Liability in the definition of Liability Insurance. No doubt, this is a business opportunity for the industry and the insurers with the

help from their reinsurers should be in a position to take this up and give the required cover and protection.

4) Given the high level of management expenses in the industry, it is believed that digital transformation of the industry may be one of the solutions.

Are the Kenyan authorities ready to register and license a fully digital insurance company at the moment?

The Authority is open to innovations and appreciates the benefits that digital transformation offers. Benefits like greater resource management, reduction in cost due to improved business processes, Improved productivity etc. We welcome proposals from insurers who are ready to bring a positive change to the market. We are currently running an innovation hub sandbox and we hope to onboard a full digitalized company.

5) Some analysts and experts have noted the deterioration of the technical profitability indicators in the Kenyan insurance sector.

What is the situation for the last 5-year period?

Life business has been profitable with remarkable growth of surplus over the last five years. General business however has had combined ratios of between 101% and 103% over the last five years as can be seen from the table below:

Items	Year Kshs"000"				
	2015	2016	2017	2018	2019
Gross Premium Income	174,064,645	196,635,836	209,001,289	216,261,729	229,499,718
Underwriting Results (general Insurance)	(226,282)	(2,125,731)	(1,027,844)	(2,588,861)	(3,165,405)
Investment Income	34,576,984	37,135,382	51,675,571	44,514,367	66,982,398
Operating Profit/Loss after taxation	14,134,461	12,834,751	13,642,972	7,269,268	15,119,928

What or who to blame for that situation?

The loss ratios have been acceptable at around 64% and commissions have been around 8%. It is the management expense ratio that has been high at around 33%. There has been competitive pressures to reduce premium rates. We have also noted unacceptable incentives and rebates given by insurers which are not factored in the pricing. This has been occasioned by stiff competition in the industry making insurers to engage in price predatory leading to a reduction in premiums charged. The premiums charged by most insurers is not commensurate with the assumed risks. This obviously has an impact on profitability.

Most insurers have been making losses on their core business and relying on investment income. Returns from investments in the stock exchange and fixed deposits have been on the decline for the past few years. This has adversely affected profitability of companies.

The profitability is also affected by the huge amounts of outstanding premium in the industry most of which is not collected and end up being written off as bad debts.

> This involved amendment of the law, development of the RBC regulations, development of the framework and several trainings and consultations.

Is the insurance regulator doing something to address that issue?

Yes. We have looked at the expense drivers and noted significant drivers such provision of bad debts and sought to amend the law to strengthen premium collection and adopt a cash & carry regime. This matter, however, is currently under litigation with insurance brokers.

We have directed insurers to clean up their records and provide for the upstanding premiums through implementation of the IFRS 9. We have also discussed the pricing with individual insurers on the loss-making classes and ensured the premium charged is commensurate with risk and able to cover the expected losses as well as management expenses.

The Authority has been approving premium rates in accordance with the law and has required actuaries to certify the adequacy of the rates filed by the insurers. We are closely working with other stakeholders especially in the transport sector and health service providers since motor and medical classes have been making the highest losses.

There are allegations that fraud is prevalent in these two classes and in partnership with the office of the DCI, the established a fraud investigation unit to curb fraud in the industry. Since, its establishment in 2012, officers in the unit have investigated and successfully prosecuted a number of cases involving fraud in the industry.

6) COVID-19 worldwide pandemic outbreak is without doubt the biggest crisis faced by humanity in the 21st Century so far.

Could you please share the insurance industry in Kenya contributed to mitigate the pandemic socio-economic fallouts?

At the outset of the COVID-19 pandemic, the Authority issued two guidance notes to the industry to guide on the way to deal with the pandemic. The industry has been settling COVID-19 related claims and it has also developed products to cover COVID -19 e.g products targeted at frontline works. In addition, they have allowed payment of premiums in installments to ease burden on the policyholders. We are of the opinion that full effects of Covid-19 are yet to be fully felt.

> Life business has been profitable with remarkable growth of surplus over the last five years.

What is the outlook for the insurance sector post COVID-19 era?

Awareness on exclusions of pandemic and epidemics in insurance covers will be a key issue post COVID-19 era. The adoption of new modes of operation like the flexibility of working from home and increased use of Information Technology in transaction of all aspects of insurance business and service to clients. There is need for innovativeness in the industry to develop appropriate risk management solutions – people working remotely introduces risks and opportunities, flexibility in motor insurance cover such pay as you go, unemployment insurance etc.

For insurers, the impact of the pandemic is yet to be fully understood – the magnitude of losses such as business interruption, disability, deaths etc. The industry needs to forecast and this should be a lesson when pricing products in the future. Insurers need to embrace technology especially as a distribution channel following restrictions on face-to-face meetings. This comes with risks which should be handled appropriately, in particular identification of customers and conducting customer due diligence.

Capital management has become crucial and insurers need to develop strategies to ensure that they are able to handle crisis periods and still remain financially stable.

7) IFRS17 is set to fundamentally change the financial reporting for the insurance industry.

What is IRA's outlook on how the new accounting standard

will affect the insurance industry in Kenya?

The new accounting standards will bring with it changes that will have a positive impact on the industry both for the insurers and policyholders. It will increase investor confidence as it gives them proper insight into insurance companies, allowing them to compare one firm with another more consistently. The new standards will also help strengthen insurance company balance sheets and offer more protection to policyholders as a result. It will give a true reflection of profits and improve governance of actuarial systems among other benefits.

It is expected that the reporting and disclosures will be onerous under IFRS 17 standards compared to IFRS 4. This is especially for the life insurance businesses. Additionally, there will be significant changes expected on the regulatory guidelines in order to harmonize reporting. This reporting standard is also expected to be supported by additional resources in terms of expertise (mainly actuarial) and systems. The valuation and pricing assumptions for the life business will be required to be stored for the whole life cycle of a contract. Further, there will be need for insurers to review their business strategies as the new standard will have more disclosures e.g. loss component at a more granular level within a homogeneous set of contracts written in a given cohort. This will eliminate the current approach where businesses have the opportunity to sell loss leaders but not necessarily disclose.

How prepared is the Kenyan Insurance Industry for the change?).

Insurers are aware of the requirements of IFRS 17 and when its implementation is expected to begin. Most of the insurers have already done an impact assessment of the new standard and developed a road map on the way forward. They have developed their plans towards compliance and are working to ensure that they are in position to fully comply with the requirements once implementation commence. The Authority is also engaging the industry to ensure compliance by 2023.

Do you see the whole Kenyan insurance industry complying to the standard by 2023 as requested?

Kenya as a jurisdiction subscribes to the IFRS standards as set by IASB therefore all players in the industry will be required to comply with IFRS 17 by 2023.

8) ***Where do you see the Kenyan insurance market in the next 5 to 10 years to come?***

With the changes in financial reporting that enhance disclosures and fully implementation of Risk Based Capital, the insurance industry will be more transparent and attractive to investors. We foresee a lot of mergers and acquisitions which will provide a platform for growth of the industry. Growth in insurance coverage is expected supported by growth in micro-insurance, adoption of technology and social insurance. Significant growth in index insurance due to low distribution as well as claim management costs. We also foresee significant growth in long term insurance as a result of economic growth and cultural changes.

> The new accounting standards will bring with it changes that will have a positive impact on the industry both for the insurers and policyholders.

AFRICAN INSURANCE AWARDS

6th Edition Winners' Interviews

The 6th edition of the African Insurance Awards will be remembered as the first to be organized virtually. Over 1,250 professionals took part in this edition which was held on Friday, 18 December 2020". The winners have spoken to Africa Re News.

Winners interviewed by **Adogbo A.**

CEO of the Year

Winner

Valentine OJUMAH

Managing Director/CEO,
FBN Insurance - FBN, Nigeria

FBNInsurance

Considering the continuous changes in the corporate world, especially in the insurance sector, can you tell us the challenges faced by a CEO of an insurance company in Africa today ?

In my opinion, the most challenging aspects of a CEO's job today include identifying the growth opportunities in the environment given the speed of changes everywhere. Also, managing the issues around employees given the shortage of skilled manpower in the industry is becoming a major headache.

What areas of the Insurance business need priority attention in your opinion?

Staff training and revamping of the operations/communications infrastructure to meet the demands of today's digital economy.

What do you think about this initiative of African Insurance Awards?

The African Insurance awards by Africa Re is an excellent initiative that has opened up the affairs of the industry to the public. First, Africa Re as a pan-African company is now known to more people across Africa more than ever. Secondly, many executives of the industry are getting public recognition for their performances which has become a major public relations gift to the industry.

Alpha Direct's Insurance-in-a-box

Innovation of the Year

Winner

AlphaDirect

Arun P. Iyer

Founder & CEO,
Alpha Direct. Co. Botswana

Can you give us a brief description of the innovation that earned you this award?

Alpha Direct's Insurance-in-a-box product is a suite of tangible instant insurance products sold in a box format through retail partners in Botswana, and rapidly expanding throughout Africa. Customers can pick up a box and pay their first month's premium at the till of the retail partner, as the boxes are barcoded in the same way as chocolate or milk is. Inside the box is a simplified set of policy wordings applicable to the specific product, a scratch-off activation card with a unique activation code, and a free gift. Once a box is purchased, the customer has a variety of ways to activate their insurance cover; online (web site), via Whatsapp, SMS, or via our network of in-store merchandisers who have tablet computers with which to activate customers. As soon as the activation process is complete, the customer has instant insurance cover. The KYC and AML/CTF processes can also be completed digitally

What areas of the insurance business in Africa need priority attention in your opinion?

Creating products that enable financial inclusion should be a top priority for all insurance companies operating on the continent. This means investing resources into product design, technology, and new and innovative ways to reach customers. An easy entry point is motor insurance business. As more Africans drive their own vehicles and motor vehicle ownership becomes more prevalent, more and more people will see the value of having motor insurance. This is the best way to gain entry into a new market. But once that entry has been gained, we need to find more ways of getting people to buy other products that are uniquely created for African lifestyles, rather than products which are developed outside Africa being dumped here.

What do you think about this initiative of "African Insurance Awards "?

I am generally not in favour of getting awards, but coming from Africa Re, who are a top-flight brand name in the insurance business, and the exposure that comes with that within the insurance space makes this award both gratifying, and relevant. Developing the industry and eco-system is a collective responsibility of all those involved in the business, and therefore acknowledging the progress made by companies in our eco-system is a crucial contribution to the development of our eco-system. Overall, it's a great initiative and a big motivation for new players like us to keep pushing harder.

Any particular message to your fellow insurance professionals in the continent?

Insurance in Africa is set to grow rapidly over the next 20-30 years. For us to get our penetration rates to that of the developed world will take significant innovation. Don't let the technicalities of insurance bog you down from creating the next revolutionary product or company. Dream big and follow your dreams. The market will help you achieve success.

Insurance Company of the Year

Winner

MUA

BERTRAND CASTERES

Chief Executive Officer of Mauritius Union Assurance (MUA)

Considering the pace of the changes in the global insurance industry, what are the emerging challenges of an insurance company today in Africa?

The past year in particular has been marked by a series of crises that have touched every country and every sector – the Covid-19 pandemic, social and political upheavals, the effects of climate change amongst others. The insurance sector needs to adapt and be particular nimble in its response to this "new normal". Our society and our clients are collectively facing new risks, we need to evaluate them and formulate products that best respond to their requirements. We have a responsibility to respond adequately to risks associated with climate change, environmental pollution, cyber-risks and pandemics, to name just a few. Moreover, Africa has an increasingly young and connected population, yet insurance penetration remains very low. How do we sensitise the un-insured and under-insured to the individual and business risks they may face, but are all too often unaware of? Financial literacy, including insurance risks, remains exceptionally low. The insurance industry has a duty to find practical solutions to remedy that and close the insurance gap, with innovative, affordable and digital solutions that resonate in people's day lives.

What areas of the Insurance business need priority attention in your opinion?

The priorities mirror the challenges I have just outlined. Although there may be market-specific focus areas, we face a number of common challenges and our response needs to focus on some key points: issues around sustainability, our responsibility as insurers and digitalisation to improve customer journey.
The issue of sustainability goes well beyond environmental issues, as we learn to adapt our businesses to new challenges. We need to ensure our companies operate on a solid financial base and adhere to international standards that aim to protect consumers, such as Solvency II, FATCA and IFRS17. The constraints that these international standards place will inevitably lead to a consolidation of what remains a fragmented insurance sector in many African markets. The regulations need to be applied universally in order to make our financial institutions resilient to the changing operating environment and the threats of new risks, as we have seen in 2020. Ultimately, protecting a company's assets and the client's interests remains the priority.

We also need a certain level of introspection in terms of the role insurance companies play in society and the responsibility we have to make decisions that impact society and our clients. These include investment decisions, issues around prevention and risk management.

Finally the accessibility of our products and services is vitally important. Understanding the needs of our clients and their insurance journey, will mould the products we create, the digitalisation of our internal

processes and the client tools we propose, which need to be practical, accessible and affordable.

What do you think about this initiative of African Insurance Awards?

For our part, we are exceptionally proud to receive this prestigious award from Africa Re. It is the culmination of the work done by our teams over a number of years, to become a regional African insurance group. We all know the challenges our continent and the insurance sector will face in the next decade. We welcome an initiative that aims to promote industry best practices, recognise the efforts of insurers who want to innovate and ultimately reward excellence. Our sector's progress on the continent and its contribution towards the economic advancement of each market will be dependent on the standards we maintain. It also gives recognition to smaller insurance, who aspire to grow their companies and make their mark on a continent rich with opportunities.

Where do you see MUA in the next 5 years?

MUA is proudly Mauritian, as this is our home market. We are also a proudly African insurer today, with a footprint across four countries in East Africa (Kenya, Uganda, Tanzania and Rwanda) since 2014. We reinforced our market share in Kenya in July 2020 with the acquisition of Saham Kenya, sending out a strong signal about the group's confidence in the Kenyan insurance sector.

MUA's development strategy in Kenya and in the East African region is based on the professionalism of its intermediaries and enhanced product and service offering, through the extensive use of new technologies and the deployment of innovative marketing tools to expand its customer base. This has been particularly successful in the retail sector, but also among SMEs and corporates, with a wide range of insurance products. The group's expansion strategy focuses on increasing insurance penetration in Kenya, a market with enormous potential with a rapidly growing population and increasingly young, tech-savvy segment.

The Saham Kenya acquisition is a validation of our long-term strategic plan, which plans substantial investments to finance our growth in Kenya and more broadly in East Africa. Today, the East Africa operations accounts for about a quarter of our revenue. We are striving to significantly increase this contribution over the next three years and join the top 10 insurance companies in Kenya. Ultimately, we want to grow in these existing markets through organic and external growth to reach a strong and competitive market share.

InsureTech of the year

Winner

PULA

Thomas Njeru

Co-CEO & Co-Founder, PULA

Tell us about your company PULA?

Pula is an Insure-Tech that focuses on design, distribution and execution of Agriculture insurance solutions targeting smallholder farmers. The problem we're trying to solve is the fact that insurance companies lack the technical capacity to design & execute solutions targeted at small holder farmers, who account for over 70% of the Agricultural production on the continent. Beyond this, farmers don't wake up wanting to buy Agriculture insurance – they need it but don't want it - typical optimism bias where we hope for the best but don't prepare for the worst. The result of this problem is that there's low penetration of Agriculture Insurance on the continent and without risk mitigation solutions the farmers are vulnerable to production risks and consequently struggle to attract much needed capital as financiers deem them as "too risky". Pula solves this problem by building, designing and executing index based insurance solutions that protect small holder farmers against a comprehensive range of risks from drought to pests and diseases. We act as service providers to the insurers to enable execution of this product; we product design, carry out actuarial risk analysis, reinsurance placement negotiation and do physical loss assessment through our digitized rural agents at the end of the season - all this is powered by our data, risk-analytics models and tech infrastructure enabling the unit economics to work. We also create and aggregate demand by convincing different aggregators of farmers, be it seed companies, fertilizer companies, governments or international NGOs and agri-tech financiers to embed insurance in their service offering to farmers. With this we've cumulatively insured 4.7m farmers across 13 countries in Africa and Asia powered by over 50 demand side partnerships and 40 insurers and reinsurers across the globe. Partnerships are at the core of what we do. In the process, we have also built a profitable and diversified Agriculture Insurance portfolio.

> Our mission is to de-risk small holder farmers and increase their productivity and income. In 5 years we should be reaching at least 50m farmers with our solutions and having demonstrable impact in their livelihoods.

How did you find yourself in the insurance industry?

Back in high school, I happened to be reading Warren Buffet's biography (The making of an American Capitalist) where he attributes his success as an investor to the fact that he thinks in numbers like an Actuary. I had never heard of the profession before and given that I was in the process of considering career options, reading this raised my curiosity and drove me to researching about who an Actuary was. I found out it was about math, business and insurance. I was good in math, I loved business and the concept of determining chances/probabilities of events and their impact was intriguing - it sounded like magic and reading crystal balls at the time. With that I wanted to be an actuary – after all anyone would want to think like Warren. After joining the actuarial career my first internship was in an insurance company (UAP-Old Mutual Insurance Group) back in 2008 and it immediately hit me of the gaps and opportunities that existed in the sector (low penetration of insurance, low trust by consumers, lack of understanding by consumers of insurance products.). I always like being in places where I can add value and I felt I had a lot to offer to the insurance industry. That is how I found myself in insurance. And 13 years later I'm still enjoying the challenge – everyday there is a new problem to solve. It is like peeling an onion. The day we solve all the problems in insurance, maybe I will consider another industry.


Physical harvest with digital tools- Insuretech of the year

Can you tell us about the application which earned you this award?

Our main product is referred to as a yield index and leverages machine learning and remote sensing to create an agro ecological zoning map of the country. At the end of the season we send a team of rural youth trained and equipped with our tablets and our tech infrastructure to harvest with randomly sampled farmers. If yields measured are lower than the historical benchmark everyone in the agro ecological zone gets paid. Combining physical harvests with digital tools has enabled semi-literate farmers to trust our product, as they see their 'sons' harvesting in the field with them, while the digital tools enable us as well as insurers and aggregators to track and control measured yield coming in, in real time.

What are the challenges you faced in the course of bringing out this application?

The biggest challenge is low trust of insurance amongst farmers. We solve this via continuous communication with farmers digitally both at the beginning, during and end of the season. We also bundle insurance with Digital Agronomy to enable farmers to see value even when there's no claim – this increases trust. Additionally, the fact that we go to the field to visit farmers to assess losses – farmers see their neighbours have been visited which increases trust.

What do you think about this initiative of African Insurance Awards?

It is a noble initiative as it encourages the industry to work towards the existing gaps and creates awareness for solutions that exist across the continent that can be harnessed by different players in the insurance sector. I believe this is a critical component to drive innovation & technology adoption as well as transfer which are important for development of the insurance sector.

Where do you see your company PULA in the next 5 years?

Our mission is to de-risk small holder farmers and increase their productivity and income. In 5 years we should be reaching at least 50m farmers with our solutions and having demonstrable impact in their livelihoods. Whilst at it, we seek to build a Global Agriculture Insurance technology company, across at least 30 countries and with a profitable and diversified Agriculture Insurance portfolio. There is the notion that Agriculture Insurance cannot be profitable to insurers and reinsurers but we want to debunk this narrative. There are many things that we have done to date that many didn't believe was possible but we did it. Sustainability is at the core of what we do in that all our stakeholders (the farmer, insurer, our partners) must benefit from our solutions and we strongly believe with the right tools and people, this is very possible. So we want to change the story of insuring small holder farmers across the world.

> Pula solves this problem by building, designing and executing index based insurance solutions that protect small holder farmers against a comprehensive range of risks from drought to pests and diseases.

Africa Re hosts Cyber Risk Webinar

Aggrey Mwesigwa
Manager, Underwriting, Africa Re Head Office

On 10 February 2021, the Corporation hosted a successful Cyber Risk Webinar for our English-speaking clients via Zoom, under the theme, "Building Capacity in Cyber Risk Management". The session was well attended, with more than 600 participants from 32 different countries around the continent, including insurance underwriters, brokers and IT managers from public and private organizations. The objective of the webinar was to increase awareness around cyber risk and provide insight into the insurance solutions available.

According to a report published in April 2018 by Kenya-based IT services and consulting firm Serianu, the estimated annual loss to African businesses from cybercrime stood at US$3.5bn[1] . In his opening remarks at the Webinar, the Africa Re Deputy Managing Director and Chief Operating Officer, Mr. Ken Aghoghobvia, further noted that, "In a recent report[2] by Kaspersky, over a 7-month period in 2020, 3.8 million malware attacks were detected in Nigeria, almost 10 million in South Africa and about 14 million in Kenya.

Governments and the private sector cannot afford to ignore this risk especially in a world that is increasingly interconnected." It is evident that cybercrime in Africa goes largely undetected or unreported, according to DATAPROTECT, a Morocco-based IT services firm.

The Webinar provided a global perspective on cyber risk, presented by Mr. Neil Hare-Brown of STORM Guidance (United Kingdom). The African cyber experience was highlighted by Mr. Kantam Nagou, a Senior Manager for Information Security at Africa Re. Mrs. Temitope Akinowa, the Acting Regional Director for West Africa Regional office, articulated the state of cyber insurance demand and coverage in Africa, based on the Corporation's own experience. The final speaker, Ms. Penka Paunova of Allianz SE (Reinsurance), presented the technical aspects of cyber insurance coverage, underwriting requirements and pricing.

The Webinar participants gave glowing feedback on the quality of the session, with most requesting for more engagements on this topic in order to further increase awareness. Ultimately, the webinar further highlighted the challenges facing cyber insurance on the African continent—low awareness and policy uptake, lack of mechanisms for satisfactory cyber risk assessment, low premium rates and concerns around "silent cyber" cover in traditional (re) insurance policies. The Webinar clearly demonstrated that there is immense interest in this topic, particularly due to increase in threats during the ongoing Covid-19 pandemic. The Corporation will continue to provide leadership on cyber risk through provision of reinsurance capacity, training and other industry events.

1 https://www.accaglobal.com/in/en/member/member/accounting-business/2019/02/insights/cyber-attacks.html

2 https://kaspersky.africa-newsroom.com/press/south-africa-kenya-and-nigeria-saw-millions-of-cyber-attacks-in-2020-and-the-year-is-not-over-yet?lang=en

ZOOM : GHANAIAN INSURANCE INDUSTRY

by **Samuel Boakye,,**
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BACKGROUND

Formed from the British colony of Gold Coast and the Togoland trust territory in 1957, Ghana became the first sub-Saharan country to gain its independence. It has been a stable democracy since 1992.

Ghana sits on the Atlantic Ocean and borders Togo, Cote d'Ivoire, and Burkina Faso. It occupies a land mass of 238,000 square kilometres.

The climate of Ghana is tropical, and there are two main seasons: the wet season and the dry season.

With a population of approximately 30 million people, Ghana is divided into 16 administrative regions and Accra is the capital city.

Ghana is a unitary constitutional democracy led by a president who is both head of state and head of the government. Ghana's growing economic prosperity and democratic political system have made it a regional power in West Africa.

Ghana boasts of some beautiful historical sites which act as attraction points for tourists.

Economic Environment

The economy is largely funded by earnings from Gold, Cocoa and Crude Oil exports. The GDP grew at 6.5% in 2019 as against 6.3%in 2018 making Ghana one of the fastest growing economies in the world while inflation stood at 7.2%

Nkrumah Mausoleum

on average in 2019. The Service sector remained the dominant sector in 2019, increasing its share from 46.3 percent of GDP in 2018 to 47.2 percent in 2019.
The local Ghanaian currency ended the year 2019 with a depreciation rate of about 12.9% to the US dollar, based on data from the Bank of Ghana's website. This is the highest since 2015.

Headline inflation has remained in single digits since June 2018 and ended at 7.9% in 2019 and at 10.8% in year-end 2020.

In 2020, the government projected a GDP growth of 6.8%, but this was reviewed to 1% in view of the effect of the Covid-19 global pandemic. The provisional GDP as at September 2020 was 0.2%. The government has projected a real GDP of 5.8% in 2021 and targeted inflation to end at 8%.

INSURANCE MARKET IN GHANA

History of insurance in Ghana

Ghana Insurance Industry traces its root to the colonial era when insurance business was transacted through foreign trading companies who acted as chief agents of insurance companies in the United Kingdom and elsewhere.

In 1924, Royal Exchange Assurance Corporation which was then represented by its Chief Agent, Barclays Bank, opened its branch in the Gold Coast. It then became the first insurance company to operate in Ghana. It is now known

Cape Coast Castle

as Enterprise Insurance Company after going through a series of changes. After that many other foreign companies opened offices in the Gold Coast.

The Gold Coast Insurance Company was the first local insurance company to be established in the Gold Coast in 1955. It was renamed Ghana Insurance Company when Ghana gained its independence. It traded mainly life assurance policies targeted at Gold Coasters and other Africans in the Gold Coast. Prior to that, life policies were sold to only Europeans.

Larabanga mosque

Insurance Regulation in Ghana

The National Insurance Commission, currently led by Mr. Justice Ofori, is the regulatory body responsible for regulating the insurance industry in Ghana. The National Insurance Commission (NIC) was established under Insurance Law 1989 (PNDC Law 227), but now operates under Insurance Act, 2006 (Act 724). The object of the Commission, as detailed in Act 724 is to ensure effective administration, supervision, regulation and control the business of Insurance in Ghana

Kakum National Park

Reforms by the regulatory body

The Commission has over the last decade spearheaded a number of reforms aimed at improving the industry, bringing it to international standards and increasing the insurance penetration rate which is 1% of GDP. Some of the reforms include:

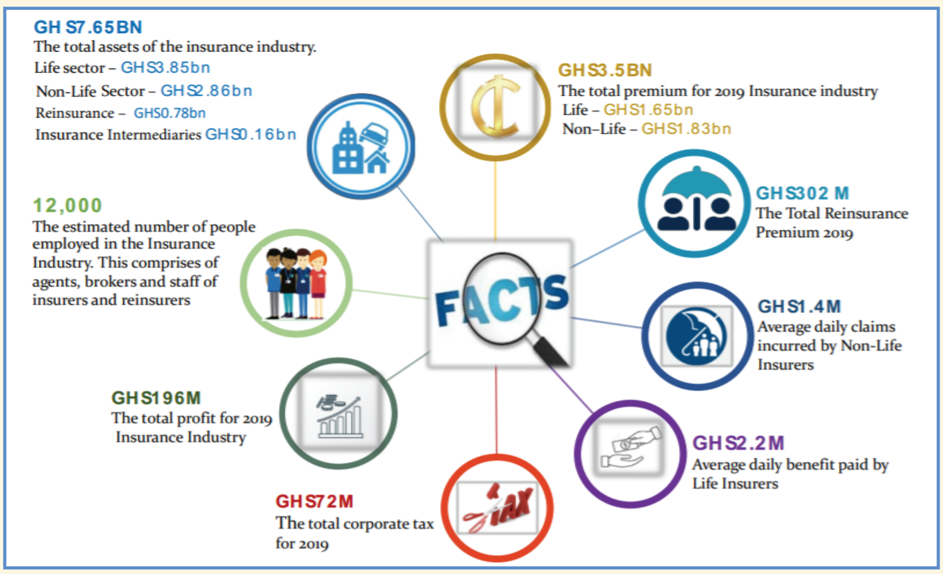
- Implementation of No Premium No Cover policy-
- Introduction of Corporate Governance guidelines for insurance companies-
- Establishment of Risk Management Strategies and Policies
- Claims Management Guidelines
- Framework for growth in micro-insurance
- Enforcement of Local Content in Reinsurance

Jubilee House (Presidential Palace)

Market Players and Key Figures in 2019

The insurance industry is made of 49 insurance companies (i.e. 22 Life insurance companies and 27 Non-life companies), 4 reinsurance companies, 95 insurance broking firms, 5 Reinsurance Broking companies, 2 loss adjusters and about 7000 agents. The total assets as at 2019 was GHS7.65bn according to the National Insurance Commission. Below is a summary of the key figures of the industry in 2019.

Market Premium



Source: National Insurance Commission Annual Report, 2019

The market generated a premium income of GHS3.5bn for the 2019 underwriting year.

The insurance business in Ghana has been strong of late. The sector overall has grown considerably faster than the country's economy for a number of years, expanding averagely 23% annually from 2015 to 2019.

TABLE

FIVE-YEAR GROWTH INDUSTRY GROSS PREMIUM		
YEAR	PREMIUM (GHS)	GROWTH RATE %
2015	1,560,679,185.00	26
2016	1,928,838,573.00	24
2017	2,439,189,432.00	26
2018	2,937,534,716.00	20
2019	3,486,390,926.00	19

Source: Annual Report-National Insurance Commission, Ghana

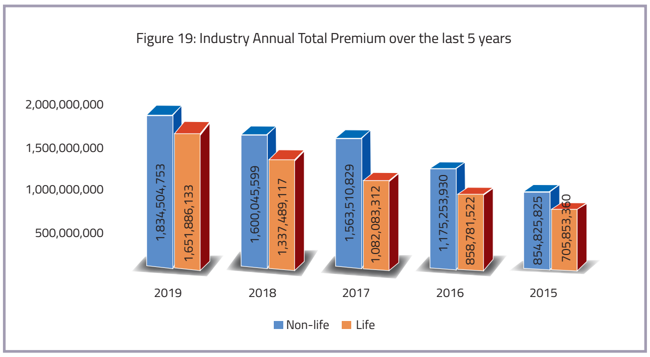


Figure 19: Industry Annual Total Premium over the last 5 years

Source: Annual Report-National Insurance Commission, Ghana

RECENT DEVELOPMENTS IN THE MARKET

1.Recapitalisation

In June 2019, the NIC announced a new minimum capital requirement for insurance companies operating in the country. The table below summarizes the capital requirement for January 2022

TABLE

Type of Company	Existing Capital (GHS)	New Capital Requirement (GHS)
Insurance Companies	15million	50 million
Reinsurance Companies	40million	125 million
Insurance Broking Companies	300,000	500,000
Reinsurance Broking Companies	1million	1 million

Insurance companies were expected to file their recapitalization plans by December 2020 as well as meet the new requirement by June 2021.

However, with six months to the deadline, the NIC has come out to give the companies a further six months to adequately prepare to meet the new requirement.

2.New Insurance Act

The new insurance law replaces the Insurance Act of 2006, and ensures the industry is well regulated in accordance with the international framework and acceptable supervisory standards.

One thrust of the new law is to increase insurance penetration in Ghana which currently remains low. The new law adds three compulsory insurance covers, namely, Public Liability, Group life for employees and Professional Indemnity. Currently, insurance companies underwrite two compulsory insurance covers: Motor Third-Party Liability and Fire (for private commercial properties).

The new law also seeks to mandate insurance companies to meet corporate governance standards and comply with best practices aimed at protecting the premiums or funds paid in by customers.

CONCLUSION

The market has experienced consistent growth over the last decade and this has attracted the attention of foreign insurers in the industry. The insurance penetration rate is very low at 1% of GDP. However, the recent interventions of the regulator to add to the list of compulsory insurances and the on-going public sensitization on insurance is expected to improve the penetration rate.

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