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African Reinsurance Corporation
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Headquarters/Siège:
Plot 1679, Karimu Kotun St., Victoria Island, P.M.B. 12765, Lagos, NIGERIA
Tel: +(234 1) 4616820 / +(234 1) 4616828 / +(234 1) 2800924 / +(234 1) 2800925
Fax: +(234 1) 2800074
Email: info@africa-re.com - Web site: http://www.africa-re.com

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Regional Offices

Casablanca
33 Boulevard Moulay Youssef,
B.P. 7556
Casablanca, Maroc
Tel: +(212) 22 43 77 00 - 5
Fax: +(212) 22 43 77 29 - 30
Email: casablanca.info@africa-re.com

Nairobi
Africa Re Centre, Hospital Road,
Upper Hill, Nairobi.
P.O. Box 62328 - 00200, Nairobi
Tel: +(254-20) 297 - 0000
Fax: +(254-20) 297 - 0666
+(254-20) 297 -0776
Email: nairobi.info@africa-re.com

Abidjan
Rue Mgr René Kouassi A45 - Cocody
Ambassades
20 B.P 1623 Abidjan 20, Côte d'Ivoire
Tel: +(225) 22404480 /1
Fax: +(225) 22404482
Email: abidjan.info@africa-re.com

Lagos
7th Floor, Africa Re Building,
Plot 1679 Karimu Kotun Street,
Victoria Island P.M.B. 12765
Lagos, Nigeria
Tel: + (234) (1) 28 009 24-5
+(234) (1) 461 68 29
Fax: +(234-1) 28 000 74
Email: lagos.info@africa-re.com

Cairo
Africa Re Building,
4e, 1st Settlement Service Center
New Cairo
ZIP Code: 11865
Cairo, Egypt
Tel: +20 222 685 668
Fax: +(20) 2 22685667
Email:cairo.info@africa-re.com

Mauritius
7th Floor, AFRICA FI PLACE,
Lot 13, Wall Street, Cybercity,
Ebène 72201,
Republic of Mauritius
Tel: +(230) 454-7074
Fax: +(230) 454-7067
Email : ebene.info@africa-re.com

Subsidiaries

African Reinsurance Corporation (South Africa) Ltd
Africa Re Place,10 Sherbourne Road,
Parktown 2193,
P.O. Box 3013, Houghton 2041,
Johannesburg, South Africa
Tel: +(27) 11 484 3764,
+(27) 11 484 1970,
+(27) 11 484 1606,
Fax: (27-11) 484 - 1001
Email: joburg.info@africa-re.com

Africa Retakaful
Africa Re Building, 4E, 1st
Settlement Service Centre, New
Cairo, Cairo, Egypt
Tel: +(20) 2 22685668
Fax: +(20) 2 22685667
Email: retakaful.info@africa-re.com

Underwriting Representative Office
Ground Floor,Padre Pio House,Plot 32,
Lumumba Avenue, Kampala, Uganda
Tel: +256 703 315451
Email: tumuhaise.david@africa-re.com

Africa Re Underwriting Agency Limited
Dubai, United Arab Emirates,
Al Fattan Currency House, Tower 1,
Unit 706, Level 7, Dubai International
Financial Centre (DIFC), Dubai,
United Arab Emirates
Tel: + (97) 1 422 00 257
Email: dubai.info@africa-re.com

Local Office

Addis Ababa Local Office
Airport Road, Bole, Kirkos Sub City, Woreda
01, in front of Bole Printing Enterprise, Yeshi
Building 5th Floor, House no. 233, P.O. Box
1055 Addis Ababa, Ethiopia.
Tel: +(251) 11 4 16 5803/4
Mobile: +(251) 92 2 12 2473
Email: addis.info@africa-re.com

African Reinsurance Corporation
Société Africaine de Réassurance

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PUBLISHER

African Reinsurance Corporation
Plot 1679, Karimu Kotun Street.,
Victoria Island
P.M.B.12765, Lagos, Nigeria
Tel: (234 1) 4616820-8, 2800924-5
Telefax: (234 1) 2800074
E-mail: info@africa-re.com

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37th Edition, June 2023 Launched in 1987

Dr Corneille KAREKEZI
Editor-in-Chief

The 37th Edition of the African Reinsurer presents interesting articles on risk modelling, needs-based marketing, climate change, the great resignation phenomenon, financial inclusion and the insurance market of Madagascar.

The importance of risk modelling cannot be overemphasized. It has been an integral part of managing risks and opportunities in the insurance industry across the globe for many years. Indeed, with the rise in big data, innovation, industry disruptors and the current economic tensions around the globe, effective risk modelling must be a key element of a company's risk strategy. Developing risk modelling capabilities in the African insurance industry requires the contribution of various players, with regulatory updates driving the greatest leaps in the process.

The African market presents excellent opportunities for life insurers to thrive and build substantial life portfolio. However, life insurers are yet to explore the opportunities to the full. It is time to rethink and approach the market with new and effective strategies such as a needs-based marketing plan which has the potential to reach and provide for prospective consumers who cannot be easily persuaded to purchase life assurance cover, using the product-based marketing strategy.

In order to broaden financial inclusion in Africa, the insurance industry would continue to work hard to develop inclusive insurance strategies that aim at reaching the unserved, underserved, vulnerable, or low-income populations with appropriate and affordable insurance products. These range from microinsurance for people with very little disposable income to new products and services for an emerging middle class, not served by traditional insurance.

Climate Change is a new reality of global concern and relevance, and confronts Africa as well, with its impact cutting across many sectors of the economy. African insurance players have a responsibility to support programmes that promote overall climate resilience and sustainable use of the earth's resources for the benefit of present and future generations.

The African insurance industry needs to keep an eye on the great resignation phenomenon which is associated with the COVID-19 pandemic. It has continued to create unusually high rates of resignation from jobs in developed countries. With this development and the aging of the population in advanced economies, coupled with globalization, the need for African business leaders to retain and attract talent has never been greater. They would have to inspire the workforce, re-plan work and redefine the workplace to make it attractive, so as to curtail the brain drain from Africa, resulting from the great resignation phenomenon.

The insurance sector of Madagascar remains underdeveloped. With a low insurance penetration, it holds a great potential for expansion. It is expected that the new insurance law would provide the necessary enabling environment for the anticipated growth and development.

Finally, the 37th African Reinsurer provides highlights of events that are of relevance to the insurance industry in the different regions of the continent.

Improving Risk Modelling Capabilities in the African Insurance Industry

Yvonne Palm

Director of Risk Management and Compliance
African Reinsurance Corporation, Lagos, Nigeria

Introduction

The use of risk modelling has been an integral part of managing risks and opportunities in the insurance industry across the globe for many years. The management of risks through a version of statistical analysis dates back hundreds of years, with the first life table known to be developed in the 1600s[1]. Major events in history such as the 1906 San Francisco earthquake, the 1929 Wall Street Crash and subsequent Great Depression, Hurricane Andrew (1992), and more recently, the 2008 Global Financial Crisis and the COVID-19 pandemic, forced industry players to rethink their approaches to risk management. Closer to home in recent years, Cyclone Idai, flooding in West Africa, and multiple catastrophe events in South Africa (flood, hail, wildfire, riots) have caused shifts in the view of, and response to, risk management within the continent.

Regulatory regime changes such as Solvency II in Europe, Solvency Assessment and Management (SAM) in South Africa, and the China Risk-Oriented Solvency System (C-ROSS) have been major catalysts in the development and use of risk modelling in the industry. The increasing application of Own Risk and Solvency Assessments, focus on governance, and a more integral use of internal models in insurance companies have been spurred on by these regulatory regime changes. With the rise of big data, innovation, industry disruptors, and current economic tensions around the globe, effective risk modelling must be a key element of a corporation's risk strategy if it wants to compete in the current environment while still remaining profitable and financially sound.

What is risk modelling?

Risk modelling involves the use of probability and statistics to represent and predict real-life systems. It involves gathering data, building models, and applying expert judgement in order to predict the outcome of certain events. If used appropriately, risk modelling processes can be a very effective part of a firm's Enterprise Risk Management strategy and can help an entity determine an optimum allocation of resources to meet its risk appetite and risk tolerances as they relate to its risk profile.

Approaches to risk modelling

There are various approaches that can be used to model risks, though they may broadly be classified as quantitative methods, qualitative methods, and then methods that are essentially a hybrid of these two.

1 *"The first life table"*, Major Greenwood, Published 1 October 1938

If an entity is privileged to have access to a team of actuaries, data scientists or statisticians, it may have a few quantitative models integrated into its processes, using either deterministic or stochastic approaches. Both of these approaches make use of probabilities and loss distributions. The main difference between them is that deterministic models focus on expected values, while stochastic models include the use of random variables and often use various types of parametric loss distributions to run multiple simulations; stochastic models thus allow for randomness and unpredictability. The platforms that companies use for running these models can vary significantly: simple to complex builds in Excel, programming languages such as R or Python, proprietary in-house models integrated into systems, as well as commercial software from various vendors. These are all widely used across the industry.

With regards to qualitative analyses, there are various approaches that may be taken depending on what is being assessed. Most professionals have heard of approaches such as a SWOT analysis, the Delphi method, and Decision Tree analyses, to name a few. A hybrid of different models can also be used; many scenario-based techniques may draw upon a variety of risk modelling approaches that include both quantitative and qualitative methods in one risk modelling process.

Regardless of the methods used, expert judgement will be needed to calibrate the models and help tailor the results to the business; risk specialists are necessary to achieve this. As the use of big data and artificial intelligence increases, many risk models are beginning to get both more complex, to absorb and utilise the plethora of data available to them, and "smart" such that they can adapt to the situation at hand.

Pitfalls of risk modelling

While various techniques may be available for use in risk modelling, one should be aware of some of their pitfalls. Not only does each risk model have its own strengths and weaknesses, but risk modelling itself is not without its own uncertainties. Model risk should be considered in decision-making and the reliance that is being placed on these models. Care should be taken to understand the drawbacks and level of uncertainties in the model results. Most modellers will focus on known unknowns, but what is not modelled, and sometimes not even considered, is the unknown unknowns. Recent events such as the COVID-19 pandemic and associated economic impacts, including social destabilisation in some regions, were an unfortunate reminder of this fact to many organisations. Care should be taken when using the results of risk models to ensure the uncertainties involved are well understood, and the resulting strategies are adjusted to account for them.

Another point of consideration, particularly in developing insurance markets, is the need to balance complexity versus usability and understanding. In environments where the use of specific models is not commonplace, a simpler model that gets the job done is more likely to be approved, even at a basic level, than a complex model that has all the bells and whistles. Modellers can then build on the approved model over time as the acceptance of the model improves within the organisation.

The important thing to remember is that risk modelling should be tailored to an individual company's risk profile and risk culture, ensuring it will be understood and accepted by the business. An entity will gain more from integrating a simplified model into the business than having the Rolls Royce of models that just sits on the shelf because the business does not understand it, and therefore does not use it. This is particularly true where there is no regulatory requirement for the business to use the model.

More about risk categories

Each insurance company has its own risk profile and risk categories according to its environment and preferences, though generally insurers may categorise their risks into the following main categories:

- Insurance Risks: for example Underwriting, Catastrophe, Reserving, Longevity, Mortality, Morbidity etc.
- Financial Risks: for example Market, Credit and Liquidity
- Non-Financial Risks: for example Strategic, Reputational, Legal and Compliance

- Operational Risks: risks generally arising from Internal Processes, People, Systems and External Events

Most insurance companies in Africa tend to be able to comfortably apply risk models in the first two categories, Insurance Risks and Financial Risks. However, in the absence of resources to model the last two categories, which can indeed prove quite complex at times, insurers can begin their risk modelling journeys for Non-Financial and Operational Risks using more first-principle approaches that include scenario-based and frequency-severity techniques.

For example, on Reputational Risks, one can develop a list of scenarios that may lead to reputational damage for the corporation and estimate, qualitatively or quantitatively, the likelihood of the scenario materialising, and how much the damage done by each scenario may cost the entity. If estimates are not available, one can rank the scenarios to see which of them they anticipate may cause more damage to the corporation. This process can help the entity prioritise risk responses to put in place to manage the potential risks, should they materialise.

Risk modelling in practice

Risk modelling can be particularly useful in situations where there is a degree of uncertainty as to the outcome of events, or in situations where the past may not necessarily predict the future. Effective use of risk modelling can prove valuable in the current economic climate with high inflation, economic instability, and higher levels of geopolitical risks. Various scenarios may be pushed through risk models to understand the impacts to the business, if they were to materialise. Risk models are indeed already being used in many areas of insurance where there is an additional level of uncertainty.

Some examples of functions where risk modelling tends to be used within insurance organisations and integrated into Enterprise Risk Management frameworks include:

- Underwriting and Pricing – determining how different risk factors can impact loss propensity and expected loss costs from a given contract.
- Catastrophe modelling – determining potential catastrophe events that could occur and how much loss could be sustained in those events.
- Reserving – determining the amount of money to hold to cover a company's future claims, as well as the degree of uncertainty contained within those estimates.
- Capital Modelling – determining the amount of surplus to hold to cover the risks underlying the company's balance sheet.
- Financial Risk Modelling – finding the optimum portfolio allocation that can help match the company's risk appetite while maximising potential returns.
- Asset Liability Matching – determining the duration and likely timing of when liabilities will fall due, and finding the right asset mix to match these, while considering an entity's risk appetite and investment goals.

Main stakeholders to risk modelling

Depending on the angle from which one views it, there are three major stakeholders in the insurance industry when it comes to risk modelling, as follows:

- "The Quants" – Those who actually create, run and maintain the models: actuaries, analysts, data scientists, coders, risk managers, etc.
- "The Corps" – The entities themselves[2] that rely on these risk models to help them either gain a competitive advantage, manage risks effectively, structure their portfolios to maintain the right risk/reward balance (in line with their appetite), or help to ensure that they are holding the right amount of capital to support their balance sheets.
- "The Regs" – Regulators who also rely on the results of risk modelling exercises to safeguard the financial soundness of the corporate players in their markets, helping to protect the customer in the process. Similarly, key industry players such as rating agencies also depend on risk modelling, as well as reviews of an individual entity's financial modelling capacities, in their rating decisions.

2 *This group is being used collectively to refer to management, underwriters, claims teams, etc. that are essentially the users of the output of the risk models.*

3 *Note that references to backtesting in this article can mean both the testing of holdout data as well as the testing of actual versus expected performance of the model to see how well your previous projections did when compared to actual experience over a period of time. The main focus on backtesting in this article is however on the latter definition.*

For risk modelling capabilities to improve within the African insurance industry, all stakeholders have to play their part in order to make significant progress in this area.

Stepping-up capabilities

Below are some practical ideas that may aid African insurers to improve their risk modelling capabilities.

Examine your starting points

With regard to the building of capacity, it is important to examine existing capabilities, strengthen the foundations, and then build on them. No entity can successfully acquire extremely complex models overnight; in fact, such complex models may not even be relevant in some African contexts, particularly if the three types of stakeholders do not interact with these models at the required level. The first step is to look at the fundamentals of what is in place, and then turn these into useable information, step-by-step, to advance one's risk modelling capabilities.

Monitor, backtest, recalibrate, repeat

In many African companies, the fundamentals are already in place – point-in-time estimates for the most part can be modelled – however, to advance capabilities, focus should be turned from point-in-time results, to measuring and monitoring risk outputs over time. Most effective risk modelling processes tend to use the same general approach: gather data, build models, perform projections, monitor, backtest[3], recalibrate, and repeat.

In many risk modelling processes in developing environments, the importance of monitoring, backtesting, and recalibrating is usually underestimated. With the current resources available for risk modelling within our markets, it is easy to say there is not enough time to execute all these steps. However, if one is able to implement these three steps effectively, they can significantly reduce the time and effort it takes to repeat risk modelling exercises and produce meaningful results.

Build up databases

Building an own view of risk requires the development of databases that track the various point-in-time estimates, which can then be leveraged to analyse trends and understand how the risk profile is changing. This information can then be used to create indicators for both management and the board to understand how the entity's risks are trending. Building up a database can be as simple as taking an Excel file or Access database to store snapshots of information. This can eventually be moved to more formal systems as processes develop.

Document the models

Along with these databases, it is important to ensure that each risk model in use is documented: approaches, assumptions, reasons for choosing one position over another, etc. are important. Appropriate documentation will aid in process continuity and further model development within an organisation. Oftentimes, these models are only used a few times a year, and insights developed from brainstorming sessions at the initial build could be lost, simply because they were forgotten or the relevant staff have moved on. Having this information readily documented will prevent the model owners from redoing work that may have been previously resolved, and help them more efficiently keep track of model improvements to be implemented.

Gather everyone around the table

Risk modelling can be effectively improved by having risk owners and subject matter experts contribute to the modelling processes. Not only will this approach allow the incorporation of expert opinions from the root source, it will ensure that they are carried along through model development and will therefore more likely integrate the modelling into their own processes. Having the models widely used will allow for a feedback loop, and for challenge on both the structure and assumptions, which in turn will aid to catalyse the refinement of the models.

Stress, sensitivity and scenario testing

Understanding how changes in different elements affect the modelling results is an essential part of effective risk modelling. As stakeholders better understand the models, more improvements can be incorporated where movements are not as expected. The entity will be better able to understand the extent to which different risks under various scenarios can impact the business in the future, thus make appropriate strategic decisions to anticipate these potential impacts, and therefore incorporate appropriate controls.

Get help if you need it

The development of some risk models requires in-depth specialist knowledge and access to information that one organisation alone may not have. It is perfectly acceptable to utilise external specialists to help with internal model builds, to purchase their commercial models, or even to rely directly on their output. Indeed, catastrophe modelling is a key example where most companies, even in developed environments, rely on external players for risk modelling due to the amount of information and specialist knowledge required.

One size does not fit all

Lastly, in developing risk models and risk frameworks, it is important to acknowledge that one size does not fit all. Remember that when developing models, it is of extreme importance to tailor them to the entity's needs, keep them practical, keep them at a level that the stakeholders involved will understand, and make them relevant so that they will be integrated into the business.

The roles of stakeholders

Below are some tips for the stakeholders on the roles they can each play to develop risk modelling capabilities in the African insurance industry.

The Quants: while the Quants may want to develop complex models that incorporate all the bells and whistles, in developing environments, it is of utmost importance to try and avoid having complex "black box" projection models that no one else will understand. It will be the Quants' role to break the workings of the models down and put all the information into a context that other stakeholders can understand, and can use. The Quants should also ensure that everyone is brought to the table and carried along as they build the models.
The Corps: the individuals performing risk modelling will require the resources, personnel and specialist knowledge needed to effectively implement risk modelling processes. They will need support to be able to develop their understanding and subject knowledge – for example, training, study time for credentials, attendance at industry seminars – as well as ample time to perform their analyses. It is of utmost importance that management teams and relevant functions show interest in the results, understand, query and challenge the results. This in turn will push the modelling teams to produce models that are more tailored and suitable for the organisation. Encouraging a culture of collaboration around the organisation will be key.

The Regs: start to institute regulation that promotes the use of risk modelling techniques in the management of risks within the market. We have seen how the implementation of new relevant regulation can spur major jumps in progress in this area, and this may be the best way to encourage significant developments in risk modelling capabilities in the African insurance industry. Instituting regimes such as risk-based capital regimes, encouraging risk-based pricing (including the monitoring of these prices), and challenging industry players on the level and appropriateness of their reserving, are all steps that can be taken to improve risk modelling within the industry.

Requiring the use of external auditors and independent actuarial opinions in validating the appropriateness of risk approaches is very important. The Head of Actuarial Function requirement, as part of a robust Solvency Regime in South Africa[4], is a good example of such a regulation that catalysed an improvement in risk modelling capabilities in impacted organisations. As the market develops, the regulator can build up towards a robust solvency regime while also expanding the capacity of the risk professionals within regulatory departments.

In addition, regulators are encouraged to work with corporates and relevant specialists to help establish some industry data sources that can be used by their market players in risk modelling. A good example of this is the Financial Regulatory Authority (FRA) in Egypt working with Africa Re to establish new mortality tables for Egypt. This should allow for more appropriate risk modelling in the life business within the region, reducing the reliance on British tables, which many African countries have been utilising. More partnerships of a similar nature around the continent are essential to address some of the modelling and data challenges that exist within African markets.

Final comments

Developing risk modelling capabilities in the African insurance industry requires the contribution of various players in the industry, with regulatory updates driving the greatest leaps in development. Corporates and individual modellers also have a part to play in ensuring we develop, and continually build upon, models that are relevant to each organisation. The key is to start with simple models that a given firm can digest, then improve them over time as the firm's risk processes and risk culture mature.

4 *South Africa Insurance Act 2017. Solvency Assessment and Management (SAM)*

Needs-Based Marketing Strategy For Life Insurance: Human Life Value, Estate Value and Human Capital

Adeoye Falade

Retired CEO, Guardian Express Assurance Co. Ltd, Lagos, Nigeria

In the life insurance market, it is a widely held belief that "life insurance is sold, not bought". By implication, the products are "unsought" and consumers do not actively seek to buy them. In fact, they may even not be aware of the products and their benefits. There is also the belief that it requires a lot of persuasion in the effort to sell life products to prospects. It is therefore essential to equip the sales team with persuasive marketing communication skills for a life office to grow and build a profitable portfolio.

The belief that life insurance is sold informs life offices' decision to adopt a product-based marketing strategy. As a result, they struggle to develop several new products to appeal to consumers who rarely understand the usefulness of those products. Based on the product-based marketing strategy, majority of life insurers in Africa find it difficult to build a sizeable and profitable life portfolio. The South African market is an exception. A needs-based marketing strategy should be adopted. This is capable of changing the long-held belief and mindset that consumers will ordinarily not seek and buy life insurance.

This paper draws attention to how life insurers can present their products in a way that would enable consumers realize the need for them. It is expected that, having been so educated, consumers would then seek and buy the products as they would purchase some basic necessities such as clothes and food, as well as motor insurance to meet the legal requirements for driving their motor vehicles.

Needs-Based Marketing Strategy
Needs drive demand for a product. Demand for non-life insurance such as motor insurance, property insurance and marine insurance is derived demand from the ownership of an asset. In some African countries, demand for group life assurance is derived demand to satisfy the legal requirement imposed on employers to pay death-in-service benefit to dependents of deceased employees.

Life insurance is an intangible product and it has remained very difficult for consumers to realize the need for it. The main reason for this is that most life insurers in this part of the world have always adopted a product-based approach to market their products. A Needs-Based Marketing Strategy is capable of turning demand for life products to derived demand. This can be achieved by ensuring that consumers understand and appreciate some essential needs for life insurance. Four of such needs are:

i. Human Life Value Protection
ii. Estate Value Protection
iii. Human Capital Development
iv. Human Capital Value Protection

The first three needs are essential for individuals. The fourth is an essential need for businesses of all sizes.

Human Life Value Protection
Breadwinners actively seek to provide for the essential needs of their dependents during their dependency period. Majority do so by spending a substantial proportion of their income to care for and meet the needs of their dependents. The size of that income proportion determines the quality and standard of life of the dependents – the accommodation and the environment they live in, the quality of their food, clothing, health care and other essential needs.

Dependents face the problem of maintaining their standard of living in the event of premature death of their breadwinners. If such an event occurs during their dependency period, the dependents lose the Human Life Value (HLV) of their breadwinners – the source of the resources that determines their standard of living. What is Human Life Value? HLV is the proportion of future earned income during a person's active working life, available for spending to meet the needs of one's dependents. Breadwinners can measure their HLV by projecting the income they will earn during the remainder of their active working lives, and deduct the proportion they will spend directly on themselves. The result is their HLV. This is what they would have spent on their dependents if alive up to the end of their active working lives.

There is an obvious need to protect dependents against potential loss of their breadwinners' HLV with appropriate life insurance products. In the absence of such protection, dependents would experience considerable fall in standard of living. The need arises in various ways. It could be the need for immediate cash to pay hospital bills, burial expenses and debt left by their breadwinner. It could even be the cost of resettlement, if the family is not the owner of their accommodation. It could also be the need for regular income up to the end of the dependency period.

These needs form the foundation for making breadwinners seek, and buy life insurance to protect their dependents. If life insurers adopt a needs-based marketing strategy, centered on HLV protection, it is likely that they might, for instance, succeed in transforming demand for Term Assurance and Family Income Policy to derived demand. Consumers would actively seek, and buy such policies. It is also necessary that the marketing team sell to satisfy the needs of the consumer and not their own need for substantial commission, available on investment products.

Estate Value Protection
Successful people strive to build substantial estate during their lifetime. High-Net-Worth-Individuals (HNIs) and the upward mobile middle-level income earners fall into this class. They strive to build an estate, mainly physical and financial assets, with the sole purpose of leaving a worthwhile legacy for generations after them. At death, the estate is subject to taxation. The tax can be inheritance tax or estate duty, depending on the tax laws of the jurisdiction where the estate assets are located. Inheritance tax reduces the value of an estate that the beneficiaries inherit.

In the developed economies, inheritance tax is a source of huge income to the government. In a country like the United Kingdom, inheritance tax rate is as high as 40% of the estate value in excess of a threshold. For most African countries, estate duty rate is as low as 10%. Even at that, the tax can considerably reduce the value of the estate that the beneficiaries inherit. Besides the tax, there are other costs associated with documentation and administration of estate that also affect the estate value.

The reduction in estate value can be a great concern to the wealthy segment of the society. They would do everything possible to preserve the estate value that they struggled to build by seeking and adopting appropriate legally accepted tax planning tools to reduce the impact of the tax on their estate value.

The need of the HNI market segment is often neglected by most African life insurers. Indeed, life insurance provides an effective estate tax-planning tool for the need of this untapped market. Estate tax planning life insurance product is a derived demand from ownership of an after-life estate that is subject to tax. The product will help estate owners to provide fund for paying the tax. It will also meet other expenses relating to the cost of legal services to secure necessary legal documents and for administering and distributing estates to beneficiaries.

Life insurers have a unique market segment that needs Whole Life Assurance - 'Estate Tax Assurance Plan'. The main benefit of the product is the protection of estate value on death of the owner. A needs-based marketing strategy can help life insurers in the African market build substantial life portfolio with whole life assurance. The portfolio size can rise to a level close to what obtains in the developed markets with time, effort and great planning. As would be appreciated, a life portfolio with a high proportion of whole life assurance will accumulate substantial long-term fund from reserve on the policies. With such fund, life insurers can transform to big investors and players in the financial markets of their respective countries and thereby discharge their financial intermediation role even more effectively.

Human Capital Development

A person's Human Capital is the Value the person commands in the labour market or in the business world. It is largely a function of educational attainment and quality of skills. Higher education, combined with quality problem solving skills, command higher financial rewards in the market place than low education combined with low routine job skills.

Human Capital development is the fundamental reason for parents' investment in educating their children. They do so to lay the foundation for building the structure of the market value their children will command in the labour market. The demand for their services and skills, and what buyers will pay to engage them is a function of the level and quality of their human capital. When the children become adults, a strong educational foundation will also enhance their own ability to strengthen the structure and attract higher market value.

It is important that life insurers make parents realize one essential fact that the extent to which they can achieve their goal of developing and building strong human capital value of their children depends on their being alive. It also depends on the state of their finances before and when the children are due for higher education. Both require prior provision, long before premature death, or the onset of reduced income earning ability. Demand for appropriate life insurance education product can be a derived demand for this fundamental reason. A Needs-Based Marketing Strategy orientation must emphasize prior provision with life insurance education plans. With appropriate marketing communication, this will enable parents plan and realize their goal of developing and building their children's human capital. When majority of parents do so, life insurance education plans will become "sought" and "tangible" products that parents actively seek, and buy instead of being sold to them.

Human Capital Value Protection

In the present knowledge-based economy, business entities thrive well on the quality of human capital employed to operate or manage their business. Knowledge, skills and experience count in building and enhancing business profitability on a long-term basis. This partly explains why businesses - small, medium or large - invest substantially to develop and equip key employee(s) with appropriate and up-to-date knowledge and skills.

There is a great expectation of high returns on the investment in the key employee(s). Returns on investment come in the form of their contributions to business profitability over a long period. The period is usually up to the expected retirement age of the key employee(s). The expected future returns on investment in the key employee(s) constitute their Human Capital Value. It is an asset, though intangible, that belongs to the employer.

Key employees are the driving force behind the profitability and continued existence of a business through their positive contributions. These may be by way of innovative product design and technical development, or marketing and securing large patronage from customers. Such inputs could also be managerial skills that make the business run efficiently and effectively. The premature death or permanent disability of a key employee can cause the employer to lose Human Capital Value. The business may then have to incur the cost of recruiting and developing replacements for the key employees. In the meantime, it may lose patronage from existing and potential customers with whom such employees have built very close business and personal relationships. Financiers may withhold their support for the provision of working capital for fear that the business entity may no longer be able to meet its financial obligations. These concerns may affect the profitability of the company or cause it to go under.

The need for life insurance centers on making the business profitable in the absence of the key employee(s) due to premature death. Key Man Life Insurance ensures that a business remains profitable after the premature death of a key employee, irrespective of the effects that the premature death poses to the employer. It replaces lost profit, and the cost of inducing an equally talented person to replace the key employee(s), similar to consequential loss insurance in non-life insurance.

A needs-based marketing strategy approach is essential for life insurers in the African market. It would enable them to promote Key-Man Life Insurance, as a Business Continuity Plan to protect employers against the risk of losing the Human Capital Value of employees who make their businesses profitable. With the support of their reinsurers, African life insurers must however be prepared to invest in educating small, medium and large-scale business owners and management with a view to sensitizing them about the need to protect the financial interest of their businesses in the Human Capital Value of their key employee(s).

When the owners and management understand this need, there will be demand for key man life insurance. It will become a derived demand linked to their financial interest in the Human Capital Value of their key employee(s). Life insurers must, however, offer the product to the right consumers. Thus, it is important to avoid selling key man life insurance to banks, who buy it, wrongly, for protection against loan default in the event of premature death of owners of small and medium scale enterprises.

The product design must take cognizance of the main need for the product. Term Assurance, taken for a term expiring at the retirement age of a key employee, is the appropriate product for a key-man life insurance, if the key man is an employee. Apart from this usage, this product is also appropriate if the purpose is mainly for protecting the employer's human capital value in the employee. If the aim includes a provision for other severance benefits, the product may be an investment instrument maturing at retirement age. If the business owner is the key person, as is usually the case for small and medium scale business entities, whole life assurance may form the basis of the product. The employer must be the policy owner. The human capital value of the employee must also form the basis of determining the sum assured. The basis of calculating the sum assured should have a bearing on each key employee's contribution to the profit of the business.

Conclusion

The African market presents excellent opportunities for life insurers to thrive and build substantial life portfolio. However, life insurers are yet to explore the opportunities adequately. It is time to rethink and approach the market with new and effective strategies that turn demand for life insurance products to derived demands, thereby ensuring that consumers seek and buy them. A needs-based marketing strategy is one of such approaches that can be deployed to grow the life insurance market.

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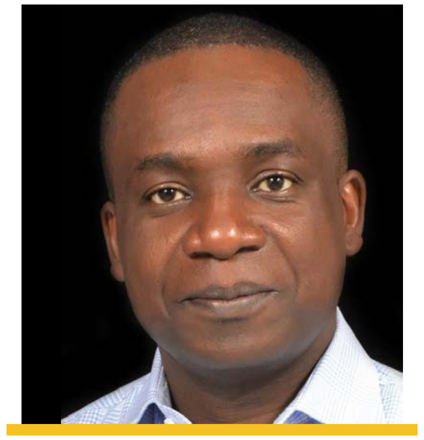
Climate Change: Opportunities & Challenges



Isaac Magina

Underwriter,
African Reinsurance Corporation

As the sun sets down, Bisharo Hassan sits under an acacia tree with her three children, against a background of a scotched landscape wondering what tomorrow will bring. In the last three years, North Horr district has not received a single drop of rain and her family is among the 15 households that had been earmarked for emergency food aid through a donor funded social protection programme. The children look malnourished, and the families are forced to walk for over 20 kilometres to the nearest borehole in search of drinking water. Her husband, Emori, is part of a group of men who set out with entire stock of cattle and camel to look for pasture in the neighbouring district. It is not clear when the men will return home, and the reports indicate the ravaging drought has already decimated more than half of their herd. A recent conflict between two grazing camps over grazing rights led to the death of a close family relative and indeed Emori is also nursing a wound.
Bisharo's predicament is not an isolated problem on the African continent.

In the Republic of Niger, the ravaging drought and change of weather patterns have forced thousands out of their homes and farming is practically becoming impossible. In Kano, Nigeria, Mo Idris looks at his field of irrigated rice crop with desolation. He avers that in his whole life he has not seen the Niger river burst its banks causing the devastating floods, witnessed last season. The entire field of irrigated rice crop was destroyed by the floods. He blames it all on climate change and deforestation. After a long silence, he reaches out for his smart phone and draws attention to an article about the damaged crops and loss of life caused by cyclone Idai in Mozambique. He mumbles to the effect that it was rare to witness such events in his childhood.

What is climate change?

Indeed, Climate Change is a new reality of global concern and relevance and one that confronts African enterprises as well. In 2015, the international community, through the Paris Agreement, rallied behind the urgency to hold global average temperatures to below 1.5 degrees Celsius (2.7 Fahrenheit) of pre-industrial levels to prevent catastrophic ending of lifeforms on the planet earth. This call to action is necessary for the sustainable use of earth resources to the benefit of both present and future generations (Keith P. Shine, 1999). This observation about increasing average global temperatures comes against compelling evidence that links increased human activity to the altering of the earth's energy balance which manifests in adverse climate events such as droughts and floods, as highlighted by (Mervin Holden et al.,2019). Since 1900, global temperatures have risen by 1 degree and climate scientists generally agree this is because of the accumulation of greenhouse gases, especially carbon dioxide and methane.

Whereas the increase in global average temperatures has obvious consequence of polar ice melting and increase in sea levels, climate change is also about the increasing severity and frequency of extreme weather events such as drought and floods (Edward Hana, 2020). However, it is important to point out that global warming, and the resulting climate change phenomenon, is not a uniform or a straightforward process; it can surprisingly manifest itself in varying forms of abnormal events such as extreme cold, hot or dry conditions in different locations. Some traditionally arid regions may indeed experience above normal precipitation. Overall, it is projected that climate change is going to have predominantly adverse effects with perhaps very few positive socio-economic outcomes. Climate change is responsible for the increasing global economic losses. Existing literature illustrates increasing value loss with estimated losses reaching US$ 306 billion in 2017. The World Bank further estimates that 75% of this total loss is directly linked to recent catastrophic events attributable to climate change. Furthermore, because of the devastating nature of climate events, more than 26 million people are forced into poverty each year globally.

Whereas developed countries have been accused of contributing the largest share of global warming activities, the effects of climate change are largely felt in developing countries. This is partly the case because most of them lack the necessary resources and expertise to put in place appropriate climate change response and coping mechanisms. The fragile nature of most African economies, which are mainly dependent on agriculture as a source of food and income, further exposes the continent's vulnerabilities when dealing with the effects of climate change. Changes in climate regimes across the continent have been observed to be the major contributor of reduced productivity and limited investment in farming activities. This grim picture comes against a backdrop where over 70% of Africa's food is produced by small holder farmers and agriculture accounts for over 60% of employment opportunities in Africa. The implication of this unfavourable situation is further complicated by the limited investment in social protection programmes for farming households which often implies that the less privileged members of the society are those that are mostly affected by climatic shocks.

It is paramount to note that in Africa, climate change has mainly taken the form of extreme drought or precipitation conditions which often cause unprecedented interruptions to food production and supply chains as well as the destruction of property and lifeforms. During the 2011 drought in the East Africa region, pastoralist communities in the Horn of Africa experienced between 40 to 60 per cent depletion of grazing resources as well as reduced sources of drinking water. The loss and damage to households in the region during the 2008 to 2011 drought amounted to over US$ 12 billion. The occurrence of such events cuts across regions with far more adverse effects than originally perceived. As pastoralists move in search of water and pasture, cross-border conflicts are likely to further undermine food production systems. In September 2021, the government of Kenya declared drought as a national disaster and sent out appeals for humanitarian assistance for communities in the northern part of the country.

In the context of Africa

Apart from the obvious effects on the food security situation in Africa that is occasioned by dependence on rain fed agriculture, the impact of climate change cuts across many sectors of the economy as well. The Intergovernmental Panel on Climate Change (IPCC) also points out the risk of increased widespread flooding in both rural and urban settlements as an emerging phenomenon that will cause destruction of property and lifeforms across the world. The combination of these unusual occurrences further exacerbates the incidences of water borne and vector borne diseases such as cholera and malaria respectively. Tonnang et al. (2010) noted that vector borne diseases are climate sensitive and that malaria vectors (Anopheles mosquitoes) are shifting from their traditional locations to areas that were previously classified as malaria free zones. It is also anticipated that the increase in summer temperatures will continue to exert immense pressure on energy infrastructure across the continent. However, whereas the events resulting from climate change outlined already tend to be gradual and often take considerable time to be noticed, it is the sudden and catastrophic events like the recent flooding and landslides in South Africa's KwaZulu-Natal and Eastern Cape that highlight the urgency to deal with the effects of climate change on the African continent.
It goes without saying that the responsibility of dealing with climate change challenges is a global one and everyone must get involved, including the insurance industry in Africa.

Coping with Climate Change

Dealing with challenges associated with climate change requires that stakeholders adopt a broader approach that includes both adaptation and mitigation strategies. Mitigation measures include interventions or a set of activities that seek to limit the emission of greenhouse gases that are largely responsible for climate change, such as the adoption of renewal energy and the sustainable use of the earth resources. On the other hand, climate adaptation refers to the adoption of a set of actions that reduces the impact of climate shocks. These include the planting of disease tolerant crops, or the use of risk transfer mechanisms such as insurance in making societies to better withstand or recover quickly from the effects of climate related shocks. Response to climate change shocks can also be classified as ex-ante or ex-post coping mechanisms. Ex-ante initiatives involve anticipating that an adverse event will happen and then putting in place a strategy to respond to it, while ex-post activities are concerned with the intervention after an event has occurred. Early planting of crops to escape drought situations and emergency appeal responses for humanitarian assistance to households are notable ex-ante and ex-post climate change response strategies respectively. Additionally, Agriculture insurance products provide a classic opportunity on how the insurance industry can offer a meaningful contribution to better equip stakeholders to deal with climate change challenges. Climate risk insurance is largely unexplored by majority of African insurers. Indeed, insurance players are capable partners, with the potential to provide avenues for harnessing private sector expertise and capital to address the challenges associated with climate change and make society more resilient. One of the outstanding benefits of insurance in responding to climate risk related emergences is that insurance programmes provide auditable, transparent ex-ante risk management systems that deliver rapid payouts directly to those affected, compared to ex-post initiatives like humanitarian assistance. This helps stakeholders to better plan and budget for an appropriate response. Indeed, insurance has been cited to have a cost-benefit ratio of 3-to-1 as a cost-effective mechanism to respond to drought, according to a recent study by USAID.

Developed through a public-private sector platform to provide social protection for vulnerable pastoralist households, the Kenya livestock insurance programme is another clear demonstration of how insurance can be leveraged to make societies better equipped to deal with challenges associated with climate change. Since inception in 2014, over 24,000 households have benefited from a total payout of US$ 14 million which is made directly to beneficiaries partly through mobile money payment platforms. This index-based livestock insurance programme uses the Normalized Deferential Vegetation Index- NDVI as a proxy to estimate the losses in remote places. This overall approach to drought risk management in pastoralist catchment areas reduces the pressure to use public funds in organizing response in the face of drought shocks, thereby giving the government fiscal space to continue with the implementation of high yielding development projects, often delayed or cancelled in the event of severe shocks.

Climate Change: Opportunities for Insurers

Agriculture: It is projected that by 2050 Africa's population will reach 2.5 billion people, who will largely depend on agriculture as a means of livelihood. To respond to the anticipated pressure on food production systems as well as the desire by many African countries to diversify their economies and limit dependence on extraction of natural resources, stakeholders agree on the need to modernize agriculture through increased investments. This undertaking comes against the backdrop of the climate change phenomenon which threatens to erode the gains already made in attracting direct investments in agriculture. Insurance can play a meaningful role by developing innovative risk transfer programmes such as bundling credit with insurance to make agriculture financing safer, and unlock other sources of funding.

Furthermore, with the ever-increasing interest from governments and other public sector players, the insurance sector is well placed to leverage financial and technical capability to help in designing risk transfer programs such as government sponsored agriculture insurance schemes.

Within the last five years, insurance players in Zambia and Uganda have been instrumental in spearheading public sector engagements to promote investments in agriculture through the Farm Input Support programme (FISP) and the Uganda Agriculture Insurance programme respectively. Furthermore, African governments are beginning to benefit from sovereign risk transfer programmes, and private insurance players have a role to play. Such innovative insurance programmes have made it possible for stakeholders to extend timely humanitarian responses to communities affected by climate change related events thereby minimizing the social economic impact of such events.

Health: Funding healthcare remains a challenge to many households across Africa. This situation is even becoming more pressing with the adverse effects of climate change which has caused the emergence of unfamiliar disease trends. This scenario absolutely presents unique challenges that continue to exert pressure on the already fragile health care systems. With an emerging and genuine desire to improve the quality of life on the continent, governments and other stakeholders across the continent are becoming aware of the need to invest in quality health care through programmes such as universal health coverage schemes. Whereas there is a good business case for insurers to partner with the public sector in achieving this noble goal, purely private sector driven health initiatives stand to benefit from the increased awareness among stakeholders about the need for robust health care funding. Recent investments in health microinsurance programs targeting selected agriculture value chains such as Kinga ya Mkulima in Kenya promise to revolutionize the approach to health care funding in developing markets.

Infrastructure: One of the major casualties of adverse weather events attributed to climate change is often infrastructure. The World Bank estimates that to sustain Africa's economic growth, an investment of USD 93 billion per year is needed to bridge the infrastructure gap (World Bank, 2015). This undertaking is even made urgent with climate change which puts immense pressure on public infrastructure such as transport, power, water and sanitation, health, and communication. Extreme weather events have the potential to disrupt infrastructure and urban systems with serious consequences on socio-economic activities of societies. The true impact of these disruptions goes beyond the physical damage and associated costs like cleanup, repair, and replacement costs, but also includes the effect on supply chains, suspension of economic activities and loss of life. It has been well observed that disruption of one type of infrastructure will most likely result in the disruption of another, thereby triggering cross sectorial infrastructure failures.

Moreover, infrastructure vulnerability to climate change is likely to stem from events happening in far off places owing to linkages in the national or regional infrastructure networks and the economy. Insurers can deploy their knowledge and understanding of risk, as well as capital to help stakeholders to implement programmes that will promote climate resilience and stir investment in infrastructure projects.

Sustainability: The environment is becoming a major issue of global concern and all enterprises have a responsibility to contribute to tackling the effects of climate change through active business strategies. The commitment is not only relevant to organizations whose activities are directly responsible for greenhouse emissions that trigger global warming, but also incorporates actions of those that support such industries, including financial services sectors like the insurance industry. With the realization that the severity and frequency of climate change activity are being felt more on the continent, African insurance players have a responsibility to support programmes that promote overall climate resilience and sustainable use of the earth resources for the benefit of both the present and future generations.

In their paper on the Impact of Climate Change on Agriculture by 2030, Ngaira et al. (2007) pointed out that by 2030, organizations that are environmentally conscious have the potential to create climate change awareness among their clients and collectively generate responses. Interestingly, organizations including those in insurance practice are increasingly being required to adopt triple bottom line (TBL) reporting, which requires that they should not only focus on profit but also report on the social and environmental impact of their activities, when reporting performance (Pablo Archel, 2008).

How the insurance industry can get involved

With the increasing prominence of climate change conversations and relevance of the topic to businesses, insurance players need to be well prepared to make meaningful contributions and take advantage of emerging opportunities. Whereas it is the responsibility of the entire humanity to get involved, capital investments, technical skills, and genuine desire to make the world a better place for both the present and future generations are perhaps the key drivers to motivate partners to confront the challenges associated with climate change. It therefore follows that the development and successful implementation of insurance and risk transfer solutions that promote climate resilience will be greatly enhanced if insurers invest in the following :

Product development: Tackling climate change through insurance will require industry players to innovate. Insurers can play a critical role in identifying and mapping economic sectors that are vulnerable to climate change shocks, and in response develop appropriate risk transfer products. The dependence on crop and livestock farming by most African households, makes it paramount to prioritize the development of novel agriculture insurance concepts as well as drought insurance programmes. Likewise, increased investment in health care calls for a paradigm shift in designing and offering inclusive health insurance programmes across the continent.

Technology: Insurance products that promote climate resilience such as agriculture insurance or sovereign drought insurance concepts require technical input that falls outside the scope of traditional insurance product offering. As an example, successful risk transfer products like the index-based livestock insurance (IBLI) programme largely depend on satellite technology to quantify the losses suffered by insureds. Additionally, unique circumstances which confront majority of those targeted under climate-related insurance programmes, necessitate the need to leverage technology in the onboarding of the insureds as well as in the distribution of insurance claims payouts. Incidentally, most drought microinsurance programmes are often characterized by high volume and small ticket sizes which make them expensive to implement.

Technical skills: The successful implementation of a climate insurance programme will require assembling a broad set of skills beyond the usual insurance underwriting skills. For example, insurance companies and intermediaries will be required to leverage the services of remote sensing experts, social scientists, environmental conservation experts among others in designing and implementing such programmes. Agriculture insurance programme is perhaps one such field where lack of technical skills has slowed down scaling up initiatives and led to poor performing portfolios. Owing to the many stakeholders involved and the need for insurers to take their rightful place in climate change conversations, additional skills in project management and stakeholder engagement will be a requisite to attain a well-coordinated approach and alignment in tackling climate change related challenges.

Forming Partnerships: Dealing with climate change issues requires a collective approach and insurance players cannot develop responses in isolation. Indeed, every stakeholder has a contribution to make, and partners can leverage on each other's strength to achieve the universal goal of tackling the effects of climate change. Whereas private sector players may have limited budgets to allocate enough resources to climate change initiatives, complementary investments by the public sector such as insurance premium subsidies have proved to be useful short-term incentives that encourage participation by local insurance players. Notable partners that have demonstrated commitment to tackling climate change responses on the African continent include governments, humanitarian organizations, development agencies, non-governmental organizations, and insurance regulators, among others.

Conclusion

It has been demonstrated that indeed innovative risk transfer programmes, such as drought insurance, have the potential to cushion vulnerable households such as that of Bisharo and Idris from the devastating impacts of climate change related shocks. Insurance players have a clear business case to leverage their respective technical expertise as well as deploy capital resource in fulfilling the collective responsibility of tackling the challenges associated with climate change.

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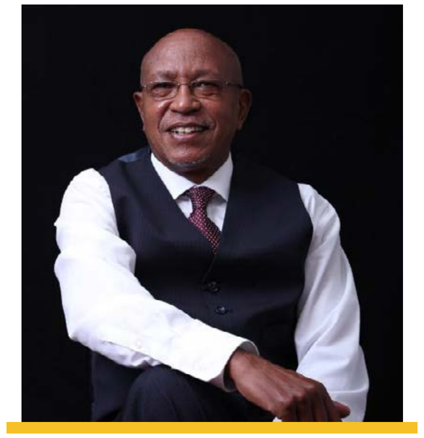
The Role of Insurance in Broadening Financial Inclusion in Africa



Dr. (h.c) Nelson C. Kuria

Chairman, CIC Group

Introduction

The concept of financial inclusion grew out of the micro-credit movement of the 1970s and became widely used in the early 2000s. Today, it is an important part of the global development agenda, with a wide range of actors recognizing it as an enabler of development.

The Centre for Financial Inclusion defines financial Inclusion as a state in which all people who can use financial services have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity to clients.

A UN report in 2011 improved this definition by including insurance and pensions;

"...providing a whole range of financial services to the poor — including credit for small and micro-enterprises, savings facilities, insurance, pensions, and payment and transfer facilities — is clearly desirable…"

Research shows that financial inclusion has measurable impact on poverty alleviation and inequality, resilience in times of crisis, and other measures of human progress.

In Africa, not only are people in the low-income segment of the population constantly exposed to risks; they are also the most vulnerable to losses and their associated shocks hence, they are least able to cope when a crisis does occur. This is where insurance comes in as an important mitigation tool to alleviate the negative impact of shocks or disasters.

Insurance is a very effective mechanism that can be used to promote economic growth, improve resilience, and reduce poverty and inequality. Without insurance protection, families in the low- and lower middle-income sectors of the economy can easily fall into poverty in the event of disasters. By shifting financial risks away from individuals and increasing their resilience, the public and private sectors can contribute in efforts towards reducing poverty and inequality.

Inclusive insurance encompasses approaches to reach the unserved, underserved, vulnerable, or low-income populations in emerging markets with appropriate and affordable insurance products. These range from microinsurance for people with very little disposable income to new products and services for an emerging middle class who have not been served by traditional insurance.

Insurance in the world's development agenda

Through the Disaster Risk Financing and Insurance programme, the World Bank recognizes the role of insurance in helping developing countries increase their financial and fiscal resilience against natural disasters. Similarly, the InsuResilience Global Partnership for Climate and Disaster Risk Finance and insurance solutions was launched in 2017. Its aim is "to strengthen the resilience of developing countries and protect the lives and livelihoods of the poor and vulnerable people against the impact of disasters through Climate and Disaster Risk Finance and Insurance solutions."

Insurance also features prominently in the G-20's 2017 Financial Inclusion Action Plan, in acclamation of its contribution to the achievement of eleven identified United Nations' Sustainable Development Goals (SDGs). The Microinsurance Network in a July 2017 press release called on insurance and development experts to recognize that insurance is a critical enabler if we are to attain many of the SDGs. Relevant to Africa and other developing countries, inclusive insurance and microinsurance have also been identified as key catalysts in the achievement of the SDGs.

Despite its significance in the world economy and development agenda, microinsurance is still grossly underdeveloped, covering only between 179-377 million people as at 2021[1]. It is estimated that microinsurance will grow to a global market size of about 4 billion people by 2050[2] and the InsuResilience Global partnership has an ambitious target of insuring 500 million of them by 2025[3]. This is by all means a very ambitious goal, given the slow pace over the past two decades, even with support from renowned inclusive/microinsurance proponents like the International Cooperative & Mutual Insurance Federation (ICMIF), the ILO's Impact Insurance Facility, Munich Re Foundation, the Microinsurance Network and GIZ, among others.

Current situation of inclusive insurance and micro insurance in Africa

According to the Microinsurance Network's 2021 Landscape of microinsurance study, 224 insurance providers were sampled from 30 countries across Africa, Asia, Latin America and the Caribbean. Thirteen of the sampled countries were from Africa, which is a concerning decline from 36 countries that participated in the same study in 2015. Does the decline mean that the providers in Africa are losing interest? Could this be a cry from the continent for a stronger, deliberate African-driven microinsurance agenda?

Lack of deep understanding of the target market, low capacity and low level of participation of African insurance leaders in driving microinsurance and the disaggregated efforts of international agencies have resulted in the inability of inclusive insurance and microinsurance to reach scale, which is critical for their sustainability over the long term. Most microinsurance schemes that have been discontinued over the last two decades have been due to their inability to reach scale. Indeed, most of the efforts being put into microinsurance are not commensurate with the results being achieved.

So much has been invested by different international agencies and institutions over the last two decades to understand the low-income sector in Africa, and in turn to develop meaningful insurance solutions. There have been several country researches and diagnostics, conferences, learning sessions, grants and technical assistance, all with the goal of increasing the uptake of inclusive insurance and microinsurance. However, there appears to be lukewarm buy-in and support at the top leadership level of insurance organizations, with most of these initiatives being driven by middle managers and technical staff. African insurance leaders would need to contribute and participate a lot more in capacity building and thought leadership forums which are primarily dominated by international agencies and large players from Asia and Latin America. For the efforts in the development of inclusive insurance and microinsurance

1 *Microinsurance Landscape study 2021*
2 *WB/IFC Microinsurance Development Program*
3 *http://www.insuresilience.org/*

to result in sustainable growth and have a significant impact, the tone must be set by the top leadership, including the board.

There have been cases of both success and failure in the different microinsurance initiatives in the continent, attributed to different aspects of the business. It is generally agreed that product design and distribution channels have been the main contributors to the success or failure of the various initiatives in different countries. Other aspects such as culture and low levels of awareness and education also contribute to a large extent. In Southern Africa where success rates are high, it is worthy of note that the predominant microinsurance product is funeral cover. This could be attributed to culture and a high level of awareness of the available funeral insurance products. In West Africa and particularly Mali, mutuals have been explored as a distribution channel for microinsurance, where the approach of one health mutual per village is promoted extensively[4]. In East Africa and particularly Kenya, Co-operatives and Microfinance Institutions have significantly expanded financial inclusion. Co-operatives have in particular contributed significantly to social security and protection among low-income members. Furthermore, they have been the primary distribution channels, particularly for microcredit life insurances.

In the recent past, interesting tech-based innovations have emerged to manage the end-to-end delivery of microinsurance solutions like CoverApp which won the Africa InsurTech of the year award in 2019 among others. Kenya, Ghana and Nigeria have introduced the Bima Lab accelerator program sponsored by FSD Africa[5] and Prudential Plc[6], for InsurTechs in the respective countries to encourage tech-based innovations to drive microinsurance. The success of this initiative is however yet to be felt despite the investment. It should be a big challenge to insurers that majority of Africans remain exposed to insurable financial risks, condemning them to the vicious cycle of poverty, despite advancement in the access to other financial services and better ability to finance livelihoods and economic wellbeing.

What can be done to accelerate the growth of inclusive insurance and microinsurance to catch up with the inclusion agenda?

Given the challenges outlined above that have hindered the development of microinsurance in Africa, it has become imperative that African organizations must step into the gap and develop home-grown solutions to the challenges the industry faces. The African insurance industry players must no longer sit back and wait for solutions to trickle down from global initiatives. The importance of developing African solutions for African problems has never been as pronounced as it is in the case of insurance, where culture plays a major role in purchasing decisions. There needs to be a convergence point for implementing the decade-long research findings on microinsurance; and efforts should be made to increase the capacity of the industry to implement these ideas effectively. According to the (Zollmann, 2014) Financial Diaries report, low-income households leverage their social networks to cope with severe and infrequent risks but not the frequent smaller risks, yet it is the frequent small risks that drain the financial resources of the affected families or small businesses. A total paradigm shift to cover more frequent but less severe risks in the African context could result in more households and MSMEs being insured, increasing uptake and thereby enhancing financial inclusion. This is a thought that requires more research to better understand the risks and design out-of-the-box solutions that could transform the African risk mitigation landscape.

It is high time the African insurance industry and governments changed their approach and took the lead and ownership in driving the inclusive insurance agenda in the continent. However, the international development partners should continue to complement such initiatives with their support. It is said that you cannot continue to do the same thing and expect different results!

4 *Landscape of microinsurance in Africa, 2012*
5 *https://bimalab.org/*
6 *https://www.prudentiallife.co.ke/news-bima-lab-accelerator-program/*

Consumer education remains an important factor in increasing insurance penetration and requires a long-term strategy in Africa. This is particularly so because it is unlikely that a consumer education training program would have insurance only as a topic, exclusive of other linked financial management tools like savings, credit and budgeting. Extensive insurance education activities, therefore, increase knowledge that could influence more informed usage of not only insurance but other linked financial services, giving even more value to the distribution partners like microfinance institutions, community-based organizations and cooperative societies, among others. In particular, the co-operative structure and model have great potentials in successfully delivering insurance services by leveraging millions of members who mainly constitute the low-income population.

In Africa, the rural population which is mainly engaged in agriculture and accounts for nearly 80% of the total population also happens to be the most excluded from financial services, including insurance. Addressing their needs with traditional finance/insurance solutions will not go far. Africa requires transformational and scalable solutions that incorporate various types of financial services and products, especially leveraging technology and new models. For example, bundling insurance with other financial services and products through innovative models like Value Chain Finance (VCF) in agriculture and leveraging technology can deepen financial inclusion.

Flexible financial systems and a progressive regulatory environment can accelerate the adoption of new products and services, processes, and technology and help to overcome barriers to financial inclusion. Recent success in mobile technology and money in East Africa demonstrates that innovations can bring about revolutionary changes in how people engage in financial transactions by lowering entry barriers, reducing costs, and expanding access. Agile innovators who are able to integrate transformative technology, behavioral economics, and collaborative ecosystems will set the pace for change in growth and expansion of financial inclusion.

In the report, "Mainstreaming Financial Inclusion: Best Practices", by the Institute of International Finance and MetLife Foundation, the strategies for effectively serving the low-income population, and thereby expanding insurance inclusion do include:

- Simplifying products so that they are easy to understand, easy to enroll in, and easy to claim against. For institutions, such simple products engender trust and are provided at a lower cost.
- Finding new distribution channels and aggregators - from telcos to farmers and cooperatives to banks — to identify and connect with low-income customers.
- Leveraging digital channels and new "Insurtech" (insurance technology) innovations to connect with, and serve, low-income customers.
- Implementing new business models and products to provide and administer the risk mitigation solutions at a scale that meet low-income customers' needs.

In its mission, to "Foster the development of the insurance and reinsurance industry in Africa", Africa Re, as an inter-governmental agency and the leading reinsurer in Africa, has the unique opportunity to catalyze growth and insurance penetration by ensuring that insurance is made more inclusive. Beyond offering reinsurance coverage, the Corporation should continue to promote the development of microinsurance by taking on the leadership in driving capacity building, innovation and thought leadership.

Africa needs to develop more home-grown solutions for the challenges facing the insurance industry in the continent. In this connection, Africa Re's initiatives--- African Insurance Awards for promoting excellence, innovation, leadership and best practices; and the Young Insurance Professionals' Programme, a premier training and capacity building programme for insurance practitioners, in all aspects of insurance--- are steps in the right direction.

Conclusion

For sustained and inclusive development to thrive, a great deal of innovation and thinking would be needed to ensure that appropriate financial services and instruments are put in place to bring the poor and other vulnerable groups, who are traditionally excluded from the formal financial sector, into the mainstream of economic activity.

In our efforts to promote sustainable socio-economic development, insurance needs to be recognized and appreciated as an integral tool in fighting poverty, protecting wealth, and enhancing resilience. It has already been demonstrated that insurance offers an effective vehicle for reducing the vulnerability of the poor.

To reach large numbers in the low-income sector with financial services requires building an inclusive financial sector that has a diverse range of providers offering a diversified range of products and services, capable of meeting the diverse needs of different segments of the population down to the poorest. This is in line with the UN definition -"...providing a whole range of financial services to the poor — including credit for small and micro-enterprises, savings facilities, insurance, pensions, and payment and transfer facilities — is clearly desirable..."

This will require strategic partnerships/alliances that bring the contributions and interventions of all relevant actors: international agencies, private sector, governments including regulators together in a co-ordinated manner for maximum impact.

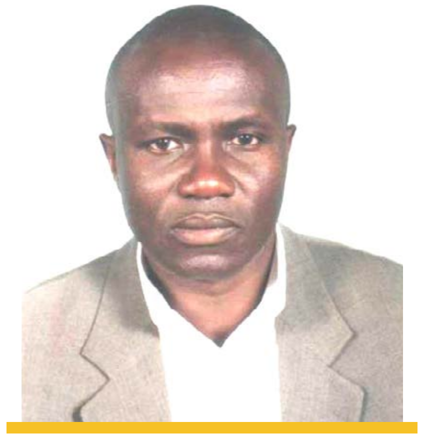
Successful financial inclusion requires a policy and regulatory framework that fosters responsible, inclusive financial systems and one that has the flexibility to adapt to rapid changes. Consumers must view the system as fair and stable in protecting their interests.

It must be recognized that access to affordable insurance services is essential for economic stability and security. The role of insurance in broadening financial inclusion can therefore no longer continue to be relegated to a low priority, taking cognizance of its critical role in building resilience at household, enterprise, and even sovereign level.

Insurance organizations, leaders and professionals should therefore, as an imperative, play the critical role of driving innovation in order to reach the less-protected segments of the population. They should be purpose-driven and passionate in developing the much-needed insurance and risk management solutions for the millions of fellow Africans who are largely excluded from the mainstream of financial services and insurance in particular. As Jim Collins says in his book, "Good to Great," the leaders should be… "Fanatically driven, infected with an incurable need to produce sustained results. They are resolved to do whatever it takes to make the company great, no matter how big or hard the decision they have to make." It should not be business as usual.

As insurance leaders and professionals in Africa, we must recognize the fact that our poor and low-income brethren do not need our pity or sympathy. What they need is to be empowered through creative solutions. They expect no more and no less from us! We should therefore direct all our knowledge, experience and creative energies toward offering such solutions.

The Great Resignation Phenomenon: What Lessons For Africa?



Dr. Odhiambo Sule

University of Nairobi, Department of Economics

and

Mr. Guy B. Fokou

Director of Human Resources, African Reinsurance Corporation

Overview

Noteworthy global events like world wars, the Great Depression, and the Financial Crisis of 2007/2008 herald vital shifts in the labour markets. These shifts leave workers fiercely competing for limited employment positions. The COVID-19 pandemic presented another change, but this time employer-employee experiences got reversed. The pandemic became an epiphany that allowed workers to re-evaluate, redefine, and reconsider their relationship with jobs and employers. The Great Resignation Phenomenon is a result of these reappraisals.

"The Great Resignation is coming," said Anthony Klotz, an associate professor at Texas A&M University, in May 2021. The professor argued that workers tend to postpone resignation decisions in times of uncertainties like those experienced at the height of the pandemic. He argued that those who would have resigned in 2020 would do so in the coming years, starting from 2021. His hypothesis has become an economic event in the labour markets, and data backs it. For example, the US Bureau of Labor Statistics revealed that between April 2021 and April 2022, 71.6 million employees quit, averaging 3.98 million quits each month. Quit levels peaked in November 2021, with 4.5 million separating voluntarily.

Elsewhere, statistics are sobering. A widely cited Microsoft survey revealed that 41% of workers worldwide intended to quit in 2021, and Gallup survey results for the same period had put the figure at 48%. In OECD countries, at least 20 million workers still needed to return to the office by November 2021. In Germany, there was a shortage of 30% of skilled workers in that period. Asian countries are also feeling the brunt of the pandemic, with attrition rates in India expected to be over 20%. Vietnamese state workers are also quitting and refusing to return to cities, preferring to stay close to their families; in the Caribbean, 16% of younger workers have left the workforce.

Labour shifts experienced elsewhere can only portend doom for Africa, where the brain drain haemorrhage is already a concern. A 2013 UN report revealed that 2.9 million Africans with tertiary education lived in developed countries, mainly in Europe and North America. This figure represents a 50% growth from the last decade, the highest of any other region in the world. With this continuing human capital flight problem and the Great Resignation creating employment opportunities that Africans would gladly accept, the task of African business leaders' intent on attracting and retaining top talent has never been more clearly defined.

Paradoxes and Mysteries

Recent resignations defy all logic. Not even the withdrawal of employment insurance or long-held beliefs seem to faze workers. Worse, employers fail to understand what employees want, leading to inefficiencies in measures to check the resignation waves.

At the height of the pandemic in 2020, companies were forced to either furlough or permanently release workers. This action was justified as the economy was experiencing a predictable and justifiable downturn. Historical trends and economic theory indicate that resignation rates are usually lower than expected during economic uncertainties. Fewer workers are willing to take the risk of not finding another job, if at all, after leaving their current work for whatever reason. Paradoxically, the employment trend that has developed over the last two years since the start of COVID-19 has not aligned with these predictions and expectations.

When the COVID-19 restrictions were eased, employers expected workers to flock back to their workplaces. They did not. Why they quit or where they went after separating from their current employer is a matter that has elicited heated debates amongst academicians and business analysts. The most crucial point is that voluntary separations took an upward trajectory as the economy recovered.

Unemployment benefits were blamed for keeping workers at home. As a result, some States in the US responded by eliminating these benefits, but this action yielded an unexpected outcome. Using data from the US and UK, IMF researchers concluded that the withdrawal of the unemployment benefits had a "modest and temporary effect" on compelling people to return to work.

There was yet another interesting finding. Typically, hopes of better economic prospects make people quit. Toxic organizational cultures and uncertainties due to frequent sackings are also not surprising reasons for leaving. However, it is surprising when data reveals that employees are likely to depart from innovative companies. The MIT SMR/Glassdoor Culture 500, an annual index and research project that used over 1.4 million employee reviews to analyze culture in leading companies, shows that the more employees talk about innovation, the more likely they are to quit. There is a plausible reason for this. Staying at the very edge of innovation typically requires employees to work longer hours, work faster, and endure more stress than they would in a slower-moving company. Such work may be interesting, but it is barely sustainable.

Trends: Who is resigning? Why are they quitting? Where are they going?

A principal question that needs to be answered is whether voluntary separations started after the pandemic. The simple answer is no. If the US can be used as an example, then data from the country's Bureau of Labor Statistics reveals a long-term trend that employers will have to contend with. Data indicates that from 2009 to 2019, voluntary separations took a steady and predictable rise, as shown below. The pandemic interrupted the trend, but not for long.

Data source: US Bureau of Labor Statistics

That employees were quitting en masse is an irrefutable fact. However, why they were leaving, where they were going, and who was quitting are matters of stimulating debate.

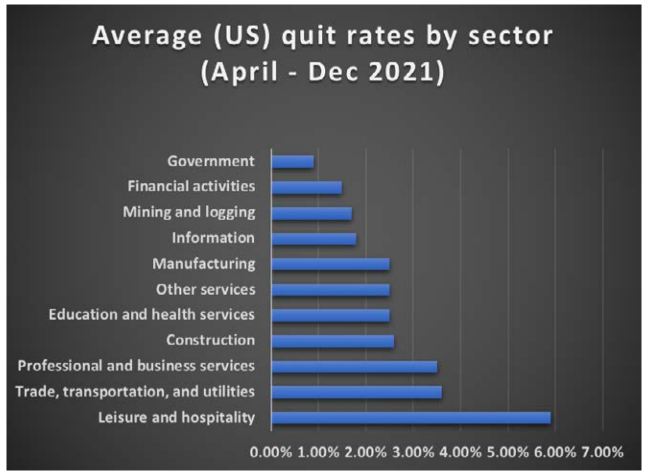
Who is leaving?

According to Pew Research, women, non-whites, and employees in lower-wage jobs in the US and other developed countries are more likely to quit. A 2021 Deloitte Economics Team Study further indicates that labour force participation in all the G-7 countries has fallen below pre-pandemic levels. The study further shows that women comprise 50% of the labour force in the US, but 3 million have since dropped, and 1.8 million have not returned to work.

As expected, employees falling within the 18-25 age bracket (Gen Z) lead the mass exodus. This outcome is expected, given that these workers are mainly employed in low-wage jobs, have no families, and can afford to change careers. However, the bad news is that tenured employees are also rethinking their work situation; these are key, experienced employees that are organizations' most significant assets. A study by Visier, a leader in Workplace Analytics, revealed that employees aged 30-35, 40-45, and 45-50 had all increased their resignation rates by over 38% in the last year (2020-2021). A graphical representation is provided hereunder:

Data source: Research & Insights Group

Industries are not sharing the burden equally. Predictably, low-wage sectors, including hospitality and leisure, are hardest hit. Data from the US Bureau of Labor Statistics presents the following scenario:



Data source: US Bureau of Labor Statistics

Why are employees leaving?

The Great Resignation Phenomenon did not just appear out of thin air; instead, it was a natural consequence impelled by several factors. Among these are the 5Rs identified by the Harvard Business Review: reconsideration, reluctance, retirement, relocation, and reshuffling.

Reconsideration is by far the most critical force driving job quits. People are creatures of habit, and a significant disruption like COVID-19 must have made them re-examine their situation. They must have realized that their current situation was untenable and that a revision was essential. During the lockdown, people could also re-evaluate their relationship with work, redefine their life priorities and long-term career goals, and realize that work experience should be more than just remuneration. Burnout, compensation, and alignment between work and personal values also needed to be considered.

Moreover, employees must have realized their pay needed to match their productivity. According to the Economic Policy Institute (a think tank based in Washington, DC), from 1979 to 2019, despite Americans' work hours increasing and the net economic productivity rising by 59.7%, a typical worker's compensation grew by only 15.8%. As a result of this realization, burnt-out employees have either dropped out of the labour force altogether or found better-paying jobs. Caregiving women comprise the most significant proportion of those who have quit and are currently not looking for work.

When the labour markets are as tight as they have been in the past two years, employees can be spoilt for choice. At such times, a pay check does not count for everything, and employees will be happy to quit a well-paying job if it does not align with their values or purpose. Toxic cultures at such times are also not tolerated. Interestingly, a review by the Massachusetts Institute of Technology (MIT) of employee attrition in Culture 500 companies from April through September 2021 concluded that toxic culture was 10.4 times more important in predicting turnover than a pay check. (Culture 500 is an interactive corporate culture index that ranks and compares top US companies using AI). Survey results from Microsoft, Deloitte, Gallup and several others validate this assertion: "it's less an industry, role, or pay issue than a workplace issue."

Where are the resigning employees going?

Many observers have contended that the great resignation should be christened The Great Reshuffle, but this is inaccurate. While employees have switched jobs across sectors and industries, many have dropped out of the labour force temporarily or permanently. A Deloitte survey covering G-7 countries reveals that the global labour force participation rate experienced a decline of about 2% between 2019 and 2020 and is projected to recover only half of that in 2022.

Those who have left the workforce are mainly employees who have experienced cognitive dissonance, the uneasiness a person feels when his/her behaviour, position or work does not align with his/her values, ideals, or beliefs. As a result, people readily leave their jobs to pursue self-employment if they believe they can better fulfil their needs. No wonder self-employment and an increase in the zeal for entrepreneurship were evident after the pandemic phase. During the pandemic, most of the work shifted to online mode, fuelling the labour supply on the Gig economy platforms which increased by 25%. Start-ups also reached record highs in 2021: 1.4 million start-ups were registered in the US, and India added 1600 start-ups in the tech sector alone.

The Impact of Employee Resignations on Organization Replacing employees is costly in monetary and cultural terms; it costs money, disrupts teams, derails productivity, and leads to losses. According to Gallup's State of the Workplace Report 2021, replacing an employee may cost up to two times his or her annual salary. While these are the apparent and direct turnover costs, companies face other myriad and differentiated costs due to resignations. For example, an insurance company will incur different costs from a hospitality company.

For this discussion, let us narrow down to the costs of mass resignations in the service sector, particularly banking, insurance, and finance. Knowledge is an essential resource for creating a competitive advantage in these areas. Therefore, costs incurred by the sector must be explored from a knowledge/institutional memory loss perspective.

Institutional memory loss: costs and consequences

When employees with valuable knowledge leave, the organization's knowledge stock is depleted because those who leave carry accumulated tacit knowledge resulting from years of experience and context. As employees plan to go, they see no need to share their expertise with current employees. Consequently, as the stock of knowledge shrinks, productivity in the long term may dramatically drop.

Mass resignations in the service sectors also undermine organizations' capability to integrate the knowledge of the remaining workers into business processes. Through innovation, problem-solving, and enhanced creativity, knowledge creates value in more than one way, and this creation and multiplication of knowledge require expertise inherent in skilled employees. Once the valued employees depart, developing, integrating, and reconfiguring business processes become problematic.

Expectedly, mass resignations within a short time may have a negative psychological effect on the remaining employees who may suffer bouts of anxiety, stress, and disappointment. Moreover, they may suffer from the "survivor syndrome," which makes them face an uncertain future; they may understandably fear that losing key employees will affect business performance, a consequence that may require downsizing. In this state, they are less likely to share their knowledge, further impeding intra-organizational knowledge flow.

Mass resignations also destroy informal knowledge development channels. Employees develop friendships based on shared values, interests, trust, and reciprocal liking as they work together. Over time, these friendships develop into informal social networks comprising multiple co-workers; these networks are utilized for both work and personal matters. They are simply channels of informal knowledge dissemination. Unexpected mass resignations destroy these channels, and rebuilding them requires time and resources that organizations may not have.

Equally prominent, mass exodus taints the image of organizations as desirable employers. Applicants may wonder why so many employees have suddenly departed and may refrain from applying. After all, a high turnover serves as a red flag; an organization may thus find it difficult to compete with other organizations for the best available talent. This further leads to the erosion of the available stock of knowledge.

Sudden resignations may likewise lead to a loss of senior employees with deep institutional memory of the firm. These employees are indispensable because they help on-board, mentor, and supervise new hires, and their loss undermines knowledge transfer processes.

Finally, the departed employees may eventually join competing organizations. There, they unconsciously, mistakenly, or deliberately infuse their former employers' business processes into the competitors. In addition to their professional knowledge, they may reveal their former employers' aspects of competitive advantage, including trade secrets, know-how (and "know who" and "know what"), or some confidential information. Worse, while some of the effects of the lost knowledge may be ascertained immediately and sooner or later fixed, some may take an extended period to discover. As a result, it may be too difficult to identify and refill the knowledge gap.

Lessons for Africa

Employees are no longer content with subpar company culture, incommensurate compensation, and inflexible work arrangements and are deciding to leave. These are employees who are spoilt for choice. One wonders whether the same applies to Africa. The simple answer is yes, primarily where highly-skilled employees are concerned. Since the 1980s, African employees have had their own kind of employment reshuffle, christened Brain Drain. By 2050, IMF estimates that 34 million African migrants will have moved to OECD countries alone. Most of these employees will move to fill professional and specialist roles that are already difficult to fill in source countries.

The scanty data on Africa shows that at the height of the COVID-19 pandemic, 40% of separations in South Africa were voluntary and affected highly skilled and experienced employees. With the Great Resignation and changing population dynamics in the developed world, coupled with globalization, the need for African business leaders to retain and attract talent has never been greater. Fortunately, much can be done. These leaders can aim to inspire the workforce, replan work, and redefine the workplace to make it attractive for fresh talent.

Reimagining work and the workplace

Private organizations may have little to do to arrest the decades-long haemorrhaging of human capital from Africa. The political instabilities, insecurity, economic uncertainties, and socio-economic factors like corruption and cronyism are beyond their scope. However, these organizations can learn from the Great Resignation and implement measures to stop workplace discontent. These initiatives should address unconducive work environments, burnout, lack of career progression, the misalignment of values and purpose with duty, and work inflexibility.

By contemplating, revising, and recreating work to leverage digitalization capabilities, harnessing the power of the workforce, and rethinking the workplace, private organizations in Africa may retain workers and thrive. It needs not be expensive to do this. Instead, leaders must understand that the future of work involves examining current processes to assess if they are required, produce the intended results, represent the best course of action, and best utilize both technology and people.

Moreover, business leaders should take devoted and talented employees seriously. For these workers, new possibilities must be created. Giving individuals the time, tools, and support they require in a constantly changing workplace is necessary to achieve this end. Organizations can appease restless workers by increasing internal possibilities for advancement and mobility or introducing new learning or rotational positions. Where options for remote or hybrid work are possible, leaders should approve and encourage employees to take advantage of this flexibility. Organizations that have succeeded in luring back and retaining employees, for example Walmart, have supported their loyal employees varyingly: they have subsidized tuition for advanced education or upskilling, catered for childcare, and facilitated relocation, among other measures.

There is also a need to rethink work and eliminate unnecessary or less critical processes. Indeed, not every activity is necessary. For example, a Microsoft survey reveals that online meetings are getting longer, chats are increasing, and the number of emails sent is snowballing. As organizations lose talents, they will expect those who have remained to do more, but one should not expect an employee who has endured endless meetings to be productive. Thus, executives should review work tasks, prioritize them, and try to do away with the work that is of the lowest priority. There is little doubt that shifting workloads from regular to high-value work will increase employee engagement and productivity.

The ground-breaking research conducted by Deloitte demonstrates that organizations may harness new technological solutions to increase the value of their client relationships and, ideally, elevate the purpose of their workers' jobs. It implies enhancing human activity and enabling genuine human-machine collaboration so that individuals can realize their full potential.

Rethinking work also means assessing the talent pool composition. This strategy may require leveraging a broader ecosystem. For instance, this may require bringing in contractual employees as and when the need arises. The firm should consider alternative workers for senior-level and more strategic positions.

Lastly, firms based in Africa could also rethink their remuneration packages with a view to making them attractive enough to stem an exodus of their employees to greener pastures. Needless to add that this initiative must consider firms' productivity and ability to pay and adjust for factors like cost of living and social costs.

Wrapping Up

With this continuing human capital flight problem and the Great Resignation creating employment opportunities that Africans would gladly accept, the task of African business leaders' intent on attracting and retaining top talent has never been more clearly defined.

The causes of the Great Resignation can be summed up using the 5Rs- reconsideration, reluctance, retirement, relocation, and reshuffling. Paradoxically, most of the efforts used by organizations overseas to encourage employees to return to their workplaces or dissuade them from resigning have borne no fruit. The trend is worrying because even tenured employees that are difficult to replace are also quitting, and the resignations are expected to continue long into the future.

Africa can glean a few lessons from the Great Resignation phenomenon: there is a need for African business leaders to address toxic cultures, inspire the workforce, re-plan work and redefine the workplace to make it attractive to fresh talent while at the same time retaining the loyal talent.

Conclusion

The cost and consequences of the Great Resignation are far-reaching, affecting both overseas and African organizations. The current high attrition rates in foreign organizations continue to create employment opportunities that serve to attract African workers; consequently, as these workers leave to fill vacancies abroad, their home countries suffer from brain drain while the organizations that had employed them are forced to incur more costs as they move to fill the vacancies left behind by the employees.

The Insurance Market of Madagascar

Holy Andriambololona

Assistant Director-Underwriting and Marketing
Africa Re – Mauritius Regional Office

1.0 BACKGROUND

Madagascar or la Grande Ile is located off the coast of Southern Africa in the south west Indian Ocean. With a surface area of 591,896 km2, Madagascar is the fifth largest island in the world (after Australia, Greenland, New Guinea and Borneo). The country has a population of over 28 million inhabitants living mostly in rural areas (78%). Madagascar gained independence on 26 June 1960 from France.

Due to its isolation, diversity of its climate and relief, abundant mineral and marine resources, Madagascar has considerable natural resources and rich and endemic biodiversity. Furthermore, cultivable land is estimated at 36 million hectares, more than 90% of wh ich is unexploited.

Unfortunately, the country is significantly affected by climate change as it is exposed to tropical cyclones during the wet season and to drought in the southern region during the dry season. In 2017 following the powerful cyclone Enawo, with economic losses estimated at US$ 693 million or 11% of GDP, Madagascar was ranked 7th in the world among the countries most affected by natural disasters.

2.0 ECONOMIC ENVIRONMENT

Madagascar's economic growth has been dented by several major political crises that have disrupted the business climate, undermined investor confidence, led to hyperinflation, the depreciation of the Ariary and, consequently, an increase in the poverty rate (77.4% in 2019)[1].

The tertiary sector is the main engine of growth of the Malagasy economy, contributing 58% to GDP. Its performance is driven by trade, transport, public works, the banking sector, the services sector and ICT particularly, mobile telephony.

The primary sector, sustained mainly by agriculture, is the second largest contributor to GDP at 25%. However, the agriculture industry has only recorded an average growth rate of 1% over the last 10 years despite its enormous potential. The lack of agricultural productivity is mainly due to the isolation of the regions, lack of modern technology, recurrent climate shocks (cyclone, drought and floods) and the scourge of locust invasion.

The secondary sector's share of GDP remains low because the manufacturing industry is underdeveloped. However, this sector has gained momentum since

1 *World Bank - based on an international poverty line of $1.90/capita/day*

2013 with the growth of the mining industry (especially cobalt, nickel and ilmenite). Its contribution to GDP has risen from 12% in 2008 to 17% in 2019.

In 2020, the country's economy suffered from the negative effects of the Covid-19 pandemic after economic activities were suddenly brought to a halt; growth rate dropped to -7.14%, there was a staggering increase in poverty rate to 81% and a sharp depreciation of the Ariary.

In 2021, the gradual resumption of economic activities boosted GDP growth rate to 3.54%, driven by the fresh impetus to public/private investment and the resumption of mining activities and cash crop exports.

According to IMF estimates, growth rate could reach 5.14% in 2022. However, the global crisis linked to the Russia/Ukraine war could hamper economic recovery, as the European Union is one of the country's main economic partners. In addition, the supply chain crisis (trade accounts for 11% of GDP) and the energy crisis could also constitute a hindrance to renewed economic growth.

Table 1.1

Indicateurs économiques	2017	2018	2019	2020	2021	2022
GDP (constant) Million	20,308	20,956	21,881	20,319	21,037	22,119
Growth rate	3.93%	3.19%	441%	-7.14%	3.54%	5.14%
Inflation rate	8.59%	8.60%	5.62%	4.19%	5.82%	8.80%
Exchange rate USD/M	3,230	3470	3,627	3,824	3,956	4,098
Exchange rate EUR/M	3,862	3,962	4,041	4,686	4,522	4,208

Source: IMF - World Economic Database Apr 2022 / Exchange rate - Central Bank of Madagascar

3.0 INSURANCE MARKET

3.1 History

The insurance market of Madagascar has existed for more than three-quarters of a century and has undergone several important stages.

During the colonial era (before independence in 1960), more than forty representative offices of foreign insurance companies operated in the market within the legal framework of the French Law of 13 July 1930.

During the nationalisation period (1960 - 1975), Ordinance No. 62-034 of 19 September 1962 was promulgated to regulate insurance companies and operations. Thus, 4 insurance companies were set up: NY HAVANA (established in 1968 with 50% state ownership), La Préservatrice Madagascar (set up in 1974, entirely private and emanating from the Agence Générale de la Préservatrice Française established in 1935) and finally, MAMA and AVOTRA (two mutuals set up in 1968 and 1971 respectively). In 1975, the sector was nationalised. The share of the state in the capital of NY HAVANA was increased to 62%. La Préservatrice Madagascar became Assurances Réassurances Omnibranches (ARO) with 73% owned by the state.

In 1999, the market was liberalized with the promulgation of Law 93-013 of 2 August 1999, which also laid down the insurance code, inspired by the CIMA Code[2]. Two foreign companies were established: COLINA in 2005 and ALLIANZ Madagascar in 2006.

In 2020, the insurance code was revised.

3.2 Legal framework

The insurance sector of Madagascar was long governed by Insurance Code 93-013 of 2 August 1999 and its implementing decrees. However, the code has been revised and law n° 2020-005 on insurance was promulgated in 2020, the decrees of implementation of which are currently being drafted.

The main areas for improvement are:

- the establishment of a legal framework for reinsurance;
- the increase of compulsory insurance from one class (Motor Liability) to five classes (motor liability, construction all risks and decennial liability, import cargo, liability and school accident and professional repair liability, sale and inspection of motor vehicles)
- authorization of microinsurance, index insurance and digital insurance products ;
- expansion of distribution channels;
- transfer of the supervision of the insurance service sector from the Ministry of Finance and Budget to the Banking and Financial Supervision Commission (CSBF) attached to the Central Bank of Madagascar.

3.3 Minimum Capital

The minimum share capital and solvency regulations are stipulated in Decree No. 2001-1121 of 28 December 2001.

The minimum share capital required depends on the insurance category as follows:

- assistance companies: 100 million Ariary
- general insurance companies: 600 million Ariary
- life and annuity: 1 billion Ariary
- mutual insurance companies: 100 million Ariary (initial capital)

3.4 Tax Framework

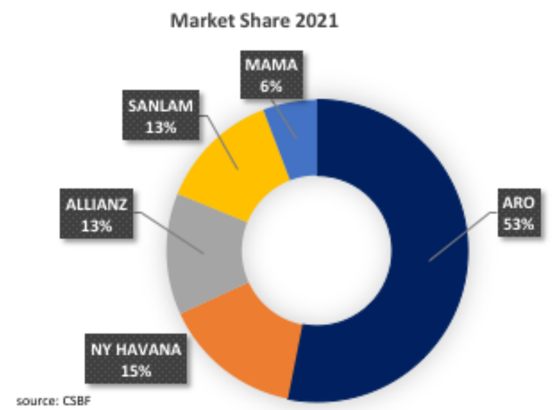
The taxes applicable to insurance products are:

- VAT - Value Added Tax: 20%.
- TCA - Taxes on insurance contracts depending on the type of insurance policies (non-life and life): 3% to 20%
- TACAVA – Additional taxes on motor vehicle insurance contracts: 10%.

3.5 Market Structure

The market has 4 mixed insurance companies (life and non-life), namely ARO, NY HAVANA, ALLIANZ, SANLAM, and one mutual motor insurance company.

Graph 1.1



There are currently 25 intermediaries (general agents and brokers).

3.6 Market statistics

The insurance market generated a premium income of 300 billion Ariary in 2021 (about 72 million US$) with a growth rate of 11% from 2020 to 2021. Insurance penetration was 1.43% in 2021. However, insurance density is particularly low at less than US$3 per capita, showing a significant gap between population growth and sector growth.

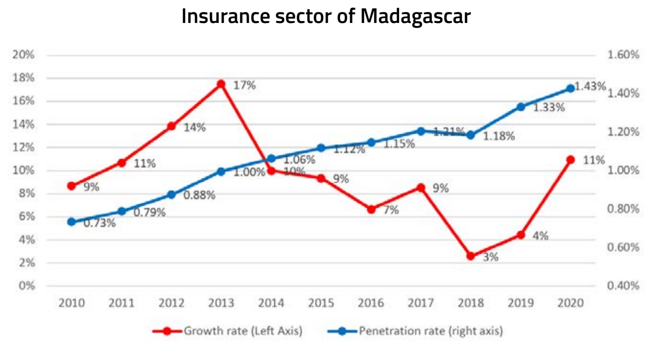
Table 1.2

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

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

The insurance sector has experienced tangible growth over the past ten years with average growth around 14%, with strong growth in 2013-2014 driven mainly by the growth of insurance premiums in the extractive industry. In addition, penetration rate reached the symbolic threshold of 1% in 2014.

Graph 1.2

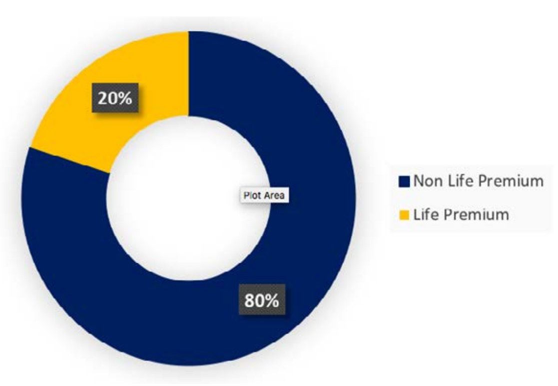


3.6.1 Breakdown of premium income by class

The non-life class predominates accounting for 80% of the market premium. However, the life class has a strong growth potential with an average growth rate of 7.59% over the last five years, which is well above the non-life growth rate of 5.38%.

2 *Insurance code in force in 14 member countries of CIMA (Inter African Insurance Market Conference - CIMA) in French-speaking West and Central Africa .*

Graph 1.3



In non-life, fire and related risks accounted for 42% of premiums, followed by miscellaneous risks (19%) and motor (19%).

Despite the strong contribution of the fire class, its growth however stagnated over the last five years. On the other hand, Engineering class grew significantly from 2017 to 2021 with an average growth rate of 21.98%.

Graph 1.4

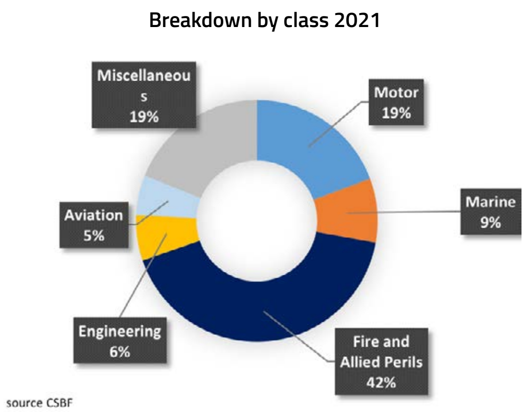


Table 1.3

Million MGA	2017	2018	2019	2020	2021	Average growth rate
Motor	386,353	414493	402,831	420,844	464,017	4.02%
Marine	112,340	120,130	107,901	112,726	205,221	16.54%
Fire & Allied Perils	937,151	938,641	849,634	887,626	1,003,609	142%
Engineering	69459	99,948	75,329	78,697	145,809	21.98%
Aviation	103,720	100,072	110,260	115,191	128,884	4.85%
Miscellaneous	282,031	338,847	494,566	516,681	452,597	12.10%
Total	**1,891,054**	**2,012,132**	**2,040,522**	**2,131,766**	**2400,137**	**5.38%**

Source: CSBF

3.6.2 Overall results

The insurance sector of Madagascar has recorded positive results over the last five years. In 2021, the net loss ratio was 48% and the combined ratio stood at 75%.

Table 1.4

Million MGA	2016	2017	2018	2019	2020	2021
Loss Ratio (Gross of reinsurance)	29%	25%	32%	42%	37%	31%
Loss Ratio (net of reinsurance)	36%	27%	35%	42%	53%	48%
Expenses Ratio (Net expenses to Premium earned)	11%	7%	8%	5%	1%	2%
Management Expense Ratio	9%	21%	15%	17%	23%	25%
Combined Ratio (net of reinsurance)	56%	55%	58%	64%	77%	75%

Source: CSBF

3.6.3 Performance by class

Non-life performed better than life with an average gross loss ratio of 26% over the last five years compared to 64% for life.

Table 1.5

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

NB: (*) paid claims on Written Premiums

Miscellaneous risks have a high loss ratio of 59%, followed by motor with an average loss ratio of 25%.

Table 1.6

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

NB: (*) claims paid on written premiums

3.6.4 Reinsurance Market

Reinsurance premiums reached 128,191 million Ariary in 2021 (about US$ 30 million). Although reinsurance premiums have fluctuated over the last five years, the average growth rate is 9.9%.

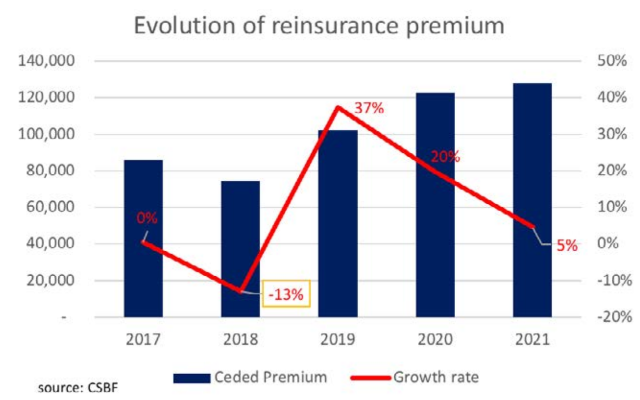
The cession rate reached 43% in 2021 with a higher rate for non-life at 53% compared to 3% for life.

Table 1.7

Million MGA	2016	2017	2018	2019	2020	2021	Average % ceded
Non-Life ceded premium	84,377	84,367	73,064	100472	120476	126,143	
% ceded Non-Life	**47%**	**45%**	**36%**	**49%**	**57%**	**53%**	**48%**
Life ceded premium	830	1,229	1,399	1,913	2,143	2,048	
% ceded Life	**2%**	**3%**	**3%**	**3%**	**4%**	**3%**	**3%**
Ceded Premium	**85,207**	**85,596**	**74464**	**102,385**	**122,620**	**128,191**	
% ceded	**39%**	**37%**	**29%**	**40%**	**45%**	**43%**	**39%**

Source: CSBF

Graph 1.5



4.0 NEW INSURANCE CODE

Highlights of the Code are provided below, from an interview with Mr.Seheno RANAIVOSON, Secretary General, Banking and Financial Supervision Commission (CSBF).

i) What are the major challenges of the insurance market in Madagascar?

Madagascar has a very low penetration rate: less than 1% compared to an average of 3% for its African neighbours. There are only 5 insurance companies in the country compared to several dozens in other countries with the same level of economic development. Regarding financial inclusion, while 8% of adults are insured, 92% are uninsured - 20% in this group have no knowledge of insurance. The major challenges for the insurance market in Madagascar are to maintain a sound sector, strengthen the insurance culture and improve financial inclusion.

ii) What triggered the need to develop a new insurance Code?

There was the need to make an in-depth reform of the former Insurance Code in order to:

- enable the insurance sector to fully play its role in economic and social development (contribution to economic growth and social security);
- provide Madagascar with a supervision system that complies with international best practices, through an independent regulator and an appropriate supervision methodology;
- align with new technologies to enrich various business models;
- foster financial inclusion and promote fairness to preserve the interests of insurance companies and the rights of consumers.

The collaboration between the Ministry of the Economy and Finance (MEF) and the Central Bank of Madagascar led to the reform of the Insurance Code with the vision to establish "a solid and resilient insurance sector that promotes financial inclusion", focusing on three strategic areas:

- Promoting a sound and stable insurance sector;
- Modernizing and developing the insurance sector;
- Creating an appropriate consumer protection framework.

Law No. 2020-005 on insurance was enacted on 1 September 2020 and published on 15 January 2021 in the Official Gazette.

iii) What are the important changes in the new Code?

The new law brings the following improvements and innovations for the sector and the insured:

a) Promoting a stable and sound insurance sector

- Transfer the supervision of the insurance sector to the Banking and Financial Supervision Commission (CSBF), which already supervises banks.
- Establish a supervision system in line with international standards.
- Promote good governance by requiring ethical rules to better manage conflicts of interest.

- Establish a crisis resolution framework and create a safety net to reduce particularly, the effects of the failure of insurance companies on the economy as a whole and to protect the interests of policyholders.

b) Modernize and develop the insurance sector

- Expand insurance or reinsurance service providers with the possibility of becoming a local reinsurance company, not previously provided for, and for foreign reinsurance companies to set up branches.

  Thus, the players authorized to operate on the territory are:

  - insurance or reinsurance companies (insurance company, reinsurance company, mutual insurance company or mutual reinsurance company) ;
  - branches of foreign reinsurance companies;
  - Insurance or reinsurance intermediaries - (general agents, brokers);
  - distribution channels.

- Emergence of new insurance service offerings based on market needs and digital transformation through the introduction of new concepts or mechanisms such as microinsurance, digital insurance and index insurance.

- Strengthen financial inclusion through:
  - The extension of compulsory insurance to construction insurance, school insurance, of marine cargo, professional repair liability, sale and control of land motor vehicles.
  - The development of distribution channels for insurance services, namely, banking service providers, other non-banking financial institutions, non-governmental organizations, associations, mobile phone operators and distribution channels.
  - The contribution of insurance companies to the financial education of the population with a view to transmitting basic knowledge on the use of insurance products, inculcating certain values and practices related to the use of insurance services and providing information on the concept of consumer protection.

c) Set an appropriate framework to protect consumers or policyholders

- Promote transparency of information and complaint management in order to restore the trust of consumers of financial services.
- Establish an association to protect policyholders.

iv) What are your expectations and prospects regarding the impact of the Code on the sector?

The implementation of the new insurance law will have the following impact:

- modification of the landscape of the sector with the arrival of new players due to the existence of new service offerings and the possibility of innovative products;
- Maintaining the financial health of the sector: strong, resilient and stable by implementing corporate governance and risk-based supervision.

The combined efforts are expected to increase the contribution of the insurance sector to the development of the economy.

v) As a new supervisory body, what will be your objectives regarding the regulation of the sector?

As the administrative, regulatory, supervisory, disciplinary and resolution authority of insurance service providers, the main role of the CSBF is to guarantee the soundness of the sector. It is a question of preserving the assets of insurance companies with systemic risk and assessing the actions needed to turnaround those that are fragile

In addition to this main mission, the CSBF also aims to create an enabling environment for insurance inclusion, particularly regulatory and operational.

5.0 CONCLUSION

The insurance sector of Madagascar has experienced noticeable growth in recent years, driven by fire and related risks. However, it remains underdeveloped, compared to the emerging countries of Africa and the Indian Ocean. Though penetration is in line with the performance in sub-Saharan Africa, the size of the market remains relatively small.

However, these indicators show the sector's great potential for expansion. Indeed, the sector does not seem to fully benefit from the country's immense development opportunities, particularly given the lack of access to insurance products, the absence of products tailored to meet local needs and the outflow from Madagascar of insurance premium for major projects.

Driven by the new supervisory framework, the new provisions of the insurance code come at the appropriate time to give fresh impetus to the insurance sector, thereby strengthening its role as a vehicle for economic development.

NEWS FROM THE REGIONS
Anglophone West Africa

Legislations and Supervision

GHANA:

A new insurance ACT, Insurance Act, 2021 (Act 1061) was passed to replace the old one. The Act makes Marine Cargo, Professional Indemnity and Public Liability compulsory.

NIGERIA:

- NAICOM commences Risk Based Supervision [RBS] in the Nigerian Insurance industry.
- Ratification of the Fire insurance underwriting and pricing Manual.

MAJOR LOSSES

DOL	INSURED	DESCRIPTION	Gross Loss Amount (100% - market)
19/02/2022	Sierra Rutile Limited	Fire incident at the Insured's mining premises	D9,777,420
21/10/2020	Osapa Lekki SPV Limited (Circle Shopping Mall)	Vandalization of the shopping mall during the End SARs protest	USD 8,538,600
21/10/2020	Continental Broadcasting Services	Vandalization of the insured's premises during the End SARs protest	USD 5,217,459
31/12/2021	OLAM Hatcheries	Death of Birds as a result of outbreak of Avian Influenza	USD 3,823,581

NEW COMPANIES, MERGERS & ACQUISITIONS

- Sanlam which formerly held 35% stake in FBN Insurance Limited has acquired the 65% stake owned by its partner, FBN Holdings PLC; thus giving Sanlam 100% ownership of FBN Insurance Limited and its subsidiary, FBN General Insurance Limited.

  Sanlam is a pan-African financial services group listed on the JSE and A2X in South Africa and the NSX in Namibia. Sanlam's areas of expertise include life and general insurance, financial planning, retirement, investments and wealth management.

- Sanlam acquires Saham Insurance in Ghana.

LIQUIDATION OF COMPANIES

- Niger Insurance
- Standard Alliance Insurance
- Regency NEM Ghana-under statutory management

APPOINTMENTS

Nigeria

Mr. Tunde MIMIKO
MD, Sanlam Life Insurance

Mr. Edwin IGBIT
51st President of CIIN

Mr. Wale BANMORE
MD, Staco Insurance Plc

NEWS FROM THE REGIONS
Anglophone West Africa

Mr. Moruf APAMPA
MD, NSIA Insurance

Mr. Olusegun OMOSEHIN
25th Chairman,
Nigerian Insurers Association [NIA]

Mr. Yomi ONIFADE
MD, Allianz [Nigeria] Insurance

Mrs. Ebelechukwu NWACHUKWU
MD, Royal Exchange General Insurance

Mr. Olasupo SOGELOLA
MD, International Energy Insurance

Ghana

Mr. Andrew OSEI-BONSU
Ag. MD, Best Assurance

Mercy N. K. Boampong
Ag.MD, Serene Insurance Ghana

Tawia BEN-AHMED
CEO, Sanlam Life Ghana

Abubacar DIAW
MD, Allianz Ghana

RETIREMENTS

Nigeria

Mr. Valentine OJUMAH
Retires as MD of FBN Insurance

Mr. Benjamin AGILI
Retires as MD of Royal Exchange

NEWS FROM THE REGIONS

African Reinsurance Corporation, South Africa (ARCSA)

Some significant developments impacting the insurance industry are highlighted below, with links to the full details.

1.0 COVERAGE/PRODUCTS

1.1 Insurers can change their position on covering load shedding or grid collapse event- Ombudsman:(IOL,21:05:2023)

https://www.iol.co.za/business-report/companies/insurers-can-change-their-position-on-covering-load-shedding-or-grid-collapse-event-ombudsman-e7ba232f-680f-4349-b1f1-8b240424a156

The Ombudsman for Short-Term Insurance said yesterday there could be no intervention in insurers changing their position on covering load shedding or grid collapse events because of the contractual nature of the deals.

Financial platform Moneyweb reported that as South Africans contended with the worst load shedding on record, the insurance industry faces a dilemma that has triggered the introduction of exclusionary clauses exempting insurers from paying out claims arising from an electricity grid failure.

Unlisted insurance giant Hollard had informed its clients that it wouldn't be covering any losses caused by the collapse of the national grid, with Santam due to implement a similar exclusion in April, it reported. Business Report spoke to Senior Assistant Ombudsman, Peter Nkhuna, who said that "the Ombud's jurisdiction was limited to disputes between an insurer and the insured and that either party had a right to revise the terms of engagement when they no longer worked for them".

1.2 Naked Financial Technology Pty Ltd , a full-stack insurtech in South Africa, to boost access to insurance in South Africa: (IOL,21:05:2023)

https://www.iol.co.za/business-report/insurance/naked-to-boost-access-to-insurance-in-south-africa-8ca017b5-8bca-4a7c-8a36-9bdc7e3e1b59

All their products are underwritten by Hollard, South Africa's largest privately-owned insurance group. To help increase access to insurance products and services in South Africa, the International Finance Corporation (IFC), the German Development Finance Institution (GED), Hollard, and Yellowwoods announced an investment in the insurtech company, to expand access to vehicle, home, and other insurance products.

The combined $17 million (about R305 million) equity investment will support Naked's strategy to expand its digital insurance offering to existing and more first-time insurance buyers, according to a public statement, and also allow it to continue innovating to improve customer experience.

1.3 South African catastrophes, power woes signal end of cheap insurance:March30(REUTERS)

https://www.reuters.com/world/africa/south-african-catastrophes-power-woes-signal-end-cheap-insurance-2023-03-30/

Dressmaker Faieza Caswell from Mitchells Plain sews under candlelight in her workplace, on the Cape Flats due to South Africa's struggling power utility company Eskom, implementing regular power cuts - called 'load-shedding', in Cape Town, South Africa February 11, 2023. Natural disasters, civil unrest and Eskom's woes are driving up insurance costs in Africa's most developed economy.

JOHANNESBURG, March 30 (Reuters) - Three major jolts in as many years coupled with the once unthinkable possibility of a power grid collapse have spooked reinsurers in South Africa, spelling an end to cheap coverage in the continent's most developed insurance market.

Insurance premiums are climbing worldwide on the back of rising inflation and interest rate hikes. But reinsurance rates in South Africa are outstripping the global trend - in some cases tripling - as insurers grapple with an unprecedented claims load, six industry executives told Reuters. That is largely down to heavy payouts for business interruption claims in the first year of the pandemic, damage and looting during 2021 riots and heavy flooding last year.

"From a reinsurance perspective, we've had the three biggest catastrophe events that this market has ever had in terms of insured losses," said Andy Tennick, Managing Director of African Reinsurance Corporation's South African subsidiary.

1.4 Corporation for Deposit Insurance

https://www.resbank.co.za/en/home/what-we-do/Deposit-insurance

The Corporation for Deposit Insurance (CODI) is South Africa's deposit insurance scheme and the newest subsidiary of the South African Reserve Bank (SARB) CODI will manage the country's Deposit Insurance Fund (DIF) that will allow for bank depositors to have access up to a stipulated limit of their deposits should their banking institution fail, be liquidated and placed in resolution, thereby enhancing public confidence in the country's banking system. CODI is also mandated to promote awareness among financial customers of the protection it offers.

President Cyril Ramaphosa signed into law the Financial Sector Laws Amendment Act 23 of 2021 (FSLAA) in January 2022 after both Houses of Parliament passed the Bill in December 2021. The Minister of Finance published a commencement schedule with the effective date of some deposit insurance clauses of the FSLAA. In terms of this commencement schedule, CODI was established on 24 March 2023.

The establishment of CODI will support the SARB's secondary mandate to pursue price stability and protect and enhance financial stability by identifying and mitigating systematic risks that might disrupt the financial system. CODI will support the SARB's financial stability mandate and focus on protecting the qualifying depositors, in the event of a bank failure.

A Deposit Insurance Scheme (DIS) provides a mechanism to ensure a pre-planned, orderly and efficient provision of protection to depositors and more importantly, assure them that they will have access to their deposits in a failed bank.

2.0 MERGERS AND ACQUISITIONS

Santam Purchases MTN- South Africa's device insurance book:(IOL, 21:05:2023)

https://www.iol.co.za/business-report/companies/santam-purchases-mtn-sas-device-insurance-book-d68f7d27-cdfd-470e-8f9d-bb03a0de7e90

South Africa's short-term insurer, Santam, has entered into an alliance with local communications company MTN South Africa that will see the insurer purchase the mobile telecommunication firm's device insurance book.

The acquisition, and alliance, was said to be aimed at supporting MTN South Africa in broadening the reach of device protection to their clients, in line with the importance of devices in the lives of customers. MTN South Africa's device insurance book currently has just over 400 000 policies and an annual gross

NEWS FROM THE REGIONS

African Reinsurance Corporation, South Africa (ARCSA)

written premium income of nearly R400 million.

3.0 MAJOR /POTENTIAL LOSSES

Insurers brace for flood claims as second state of disaster is declared: (IOL,21:05:2023)

https://www.iol.co.za/business-report/economy/insurers-brace-for-flood-claims-as-second-state-of-disaster-is-declared-6b198ad0-8bc0-4ffa-9a94-31d069fa2e25

Insurers are bracing for a wave of claims, following the declaration by the government of a state of disaster due to the flooding in parts of the country.

President Cyril Ramaphosa declared a national state of disaster, the second in a week, to enable an intensive response to widespread flooding that has affected seven of the country's nine provinces. He also declared the electricity crisis a state of disaster in his State of the Nation Address last week.

Mpumalanga and the Eastern Cape have been most affected by the floods, which were brought on by heavy rainfall as a result of the La Nina weather phenomenon, according to a statement from the office of the Presidency.

There was also flooding reported in Gauteng, eastern KwaZulu-Natal, Limpopo, the Northern Cape, and North West regions, with unknown number of people swept away and many buildings, structures and vehicles impacted.

4.0 APPOINTMENTS

Nolwandle Mgoqi, new CEO of Aon South Africa: (Atlas Magazine, March 2023)

https://www.atlas-mag.net/en/category/pays/afrique-du-sud/nolwandle-mgoqi-new-ceo-of-aon-south-africa

NEWS FROM THE REGIONS

African Indian Ocean Islands

1. Mauritius

- Group CEO Joerg WEBER on his first six months at MUA

- Retirement of Eagle's CEA, Mr. Derek WONG effecctive, 14 February 2023

- Mr Sattar JACKARIA appointed as interim CEO of Eagle Insurance

2. Angola

- Angola joins the African Trade Insurance Agency

3. Mozambique

- World bank assists on Mozambique cyclone reinsurance program

CLAIMS

1. African Indian Ocean Islands

(1) Fire at the dumping ground of Mare Chicose, Mauritius

- Loss Details: Following a major fire on the Waste Management Site at Mare Chicose, Mauritius, the insured suffered substantial damages to the ongoing contract works.
- Insured: JOINT VENTURE SOTRAVIC
- DOL: 22.11.2022
- 100% Loss Estimate: USD 1.1m
- ARC Potential Exposure: USD 440,000

NEWS FROM THE REGIONS
African Indian Ocean Islands

(2) Standard Labels and Plastic box Factory , Fire loss

- Loss Details: One printing machine caught fire which rapidly spread throughout the insured's premises causing major damage to the Plant, Machinery & Stock.
- Insured: Standard Labels and Plastic box
- DOL: 11.10.22
- 100% Loss Estimate: USD 2m
- ARC Potential Exposure: USD 550,000

2. ASIA

(1) Jindal Poly Film Ltd, Fire Loss

- Loss Details: Damage to Insured's factory following a fire incident
- Insured: Jindal Poly Film Ltd
- DOL: 01.01.23
- 100% Loss Estimate: USD 48M
- ARC Potential Exposure: USD 350,000

(2) BRAZIL

(1) IRMAOS FISCHER SA

- Loss Details: Damage to Insured's warehouse following a fire incident.
- Insured: IRMAOS FISCHER SA
- DOL: 01.02.23
- 100% Loss Estimate: USD 27M
- ARC Potential Exposure: USD 1.82m

NEWS FROM THE REGIONS
Maghreb

Legislation and Supervision

MOROCCO

Motor insurance: The "provision for tariff risk" enters into force. Published in the Official Gazette last summer, the new provision for tariff risk in respect of the motor class came into force in January 2023.

The purpose of this provision is to compel companies to make a provision in their accounts when the average combined ratio of the last three financial years is higher than 100% or if the combined ratio of two out of the last three financial years is higher than 100%. The aim is to put an end to practices deemed unethical, which consist in selling certain classes of business to acquire more market share, without worrying about the technical results.

LIBYA

The Insurance Supervisory Authority and the National Council for Economic Development signed a Memorandum of Understanding to develop the insurance sector

A ceremony was held in the capital Tripoli to launch the "Comprehensive Strategy for the Development of the Insurance Sector in Libya" project, which aims at identifying the regulatory and supervisory problems and bottlenecks facing the work of the Insurance Supervisory Authority, in addition to proposing ways and mechanisms to address them.

New companies/ Mergers/ Acquisitions / Closures

MOROCCO

Ghana Re opens a branch in Casablanca

Ghana Re has set up a new branch in Casablanca (Morocco) called Ghana Re Casablanca. The opening of the new office is part of the expansion strategy of the Ghanaian reinsurer in North Africa.

Established in 1972, Ghana Re is also present in Kenya and in Cameroon through regional structures. The company recorded a 23% increase in its turnover in 2020 to 311.56 million GHC (52.968 million USD).

Sanlam-Allianz Partnership: Sanlam and Allianz join forces to create an African insurance giant

Sanlam, the largest non-bank financial services company in Africa, and Allianz, one of the world's leading insurers and asset managers with a century-long history in Africa, have agreed to combine their current and future operations across Africa to create Africa's largest non-bank financial services entity on the continent.

Holmarcom acquires 78.7% of Crédit du Maroc

Holmarcom has acquired 78.7% of the capital of Crédit du Maroc from the French bank Crédit Agricole. This acquisition is through its holding company Holmarcom Finance Company (HFC) and its subsidiary AtlantaSanad.

TUNISIA

UIB Assurances, new Life company in Tunisia

On 23 December 2020, the Union Internationale de Banques (UIB), a subsidiary of Société Générale, was authorized by the relevant authorities to establish a life insurance company in Tunisia.

Named UIB Assurances, the new company started its activities in the fourth quarter of 2022, and will benefit from the support and guidance of its parent company.

CARTE Group sells its stake at BH Assurance

The Tunisian-European Insurance and Reinsurance Company (CARTE Assurances) sells its entire 33.29% share in the capital of BH Assurances.
On March 31, 2021 the latter recorded the entry of Poulina group

NEWS FROM THE REGIONS
Maghreb

in its capital, with a participation of 34%.

Tunisian branch of ACE American Insurance Company to close soon

ACE American Insurance Company Tunisia Branch (AAIC Tunisia) intends to end its reinsurance underwriting activities in Tunisia.

As a reminder, ACE in 2016, acquired the American group Chubb to create the insurance giant "Chubb Limited".

Appointments

ALGERIA

Mr. Youcef BENMICIA
Chairman and CEO of National Insurance Company (SAA)

Mr. Nacer SAIS
Chairman and CEO of Algerian Insurance Company «CAAT»

Mr. Hadj Mohamed SEBA
Chairman and CEO of Algerian Insurance and Reinsurance Company (CAAR)

Mr. Abdellah BENSEIDI
Chairman and CEO of Central Reinsurance Company (CCR)

Mr. Zohir LAICHE
Chairman and CEO of Compagnie Algérienne d'Assurance et de Garantie des Exportations (CAGEX)

Mr. Seghier LAHOUARI
Chairman of Union of Algerian Insurance Brokers (UACA)

MOROCCO

Mr. Mohamed IBRAHIMI
Managing Director of Wafa IMA Assistance

Mr. Abdelilah LAAMARTI
Ombudsman of the Moroccan insurance market

Mr. Jacques DE PERETTI
Chairman of the Board of Directors of AXA Assurance Morocco

TUNISIA

Mr. Mohammed AMAL KAGHAT
Managing Director of Attijari Assurance

NEWS FROM THE REGIONS
Maghreb

Major losses in 2022:

Market	Policyholder	Ceding company	Branch	Date of loss	Evaluation at 100%- USD	ARC Share NET-USD-
MOROCCO	LA CAMPAGNE AGRICOLE-SECHERESSE	MAMDA	MRC	13/02/2022	100 385 585	1 470 218
ALGERIA	SONATRACH	CCR & CASH	OIL	25/03/2022	17 000 000	442 000

NEWS FROM THE REGIONS
East Africa

Legislation and Supervision

UGANDA

Insurance Amendment Act, 2021 to take full effect 1 July 2023

Key areas include the Capital Adequacy Ratio (CAR) for Insurers and Reinsurers which must be at least 200%.

The Boards for Insurers, Reinsurers and Brokers must consist of at least 5 members. More than half must be Non-Executive Directors. Majority of the Directors must be independent. And the Chairperson must be an independent member.

The Board must have the following Board Committees: Audit Committee; Risk Management Committee; Remunerations Committee; and Investment Committee.

ZAMBIA

The Pension and Insurance Authority Issued circular PIA/ C06/2023 titled : "Commencement of the Insurance Act No. 38 of 2021.

The purpose of this circular is to announce the official launch of the New Insurance Act. All licensees (local : insurers, brokers, and reinsurers) were directed to comply with the provisions of the new Act effective 30 December 2022. One major change in the law is the domestication of insurance and reinsurance broking.

Newly Licensed Companies

TANZANIA

- CRDB Insurance General Insurance Company
- Beema Star Insurance Limited

RWANDA

- A captive insurance company – Defense Captive Insurance Company (DCIC Plc)

BURUNDI

- AGICO SA

Appointments

UGANDA

Ms. Mujuni Shakira SHAMIM appointed Chief Executive Operations at GA Uganda Ltd, effective May 2023. Ms. Mujuni Shakira Shamim was Chief Commercial Officer at CIC Africa General Insurance Company.

Mr. Richard MWEBESA appointed General Manager, Business Development, at Britam Insurance Uganda Limited, effective May 2023. Mr. Richard Mwebesa served as the Business Development Manager in the same Company.

Mrs. Sheila SABUNE appointed Chief Commercial Officer, Prudential Assurance Company, effective January 2023

Mr. Sandeep VERMA appointed CEO, TransAfrica Assurance Company, effective December 2022. Mr. Verma had worked as the CEO, APA Insurance Company, before returning to India in 2021, from where he came to join TransAfrica Assurance.

Mr. Patrick KIMATHI appointed MD, UAP Old Mutual Life Assurance Company, effective December 2022. Mr. Patrick Kimathi worked in Jubilee Life Assurance Uganda as Chief Operations Officer.

Ms. Dorcus KUHIMBISA appointed COO, Jubilee Life Assurance Company effective December 2022. She worked in the same capacity at Prudential Assurance Company, Uganda.

Mr. Ambrose KIBUUKA appointed Executive Director, Mayfair Insurance Company, Uganda, effective January 2023. Ambrose worked at GA Insurance Uganda as General Manager.

KENYA

Dr. Patrick GATONGA
Appointed Group MD at AAR Insurance taking over from Ms. Carol Munene.

Dr Hilary WACHINGA is the new Kenya Re MD replacing Mr Jadiah Mwarania

Mr Justine KOSGEI
Appointed Principal Officer at AAR Insurance following the departure of Mr Nixon Shigoli.

NEWS FROM THE REGIONS
East Africa

Mr Nixon SHIGOLI
Appointed CEO and Principal Officer at Occidental Ins. Co., following the retirement of Mr Asok Ghosh.

Mr. Benjamin MWANGANGI
Appointed COO at Occidental Insurance Co., following the retirement of Ms. Agatha Soiltei.

Mr. Stephen OKUNDI appointed CEO for AMACO as from January 2023, following the exit of Ms Elizabeth Koskei.

Mr Samuel CHEGE appointed new Managing Director at Madison General Ins Co., following the departure of Mr. Hezron Wambugu

Ms. Njeri JOMO takes over in Jubilee Health Insurance Limited as CEO and Principal Officer

Mr Duncan KAMAU has been appointed COO in GA Insurance Co.Ltd.

Mr. Kashif CHAUDHRY appointed Executive Director Mayfair Kenya.

Ms. Sheila MWAI replaced the long serving Ms. Atia Yahya as Head of GA (Kenya) Medical Division.

ERITREA

Mr Paulos TECLEAB was nominated Acting CEO at National Insurance Co. LTD Eritrea after the demise of Mr Zeru Woldemichael.

NEWS FROM THE REGIONS
East Africa

RWANDA

- **Ms. Jessica IGOMA** replaced Mr Daniel Muhimizi as Mayfair Rwanda MD.

- PRIME RWANDA: MD from Mr John MIRENGE to **Col (Ret) Eugene HAGUMA**
- New Captive – DCIC Plc: Defence Captive Insurance Co- CEO: **Lt Col Thierry BAGIRIWABO KAJYIWABO**

BURUNDI

- UCAR General Burundi, **Mr Francois Xavier NINTUNZE** appointed MD to replace Mrs Charnelle NDIKURIYO
- SOGEAR Burundi: MD from Mr Bigirimana Maurice to **Mr Arcade NIYONGABO**
- NEW Insurance Company AGICO SA: **NTIBANGANA Faustin BASTIN**- CEO

ZAMBIA

Mr Keith MUMBA
Appointed Chief Executive Officer at NICO General Zambia following the exit of Mr Geoffrey Chirwa.

Mr. Geoffrey CHIRWA
Appointed CEO at African Grey Insurance Co., after the exit of Mr. Benny Sakala.

Ms. Sylvia K NGULUWE
Appointed Acting Chief Executive Officer at ZSIC General Ins Co. after the exit of Mr Charles Nakhoze.

Mr Rhodwell SIKAZWE
Appointed Managing Director at Hollard General Zambia.

Mr. Paul NKHOMA
Appointed CEO & Group Managing Director at Hollard Zambia Holding Limited.

Mr. M. Iftekhar AHMED
Appointed new CEO at Phoenix Insurance Co. Zambia.

NEWS FROM THE REGIONS
East Africa

MAJOR MARKET LOSSES (Where Africa Re's Share is above USD 500,000)

COUNTRY	INSURED	CLASS	DATE OF LOSS	LOSS CIRCUMSTANCES	CLAIM AMOUNT FGU (USD)	AFRICA RE SHARE (USD)
Ethiopia	Tekleberhan Ambaye Construction	Bonds	01.07.2017	Non-Performance	1,855,767	682,736
Ethiopia	Afro Tsion Construction	Bonds	01.04.2021	Contract termination due to delayed performance	3,584,814	860,912
Ethiopia	Blue Cloud International Plc	PVT	19.08.2021	Damage to factory due to war	3,457,249	1,023,084
Ethiopia	Afro Tsion Construction Plc	Bonds	14.03.2022	Non-Performance	2,772,066	1,053,385
Ethiopia	Orchid Business Group	Bonds	03.05.2020	Non-Performance	1,444,775	530,496
Kenya	Silpack Industries Limited	Fire	15.06.2022	Fire damage at insured's factory/store	12,711,864	2,944,874
Kenya	RAMCO Group/ Platinum Packaging	Fire	20.06.2022	Fire damage to building, stock and machinery	15,130,435	3,384,137
Kenya	Foam Mattress	Fire	07.03.2023	Property damage due to fire	2,116,788	1,022,928
Malawi	World Food Programme	Agriculture	30.06.2022	Yields affected due to drought/flood	1,200,000	720,000
Uganda	Grace Foam Limited	Fire	20.12.2022	Property damage due to fire	7,750,000	1,838,690
Various	African Risk Capacity Pool 8B	Agriculture	01.05.2021	Crop damage due to drought	20,424,402	2,663,143
Zambia	Ministry of Agriculture Zambia (FISP)	Agriculture	15.08.2022	Crop damage due to drought, poor germination, floods, pests & disease	1,786,300	714,520

MANAGERIAL STAFF

HEADQUARTERS

Executive Management

	Managing Director/ Chief Executive Officer	Dr Corneille KAREKEZI
	Deputy Managing Director/Chief Operating Officer	Ken AGHOGHOVBIA

Departments

Administration and General Services	Ag. Director	Guy Blaise FOKOU
Human Resources	Director	Guy Blaise FOKOU
Corporate Secretariat	Ag. Head Corporate Secretariat	Roger BONG BEKONDO
Finance & Accounts	Director	Moussa BAKAYOKO
	Assistant Director Treasury & Investments	Alain ZONGO
Central Operations & Special Risks	Director	Dr Phocas NYANDWI
Risk Management & Compliance	Director	Yvonne PALM
Internal Audit	Director	Silifat AKINWALE
Life Operations	Director	Chris SAIGBE
	Assistant Director, Underwriting & Marketing	Abdulrasheed AKOLADE
Information and Communication Technology	Director	Adil ESSOUKKANI
Management Office	Assistant Director, Project Management & Information Security	Kantam NAGOU

MANAGERIAL STAFF

REGIONAL OFFICES

Casablanca	Regional Director	Mohamed L. NALI
	Assistant Director, Finance & Administration	Eloge NISHIMIKIJIMANA
	Assistant Director, Underwriting & Marketing	Lahcen TALIBI
Nairobi	Regional Director	Kiiza BICHETERO
	Assistant Director, Finance & Administration	Jean-Paul TANKEU
	Assistant Director, Underwriting and Marketing	Mesfin DAMTEW
	Assistant Director, Underwriting and Marketing	Hassane ASSOUMANA
Abidjan	Regional Director	Olivier N'GUESSAN-AMON
	Assistant Director, Underwriting & Marketing	Charly BENGA
Mauritius	Regional Director	Vincent MURIGANDE
	Assistant Director, Underwriting & Marketing	Holy ANDRIAMBOLOLONA
Cairo	Regional Director	Gamal Mohamed SAKR
	Assistant Director, Underwriting & Marketing	Rehal ABDELGHANI
Lagos	Regional Director	Temitope AKINOWA
	Assistant Director, Finance & Administration	Joseph GOMBE
	Assistant Director, Underwriting and Marketing	Olayinka DAWODU

SUBSIDIARIES

Africa Re South Africa	Managing Director	Andy TENNICK
	Company Secretary	Ibrahim IBISOMI
	General Manager, Finance & Administration	Sudadi SENGANDA
Africa Retakaful	Managing Director	Yousif El Lazim GAMMA

LOCAL OFFICE

Local Office	Local Representative	Habtamu DEBELA

UNDERWRITING MANAGEMENT AGENCY

Dubai Office	Senior Executive Officer	Mohamed SAAD ZAGHLOUL