THE AFRICAN REINSURER

A publication of the African Reinsurance Corporation

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African Reinsurance Corporation
Société Africaine de Réassurance

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Corneille KAREKEZI
Editor-in-Chief

The publication of the 29th Edition of the African Reinsurer coincides with the launching of the new logo of Africa Re. The new logo, which is the new visual identity of the corporation, portrays the institution as a leader in the African insurance/reinsurance industry. This edition features very informative articles on local content insurance regulation, job loss insurance, role of internal audit and the implementation of the solvency assessment and management (SAM) regime in South Africa.

The local content regulations of the oil and gas industry seek to increase indigenous participation by prescribing thresholds for the use of local services and materials as well as promoting the transfer of technology and skills to local market players. It is expected that by taking advantage of these established instruments, the West African insurance market will gradually build the necessary capacity which will increase local premium retention and impact positively on the various national economies.

In the light of the ever-increasing rate of unemployment, credit institutions are increasingly resorting to job loss insurance to minimize the financial consequences of the non-repayment of loans granted to clients who have lost their jobs. The write-up on job loss insurance aims at prompting further discussion in the market which may lead to a deeper investigation, understanding and appreciation of a product with the potential as a source of sustainable premium income.

The article on the role of internal audit seeks to dispel long held misperceptions, namely that auditing is merely a boring branch of accounting and that the only thing auditors do is to check other peoples' work and report the mistakes they make. Internal auditing can best be depicted as providing assurance, insight and objectivity to help management and the board of directors meet their goals.

South Africa is in the final lap of the race to Solvency Assessment and Management (SAM) regime. The article summarizes the key steps in this long journey that started in 2009 and also highlights the key benefits, challenges and lessons of the new regime. Insurers and reinsurers are therefore expected to have all requirements in place for full SAM implementation from January 2016.

Before ending with the traditional news from the various regions of the continent, the 29th African Reinsurer presents the insurance markets of Algeria and Madagascar.

I wish you an enjoyable reading.

Local Content Insurance Regulation In Anglophone West Africa

By:
O .S .THOMAS

Director General
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1.0 INTRODUCTION

There is an increasing need to involve citizens in the management of resources in countries that have comparative advantage in certain sectors of their economies. In such nations and particularly in those jurisdictions where oil and gas are dominant natural resources, the involvement of the local communities and delivery of benefits to them have become a necessity that is mandated by the law.

In the drive for local participation, expectations from the companies in the oil and gas industry have grown beyond their involvement in resolving issues relating to negative impacts of their operations on the environment, serving as sources for fiscal receipts from oil revenue and royalties to the nation and acting in compliance with good corporate social responsibility. In fact, nations now demand some level of ownership and/or effective participation in the management of their oil and gas industry, especially where the industry constitutes a major sector of the economy.

It is generally believed that ownership and effective participation by the citizens will minimize and gradually eliminate the award of most service contracts including insurance to foreign firms on the grounds that local indigenous firms lack the needed financial capacity and human resources with the requisite technical expertise.

The local content regulations of the oil and gas industry seek to increase indigenous participation by prescribing thresholds for the use of local services and materials and promoting transfer of technology and skills. It is expected that the regulations will result in an increase in job creation and building necessary expertise in the local workforce that will make it internationally competitive.

In general, in countries where local content is practised, it is meant to achieve the following objectives:

- Strengthen demand directed to the domestic market and employment expansion;
- Diversify the industrial sector;
- Develop the technology-intensive sectors and high growth potential;
- Build relevant segments of the nation's economy.

2.0 THE ANGLOPHONE WEST AFRICA EXPERIENCE

Local Content is defined as 'a set of deliberate orientation and actions to build domestic capacity relevant for service and product delivery comparable within that industry' and 'an opportunity to locally build a sustainable culture of service quality and capabilities exceeding customers' expectations and comparable to international standards through key local personnel and management' (Obuaya, 2005).

In relation to the oil and gas sector, local content which is generally known in Nigeria as the 'Nigerian Content', is defined as 'the quantum of composite value added to or created in the Nigerian economy by a systematic development of capacity and capabilities through deliberate utilisation of Nigerian human, material resources and services in the Nigerian oil and gas industry".

In Ghana, local content is defined as 'the quantum or percentage of locally produced materials, personnel, financing, goods and services rendered in the petroleum industry value chain and which can be measured in monetary terms".

The oil and gas sector is still at the exploratory stage in Liberia, Sierra Leone and The Gambia and no laws have therefore been passed in respect of local content.

The implementation of local content policy in Anglophone West Africa extends to activities in the insurance industry, which is recognized as an economic activity that should involve citizens or indigenous companies.

The relevant legal framework and regulations which facilitate the implementation of the local content policy are highlighted below.

2.1 LEGAL FRAMEWORK

2.1.1 Nigeria

Section 49 of the Nigerian Oil and Gas Industry Content Development Act, 2010 requires all investors in the oil and gas industry to insure all their insurable risks relating to the oil and gas business, operations or contracts with an insurance company, through an insurance broker registered in Nigeria under the provisions of the Insurance Act as amended. However, Section 50 of the same Act requires that where an operator desires to place insurance risk outside Nigeria, it can only be done with the written consent of the insurance sector regulator, the National Insurance Commission (NAICOM), which shall ensure that Nigerian local capacity has been fully exhausted.

2.1.2 Ghana

In accordance with Articles 27 and 28 of the Petroleum (Local Content and Local Participation) Regulations, 2013 insurance must be obtained from an indigenous brokerage firm or where applicable, a reinsurance broker. Approval from the National Insurance Commission is required if insurance is to be obtained offshore, and it must ensure that the Ghanaian local capacity has been exhausted.

In these two countries, the laws and regulations do not seem to compel companies operating in the oil and gas sector to insure their assets in the respective countries. What is emphasized is that insurance must be carried out through an insurance broker duly registered in the country.

2.2 REGULATORY REQUIREMENTS

2.2.1 Nigeria

Following the promulgation of the Nigerian Oil and Gas Industry Content Development Act, 2010 the National Insurance Commission in collaboration with the Nigerian Content Development and Monitoring Board (NCDMB) came up with a set of guidelines to ensure compliance with relevant provisions of the Act and other laws relating to insurance. The developed guidelines known as Guidelines for Oil and Gas Insurance Business specifically make provisions for the following:

Section 2.5: 'No insurance risk in the Nigerian Oil & Gas industry shall be placed overseas without the written approval of the Commission which shall ensure that Nigerian Local Capacity has been fully exhausted". The guideline went further to define Local Capacity as the aggregate capacity (net retention plus reinsurance treaty capacity) of all insurers and reinsurers registered in Nigeria.

Section 3.3: 'Where the reinsurance capacity is provided by a foreign reinsurer, it shall be with a company having a minimum Financial Strength Rating (FSR) of 'A-" Standard & Poor's (S&P) or 'A" A.M. Best".

Section 3.4: 'Any insurance company or reinsurance broker intending to reinsure/place any oil & gas risks abroad must apply for Approval-in-Principle (AIP) and subsequently, Letter of Attestation and Certificate to Reinsure Abroad." The details of these documents are contained in the guidelines.

As a way to ensure quality service delivery, all insurance companies are required to render quarterly returns on all oil & gas insurance contracts accepted within the quarter. With respect to compensation of intermediaries, all insurers and brokers are required to disclose and submit separate accounts on commissions received and their expense account.

The concern here however is the growing practice of payment of fees which are often negotiated outside the basic premium between the insurers and the brokers normal practice of payment of commission to brokers.

The prudential provision of the guidelines requires that participating insurance companies under the local content regulation may not expose more than 5% of their shareholders' funds as determined under prior year's audited accounts approved by NAICOM. While Standard and Poor's recommends an optimal net retention of 1% - 3% of shareholders' funds and Aon Benfield recommends 3% - 6%, about half of the energy underwriters in Nigeria had a net premium/ shareholders' funds ratio below 3% in 2010, which shows growth potential.

In a determined effort to achieve the objectives of the Local Content Laws and Regulations, NAICOM requires all insurance companies and brokers participating in oil & gas to institute a process of manpower development and render annual progress returns to the Commission.

While the insurance market is responding positively to the local content initiative, the market has also established the Energy and Allied Insurance pool (EAIPN) to boost local retention capacity among other objectives.

2.2.2 Ghana

In implementing the provisions of sections 27 and 28 of the Petroleum (Local Content and Local Participation) Regulations, 2013 the National Insurance Commission (NIC) and the Petroleum Commission reached an agreement that mandates companies in the upstream petroleum sector to cede their insurance business to local insurers, in line with efforts to maximise the participation of local insurance companies in the oil & gas sector.

In response to the platform provided by the local content regulation, the Ghana Oil and Gas Insurance pool (GOGIP) has been formed by all the general insurance companies to pool resources and underwrite oil and gas risks. Similarly, the Ghana Insurance Insurance Brokers Association (GIBA) has also formed a brokerage pool called GIBA Energy Company to undertake insurance placements in the petroleum sector. The formation of these two bodies is seen as a major breakthrough for the industry, as it offers an avenue for spreading risks involved in oil and gas insurance.

The Anglophone West African experience can rightly be summarized as what obtains in the Nigeria and Ghana Oil and Gas industries.

3.0 IMPLEMENTATION CHALLENGES

Despite the local content laws and regulations established in Nigeria and Ghana, insurance companies in Anglophone West Africa are yet to fully take advantage of the opportunity to effectively position themselves as major players capable of leading foreign firms in the underwriting of oil and gas business.

Among the challenges associated with the implementation of the insurance provisions of Local Content laws and regulations are the following:

- The level of capital required to write big risks in the oil and gas sector is often lacking, which sometimes limits the local insurance industry's underwriting and retention capacity. In fact, risks in the oil and gas industry are enormous and involve huge financial outlays and therefore, require sound technical capacity to accurately assess.

- The issue of technical capacity of indigenous insurance companies still remains a challenge. While some of the big companies have put in place constructive human capital development programmes that will leverage on the local content policies, the same may not be the case for most of the companies that are still fringe players.

- There is obvious need for companies to invest more for enhanced service delivery, while the deployment of state-of-the-art technology in the insurance of assets associated with the local content laws and regulations are improving.

- Some of the oil multinationals are still sceptical about local insurers' ability to insure their risks associated with their operations, in spite of the progressive achievements of indigenous insurance companies. The resistance is evident in the slow rate of compliance by some of the operators in the oil and gas sector which see the regulations in both Nigeria and Ghana as a way to force insurance companies and brokers on them.

4.0 CONCLUSION

As a consequence of the high level of premium export emanating largely from oil and gas related risks, laws and regulations have been established to entrench local participation through graduated domestication of these insurances. The local content Insurance Regulation applicable to the oil and gas sector is a case in point.

While there are challenges of capacity to contend with for an effective implementation of such regulations, it is still expected that by taking advantage of these established instruments, the West African insurance market will gradually build the necessary capacity which will increase local retention and impact positively on the various national economies. It is imperative therefore that all stakeholders co-operate in ensuring effective implementation of the regulations, while the relevant Agencies of Government enforce compliance by operators in the oil and gas sector in order to maximise the benefits associated with the oil and gas sector.

Job Loss Insurance- Opportunities and Challenges

By:
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MD/LMAI-VIE
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1.0 INTRODUCTION

Innovation in Insurance is not only limited to the creation of new products but may also involve the rebranding of existing products to take care of the changing habits of consumers or emerging risks . Thus, job loss insurance has been developed as a response to the need to provide credit institutions some protection against default by their clients who may lose their jobs before the full repayment of loans granted to them. Indeed, job loss insurance has become an almost compulsory guarantee for loan transactions, particularly long term loans, given the growing unemployment, resulting from job loss. It is expected that the expanding consumer credit market would support and sustain the growth of job loss insurance which provides benefits other than the death cover under the traditional life assurance policy.

This paper presents the basic features of job loss insurance and aims at prompting further discussion in the market which, hopefully, may lead to a deeper investigation, understanding and appreciation of a product whose potential, as a source of sustainable premium income, is in no doubt at all, given its success in some developed markets where it has existed for ages, in various forms.

2.0 OVERVIEW OF JOB LOSS INSURANCE

2.1 DEFINITION

a) Job loss or unemployment insurance is an insurance contract in which the insurer guarantees the insured (who is the beneficiary) total or partial payment of the salary of the insured for a period of time stipulated in the contract, if the insured loses his job.

This is a general definition of job loss insurance which cannot be easily translated into practice. A more practical perspective is presented below:

b) Job loss or unemployment insurance is an insurance contract in which the insurer guarantees a credit institution the total or partial payment of the loan granted to a borrower (insured) when he loses his job.

This understanding of job loss lends itself to practical interpretation and application. The concept of job loss insurance, discussed in this paper, hinges on this definition.

Needless to add that the implementation of job loss insurance involves rather complex processes and procedures, as it has to address moral hazards such as fraud, inherent in the value chain of this class of insurance business. The difficulty in interpreting the notion of job loss, as noted above, also remains an issue. Thus, great caution has to be exercised during the underwriting and, indeed, in the general administration of this insurance product.

2.2 UNDERWRITING CONDITIONS

In the light of the foregoing observations, and in particular in order to guard against the possibilities of fraud, the underwriting conditions of job loss insurance are strict and restrictive.

The following conditions are generally applicable:

- limitation of the total duration of payment in the event of claims. Thus, the duration of continuous payment may vary from 12 to 36 months.
- The cumulated period of unemployment shall not exceed 72 months.
- Existence of a waiting period before payment of the claims commences. The period varies between 6 to 12 months.
- Partial payment of the outstanding loan; indeed it is very rare to repay the full amount.
- Employment contract should be a permanent one.
- A clear definition of job loss to be provided in the insurance policy.
- Need to satisfy the conditions for unemployment benefits in countries where unemployment insurance exists at the national level.
- Claimant should have been working with the employer for a period of at least 6 to 12 months .
- Age limit at entry and maturity ; age varies between 55 and 60 years.
- Should be engaged in a paid employment.
- Obligation to purchase a death and disability insurance. Indeed job loss guarantee is often complementary to group life credit policy.

The following notion of job loss may be considered as appropriate- An involuntary loss of job after lay off from a paid activity that is covered by a permanent employment contract. The date of the job loss shall be the date stated in the letter of termination of appointment.

2.3 EXCLUSIONS

As with other insurance contracts, job loss insurance also has exclusions and benefits would not be paid in the following circumstances, among others:

- Retirement, early retirement, negotiated departure and bankruptcy of the employer of the insured;
- Resignation or dismissal during probation period;
- Dismissal following gross misconduct;
- Partial unemployment, lay off following a civil war, war, strikes, unrest, a nuclear catastrophe;
- Temporary or contract employment;

2.4 PRICING

Premium rate is determined in accordance with the rate of layoffs and the possible duration of unemployment for a person who is unemployed at a given time. The non-existence of reliable and coherent statistics on layoffs and duration of unemployment after layoffs, makes the rating of job loss insurance very difficult. In the absence of such data, some insurance markets in Africa, especially those in French-speaking African countries, rate the product on the basis of statistics from the French market which, with time, are adjusted to reflect the local experience. The calculation of the premium, which may be single or instalmental, is based on the amount borrowed or on the loan repayment plan and varies in accordance with the duration of the contract and the age of the insured at the time the policy is purchased. For example, the single premium can vary from 0.35 % to 4 % of the amount borrowed, for duration of 1 to 4 years and ages between 29 and 55 years in accordance with the percentage of payment provided for in the contract.

Other criteria are also considered for rating purposes and include :

- Type of loan, subject to the contract ;
- Field of activity of the insured;
- Social status and professional background of the insured

The insurance policy should provide room for amendment over time to allow for periodic rate review and adjustment.

2.5 PROVISIONS FOR RESERVE

Since the duration of the contract is usually one year renewable, provisions for reserve are proportional to the premium for the outstanding period. In the event of a loss, the insurer would make the necessary provisions with effect from the date of occurrence.

3.0 OPPORTUNITIES AND CHALLENGES

With the growing unemployment, resulting from layoffs affecting people of all ages, job loss insurance certainly offers several opportunities to insurance companies. In fact, some Banks as well as other credit institutions now demand this kind of insurance cover when granting loans in order to be shielded from the consequences of default due to lay off.

Furthermore, international organizations such as the International Labour Organisation (ILO), International Labour Office and the International Social Security Association (ISSA), encourage their member countries to include unemployment benefits in their social welfare systems. Insurers could complement these unemployment benefits provided by basic social welfare regimes to expand their business portfolio.

Despite the huge business potential which it offers, Job loss insurance is yet to fully take off in Africa. CIMA has published a regulation which clearly defines job loss insurance as a risk that can be marketed by life insurance companies in the zone, as a group life credit contract, and it is expected that this would encourage markets in the region to develop this product. The development of job loss insurance faces several challenges, the most significant of which are:

- Unavailability of reliable national statistics on layoffs and duration of unemployment per age and sex;
- Absence of job loss insurance in the basic social welfare systems in Africa for a more effective risk management;
- Lack of effective systems at the national level to combat fraud.

4.0 CONCLUSION

In the light of the ever-increasing rate of unemployment, credit institutions, especially banks, are increasingly resorting to job loss insurance to minimize the financial consequences of the non-repayment of loans granted to clients who have lost their jobs. Indeed, current indications suggest that layoffs would remain an issue to contend with in the business world.

Job loss insurance therefore presents significant business opportunity which insurers could exploit to boost their business portfolio. However, insurers have to face major challenges, such as the paucity of reliable statistics on layoffs, among other constraints, if they are to take advantage of the business opportunities offered by job loss.

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The Role of Internal Audit–an Overview

By:

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1.0 INTRODUCTION

Internal auditing has not, until recently, been widely viewed as a prestigious, high profile profession. Indeed, many people have long held the view that auditing is merely a boring branch of accounting. To others, internal auditing conveys an even more negative connotation - after all, the only thing auditors do is check other peoples' work and report the mistakes they make, sort of a police function. These are some of the misperceptions about internal auditing.

This paper seeks to dispel these misperceptions. The fact is that the stature of the internal audit profession has never been higher. The demand for talented individuals at all levels of internal auditing has remained high. Chief audit executives (CAEs) of most public organizations report directly to the audit committee of the board of directors and are viewed as peers among senior management executives. Now consider the following statement by Roger Raber, Former CEO, National Association of Corporate Directors--"Today more than ever, audit committees need to work closely with internal auditors to ensure strong internal controls, accurate financial reporting, and adequate risk management in every company they serve ... By understanding internal audit standards, audit committees can strengthen their own work of oversight." This statement easily brings to the fore, the growing importance of internal auditing as a vital governance tool.

In order to put this presentation in perspective, the paper begins by walking through the definition of internal auditing. It then introduces the concept of value addition and unbundles the value added by internal audit by looking at the relationship between assurance, insight and objectivity. The paper concludes by highlighting the challenges faced by internal audit and the value proposition it offers to its stakeholders.

2.0 DEFINITION OF INTERNAL AUDITING

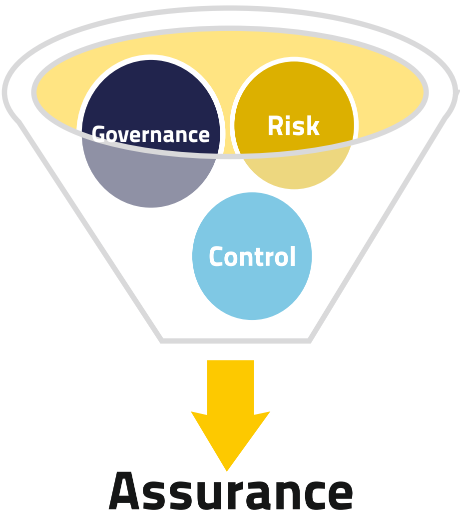
INTERNAL AUDITING is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal auditors have an in-depth understanding of the organization's systems, processes and culture. They provide assurance to management and the board that governance processes are sound and that existing internal controls are adequate to mitigate risks. They also serve as consultants who evaluate emerging technologies, analyze opportunities and offer recommendations for improvement.

In a nutshell, internal auditors assess whether things are going as they should to enable the organization to meet its strategic, financial, and operational goals, and to maintain an ethical environment and culture of accountability. Indeed, internal auditors bring enormous value to the organization and its stakeholders.

2.1 INTERNAL AUDITING'S VALUE

Assurance, insight and objectivity – the value of internal auditing can be described by these three very important words.
Management and the board look to internal audit to provide assurance on whether policies are being followed, controls are effective and the organization is operating as management intends. Internal auditors have unique insight on which risks could lead to disaster; how to improve controls, processes, procedures, performance and risk management; and ways to reduce costs, enhance revenues and increase profits. They view the organization with the strictest sense of objectivity that appears to separate internal auditing from — but makes an integral part of — the business.



ASSURANCE = GOVERNANCE, RISK AND CONTROL

Internal auditing provides assurance on the organization's governance, risk management and control processes to help the organization achieve its strategic, operational, financial, and compliance objectives.

2.1.1 Mitigating Risks

An organization can only achieve greatness through growth - and one of the keys to successful growth is effective risk management. As defined by 'The IIA's International Standards for the Professional Practice of Internal Auditing", risk management is 'a systematic process for assessing and integrating professional judgments about probable adverse conditions or events." Risk impacts the organization's ability to compete and to maintain its financial strength and quality of its services.

The skills which internal auditors possess assist them in accurately identifying the risks the organization faces. Internal auditors analyze risks, investigate their sources, rank their severity, provide assurance that adequate controls are in place, and communicate findings to management. Over time, internal auditing has changed from a reactive, control-based activity to one that is risk-based and proactive which places greater emphasis on the internal auditor's role in mitigating and providing assurance over risk.

2.1.2 Internal Controls

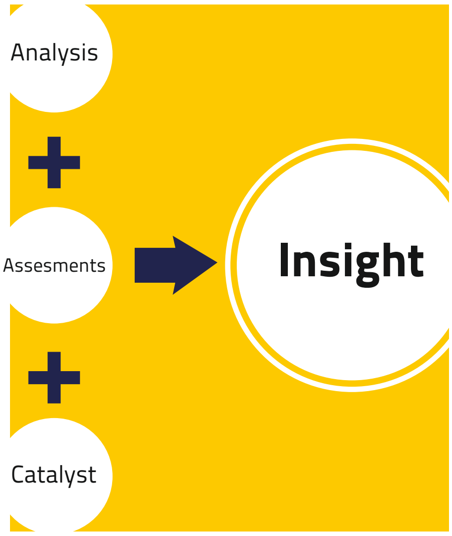
Internal controls are actions taken by management, and the board to manage risk and increase the likelihood that objectives and goals will be achieved. As a part of control, the organization will establish policies and procedures, as well as processes to ensure that such actions are followed. Controls also help ensure the consistent adherence to the organization's ethical values and performance measures.
Everyone within the organization plays an important role in internal control.

Indeed, internal control is at the very center of the internal auditor's world. It is also integral to effective corporate governance, and thereby critical to management and the board. Internal auditors evaluate control efficiency and effectiveness and determine whether the controls in place are adequate to mitigate risks that threaten, or have the potential to threaten, the organization. Internal auditing's role in assuring that internal controls are functioning as designed is essential to any organization's governance and success.

2.1.3 Evaluating Governance: Simply Good Business

Corporate governance comprises the procedures established by the board to provide oversight of the risk and the control processes administered by management.
According to The IIA and other thought-leading organizations, the four cornerstones of effective corporate governance are the board, management, internal auditing and external auditing.

When these entities work together well with healthy interdependence, internal controls are strong, reporting is accurate, ethics are maintained, oversight is effective, risks are mitigated, and investments are protected. Good corporate governance is simply good business.



2.2: Insight

> Internal auditing is a catalyst for improving the organization's effectiveness and efficiency by providing insight and recommendations based on analyses and assessments of data and business processes.

2.2.1 Analyzing Operations
When an organization creates objectives and goals, it must follow the appropriate procedures to ensure those goals are achieved. Internal auditors review operations closely, assessing whether correct protocols are being followed and goals are met. This insight is vital to the organization's well-being.

Internal auditors assess whether assets in the organization are adequately protected and, if they are not, they make recommendations to ensure the risk of loss is appropriately mitigated. Assets are not just tangible items such as buildings, cars and computers, but are also intangible items such as ICT and knowledge management. Internal auditors are also able to evaluate the procedures used within the organization to mitigate risks such as theft, damage and fraud and make the necessary recommendations to reduce the likelihood and impact of these risks. Today, the internal auditors work more closely than ever with their customers. In this way, they are more insightful in their recommendations and help the organization better achieve its objectives.

2.2.2 Assessing Efficiency and Effectiveness
Corporate resources are valuable. It's in an organization's best interest to defend and guard them against potential waste. By reviewing the controls (policies and procedures) in place, internal auditors evaluate whether efficiencies are being recognized, and by making suggestions, internal auditors constantly add value to the organization. This goes to underscore the impact that internal audit has on the efficiency and effectiveness of operations throughout the organization.

2.2.3 As a catalyst for improvement
A key attribute of internal auditors is the desire and commitment to improve or change anything found to be deficient within the organization. Further, they influence and persuade others to improve.
After evaluating processes, internal auditors report their findings and recommend appropriate courses of action. By developing a strong relationship and partnership with management and the board, internal audit has submitted recommendations that are the starting point for the enhancement of risk management, internal control, and governance. Through a strong commitment to corporate values and goals, internal auditors' understanding of the entire enterprise plays a crucial role in the overall success of their organization.

2.3 OBJECTIVITY

OBJECTIVITY = INTEGRITY, ACCOUNTABILITY & INDEPENDENCE

> With commitment to integrity and accountability, internal auditing provides value to the board and management as an independent source of objective advice.

2.3.1 Establishing Objectivity and Independence
Internal audit paves a path toward continuous improvement by providing objective and independent advice to all levels of management. As such, independence and objectivity are two of the most critical components of an effective internal audit activity.

Internal auditors occupy a unique position as they are employed by their organizations, but are expected to review the conduct of its management. This could be viewed as a conflict of interest. The dual reporting relationship has helped sort out the apparent conflict. For day-to-day administrative purposes, the Chief Audit Executive(CAE) reports to the Chief Executive Officer. For functional purposes, the CAE has a direct reporting line and unrestricted access to the audit committee which provides direction, enables full support and ensures there is no impairment to independence. This reporting relationship allows for open communication without fear of reprisal or interference, and sets the stage for honest, straight- forward feedback. It also allows the internal auditors to raise red flags, draw attention to concerns, and engage in further investigation as warranted.

The standards guiding internal audit practice require that internal auditors maintain the attribute of objectivity while performing engagements. The internal auditor should have an impartial, unbiased attitude and avoid conflict of interest situations that may impair judgment. To help achieve objectivity, the organization's internal auditors do not assume any of management's operational responsibilities.

2.3.2 Embracing the principles of Integrity and Accountability

The organization's internal controls should not be considered only as the responsibility of management. Each employee throughout an organization should understand the importance of a collective consciousness about, and accountability for, a strong system of internal control, an unwavering code of ethics, and high standards of excellence. Few attributes are more critical to internal auditors than integrity, accountability and unwavering ethical conduct. Effective internal auditors are grounded in professionalism, well-disciplined in their work, and subscribe to a professional code of ethics. Uncompromising ethics, the ability to listen with an open mind and the strength and integrity to be firm under pressure are attributes that have enabled internal auditors to stand up and advise their organizations on what it sometimes does not want to hear.

With a holistic view of the entire organization and its wide range of risks, internal auditors are in a unique position to help management and the board ensure that the corporate culture is ethical. They assist management by making recommendations for improving and maintaining an ethical corporate culture and play an important role in helping management achieve corporate-wide agreement and participation in creating the desired ethical culture.

3.0 CHALLENGES TO INTERNAL AUDIT

Today's business environment is both elevating the importance of internal audit and subjecting it to significant challenges. As organizations extend their operations across the globe, internal audit departments must recruit, train, and manage staff that can operate across a variety of cultures and far-flung locations. There lies the challenge of staffing teams that have an understanding not only of the language in a particular location, but also the business norms and the general culture.

Internal auditors of multinational organizations must also deal with multiple regulatory regimes. Key challenges here include tracking and interpreting new legislation and regulation, as well as understanding the legislative process and the political dynamics that are driving policy.

Meanwhile, the heightened focus on risk in recent years - especially IT risk and compliance risk, which are seeing rapid change - has broadened the depth and scope of internal audit's activities in this area.

Internal audit is expected to play a key role in testing security systems, protocols, and policies at both the technical and procedural level. Internal audit is also expected to help mitigate the risks of large-scale IT systems implementations and can ensure that there are business continuity and crisis management plans in place. Organizations that have grown internationally through acquisitions may face special challenges around IT systems.

4.0 THE VALUE OF PROFESSIONALISM

The value of internal auditing cannot be fully realized without very important requisite qualities possessed by professionals. Internal audit professionalism means competence and quality. It means standing up for transparency and integrity and speaking out against unethical business practices. And it means embracing growth and change, seeking new ways of doing things and providing fresh ideas for ensuring risks are mitigated. To be effective and provide the utmost value, internal auditors make a commitment to professionalism by:

Practicing in accordance with the International Standards for the Professional Practice of Internal Auditing and other guidance within the International Professional Practices Framework.

Ensuring quality practices by maintaining an ongoing Quality Assurance and Improvement Program.

Gaining a thorough understanding of the organization's business and culture.

Taking advantage of ongoing professional development and membership opportunities offered by organizations such as The Institute of Internal Auditors.

Earning professional designations such as the Certified Internal Auditor (CIA), and the Certification in Control Self-Assessment (CCSA).

5.0 CONCLUSION

The Institute of Internal Auditors challenges internal auditors around the world to continuously enhance their competencies as professionals, and encourages stakeholders to enthusiastically incorporate internal auditing into their organization's governance structure.

Internal auditing is a profession, and the responsibilities described here represent only a part of what is mandated for and expected of professional internal auditors. This speaks volumes as to internal auditing's value. But clearly, value is defined differently for different business functions. For some, saving money is the most important goal; for others, protecting the reputation is the focus. And for internal auditing, its value proposition to the stakeholders can be best depicted as providing assurance, insight and objectivity to help management and the board meet their goals. And that, without question, is of great value.

South Africa: Final Lap of the Race to SAM Regime Implementation

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&

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1. INTRODUCTION AND BACKGROUND INFORMATION

For most of the past five years now, the South African Insurance Industry has been pre-occupied with the race towards a new regulatory framework conceptualized to make insurance regulation, supervision and business conduct principles-based and risk-focused similar to Solvency II in Europe. At the end of this process, South Africa aims to become a third country equivalent jurisdiction under Solvency II with all the advantages of South African companies being able to operate in Europe (as have already been Switzerland, Japan and Bermuda).

The process has been undertaken in two main phases, with each phase comprising several sub-phases and key activities, just as the new framework has been built on three key pillars – namely, Pillar I (capital requirements), Pillar II (governance and risk management requirements) and Pillar III (reporting and disclosure requirements).

On 31 May 2015 the Financial Services Board (FSB), which currently regulates and supervises the insurance industry in South Africa, published another one of its long-awaited reports, this time on the SAM Pillar II Readiness Survey that it conducted in 2014. This was about the final outstanding document in the series of foundational documentation expected to be issued during 2015 to signify the reality of the formal commencement of SAM in January 2016. The other documents released earlier in the year include the draft primary insurance legislation (Insurance Bill 2015), the Reinsurance Regulatory Review Discussion Paper, the Economic Impact Study report, the Governance and Risk Management Framework document (Board Notice 158 of 2014) and the proposed Fit and Proper Requirements (Board Notice 113 of 2015).

The long road to the development and implementation of a new principles-based regulatory framework for the insurance industry in South Africa started in 2009 with an initial envisaged formal commencement of January 2012. With the slow progress made in Europe on a similar venture this target commencement date has been shifted a number of times to now stand at January 2016 regardless of what becomes of the European adventure. Termed Solvency Assessment and Management (SAM), this new regime was mirrored after the Solvency II framework adopted for Europe by the European Union on 22 April 2009, the latter in response to the global financial crisis that exposed the inadequacies of Solvency I while South Africa seeks to further enhance and internationalize its insurance regulatory framework having not been substantially affected by the global crisis.

The key objectives of SAM include policyholder protection, financial system stability and achievement of Solvency II third country equivalence status for South Africa. The formulation of the different aspects of SAM to date has been undertaken in a manner that conforms to related Solvency II principles as well as the Insurance Core Principles issued by the International Association of Insurance Supervisors (IAIS) while also reflecting the realities and peculiarities of the South African insurance industry and economic environment.

This article concerns itself with summarizing the key steps undertaken, being undertaken and yet to be undertaken in this long journey that started back in 2009. The key benefits, challenges and lessons of this new regime are also highlighted in the paper with a conclusion on the inevitability of the implementation date.

Both the industry and the regulator are agreed that this process has indeed been a long and tenuous one filled with rich experience and substantial costs. The collaborative and consultative nature of the process has made it significantly participatory and widely accepted with no major resistance. The ultimate implementation is therefore expected to be approached quite committedly if not enthusiastically.

2. SAM PHASES

The SAM project is undertaken on a phased approach in two main phases.

The first phase of SAM was the Development Phase. This comprised the conception of SAM and its introduction to the industry by the FSB; the constitution of the various SAM structures together with their respective terms of reference and operating modalities; the preparation, review and finalization of discussion documents and position papers; the design, conduct and analysis of three Quantitative Impact Studies together with the reports thereon; the design, conduct, analysis and reporting on two Pillar II Readiness Surveys; the conduct of a Risk Management survey; and the drafting of reporting templates.

Save the finalization of all discussion documents, the finalization of reporting templates with clear separation of public and private disclosure requirements and the codification of agreed SAM measures in appropriate primary legislation, the development phase of SAM can be said to have been truly concluded in mid-2014 as declared by the FSB.

The second phase of SAM is the Implementation Phase. This started in 2011 with the design and prescription of interim measures on the valuation of assets and technical provisions as well as the calculation of capital requirements for short-term insurers and reinsurers. Further interim measures relating to governance, risk management and group supervision were then instituted for the industry in accordance with the key principles of the impending new supervisory regime. The final set of implementation measures are the light parallel run that prevailed in the second half of 2014, the comprehensive parallel run currently in process in 2015, the mandatory mock ORSA (own risk and solvency assessment) exercise scheduled for August 2015, the implementation of prescribed governance and risk management framework by all regulated entities spread through 2015, and the finalization of the primary legislation and reporting templates by the end of 2015.

While the development of appropriate and essential primary legislation is in process, the FSB has been able to use certain legislative amendments and its Board Notices to introduce a number of important requirements and changes under the phased implementation of SAM.

3. KEY SAM MILESTONES AND ACHIEVEMENTS

The major achievements to date under this new project are as follows:

- South Africa is one of the countries currently in process for approval and designation as having a Third Country Equivalence status to Solvency II by the European authorities. When granted, this status would enable South African insurance and reinsurance entities undertake insurance business in Europe on the same terms as European companies.
- Three South African Quantitative Impact Study (SA QIS) exercises were successfully conducted as bases for setting standard formula for calculating solvency capital requirements. The results of the last SA QIS 3 which was compulsory have helped to identify some practical problems and to find a proper balance between regulation and the achievability of the rules.
- Improvement and strengthening of governance and risk management structures, skills and practices in the South African insurance industry
- The link of capital to risks will discourage excessive risk taking and thereby strengthen the solvency and capital adequacy of regulated insurance and reinsurance entities in South Africa
- Training and skills improvement across the industry
- Improved policyholder protection through prudent risk taking, better capital allocation and stronger governance practices
- Proportionality of supervision and regulatory requirements to the nature, scale and complexity of the business of the regulated entities thereby ending the one-size-fits-all approach hitherto in force
- Promotion of more transparency and potentially greater detail in reporting and other disclosures
- Well calibrated minimum and solvency capital requirements based on South Africa risk peculiarities as determined during the QIS exercises
- More effective Group supervision arrangements thereby promoting stability of the financial system.

4. KEY SAM CHALLENGES AND HOW THEY WERE ADDRESSED

The SAM project is not devoid of its own challenges the major ones being the following.

- Cost of implementation – SAM has brought substantial additions to the cost of doing business to fund its additional resource requirements. It is still uncertain what system changes will eventually cost. Happily, to date, the changes are coming at a time of increased profitability in the industry so costs were easily absorbed.
- Simultaneous regulatory changes on many fronts – Most industry players have been able to cope effectively with the myriad of changes.

- Shortage of skills in the industry and in the FSB – Massive training and sustained recruitment of experts; massive engagement of consultants by both the regulator and the industry.

- Initial lukewarm reception in the industry – Industry associations especially SAIA stepped up involvement and participation of their member companies through hosting clarifying sessions on SAM and facilitating joint articulation of / representation on industry views.

- Delayed legislation – the FSB was able to pass through a Finance and General Laws Amendment Act as well as use the instrumentality of Board Notices to ensure industry compliance with SAM design and implementation measures. Of course, the industry also cooperated with the FSB as there was no single litigation to test the legality of any of the processes followed or measures adopted in the SAM project.

- Data granularity – It has been difficult to capture and report required disclosures at a sufficient level of data granularity. This is an ongoing challenge that both the industry and the regulator are working to address through appropriate legislation and market conduct reforms.

- System modification requirements – The new reporting requirements and authorization classes of business, some of which are even yet to be finalized at this time, have serious implications for the information technology resources of regulated entities. It remains uncertain the extent to which system modification will be required together with its associated costs.

5. AFRICA RE INVOLVEMENT

Through its wholly-owned subsidiary African Reinsurance Corporation (South Africa) Limited, the Africa Re Group enthusiastically welcomed and embraced the SAM initiative leading to a full participation and involvement in all its activities and requirements.

Since the formulation and inauguration of various structures tasked with developing the SAM framework, Africa Re South Africa has been duly represented and actively involved in all SAM activities whether voluntary or mandatory. Some examples include:

- Participation of the executive management and other key personnel in the Solvency II training programme as a foundation for the SAM Project

- Voluntary participation in the first two quantitative impact studies (QIS1 and QIS2)

- Mandatory participation in QIS3

- Voluntary participation in the first SAM Readiness Survey questionnaire

- Mandatory participation in the Pillar II Readiness Survey questionnaire

- Africa Re South Africa was one of some twenty (20) market players selected by the Financial Services Board (FSB) for interview (on account of advanced readiness for SAM Pillar II) as a basis for formulating the governance and risk management framework

- Membership and full participation in the activities of the SAM Steering Committee and the Proportionality Interest Group of the South Africa Insurers Association (SAIA)

- Membership and participation in the Technical Provisions Task Group of the SAM Pillar I Sub-Committee

- Participation in all the workshops and seminars organized by both the FSB and the SAIA in respect of SAM

- Review and formal comments on most SAM discussion documents, including Board Notice 114 on the draft Governance and Risk Management Framework for Insurers

- ARCSA will comply with the requirements of Board Notice 158 on Governance and Risk Management Framework for Insurers or otherwise seek appropriate dispensation ahead of the 1 April 2015 effective date

- Ahead of statutory requirement, Africa Re South Africa has conducted and concluded a comprehensive ORSA exercise with a full report thereon.

ARCSA is thus fully compliant with (and, indeed, slightly ahead of) the SAM Implementation time line.

6. LESSONS FOR OTHER AFRICAN COUNTRIES

This article would be incomplete without drawing attention to important lessons for the rest of Africa to take from the SAM project in South Africa. These lessons underscore the need to extend a SAM-type project along the lines of Solvency II to the rest of the continent and are summarized as follows:

- Need to focus regulation on principles rather than rules

- Supervisory instruments to be designed with a focus on the risks as well as the nature, scale and complexity of operations of the supervised entities

- Focus on policyholder protection and systemic stability

- Harmonization of regulatory framework to international standards without compromising on local peculiarities

- Consultative and collaborative process in the design, testing and implementation of the regime.

7. CONCLUSION

The implementation date of 1 January 2016 is coming closer and has become virtually sacrosanct and inevitable, with the outstanding primary legislation the only thing making it slightly unsure.
The industry is well prepared to put into practice the SAM regulatory regime even though the FSB is still adjusting some regulatory and technical issues following the results of the last SA QIS 3 before full implementation of SAM. The solvency capital requirements, through standard formula or the few internal capital models are good as ready for implementation. The core governance and risk management framework under Pillar II are already in place while the mandatory ORSA exercise will happen in August 2015. The full parallel run embarked upon in 2015 is already subjecting the reporting templates to serious test with corrections and enhancements happening along the way.

Insurers and reinsurers therefore do not have any choice other than to have all requirements in place for full SAM implementation from January 2016. On its part, the FSB has worked hard and continues to be hard at work to conclude its own assignments ahead of the implementation date. The zeal and vigour behind the successes achieved to date cannot at this stage be allowed to wane. Africa Re South Africa is fully ready for the SAM implementation.
The clear message from the SAM project in South Africa is that regulatory reforms that seek to enhance the stability, efficacy and positive impact of the insurance industry in Africa along international lines can be painful but are possible and worth the while. Similar projects are therefore called for across the rest of the continent.

8. REFERENCES

For additional reference material visit the financial FSB website: http://www.fsb.co.za/Departments/insurance

The Algerian Insurance Market

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1.0 INTRODUCTION

Algeria is a North African country situated in the central part of the Maghreb with a surface area of 2 381 741 km². This Mediterranean country has a 1200 km long coast and shares land boundaries with Tunisia and Libya to the East, Morocco to the West, Niger and Mali to the South. Algeria's population was put at 38.3 million in 2013. Algeria has three main regions from north to south:

- the Tell coastal plains located between the Mediterranean sea and the Tell Atlas with a peak of 2 308 meters;
- the High Plateaux located between the Tell Atlas and the Saharan Atlas;
- the Sahara, with a surface area of over 2 million km² comprises oases, vast expanses of sand dunes, stone, loose rocks and mountain plateaux (Hoggar and Tassili) with Mount Tahat reaching a peak of 3.003 meters.

The north of Algeria has a Mediterranean climate while arid climate prevails in the south.

2.0 BUSINESS ENVIRONMENT

The Algerian economy, like the economies of other petroleum exporting countries, suffered from the effects of the drop in the price of crude oil, which had an impact on the economic indicators. The major indicators in 2014 and 2013 are presented below :

- GDP stood at DA17 647.5 billion in 2014 and DA16 569.3 billion in 2013
- The average exchange rate of the Algerian dinar to the US dollar stood at 80.58 DA/US$ in 2014 and 79.38 DA/US$ in 2013.
- The annual average rate of inflation was 2.92% in 2014 and 3.25% in 2013.
- The average crude oil price was US$99.25 per barrel in 2014, as against US$109.08 per barrel in 2013.
- Exports amounted to US$61.261 billion in 2014, compared to US$65.493 billion in 2013; imports stood at US$58.330 billion in 2014 compared to US$55.028 billion in 2013.

In 2000, the Government initiated an economic reform process to consolidate its macroeconomic stability, create an enabling business environment and thereby improve the living standard of its people. This initiative involved the implementation of two investment programmes which are now followed by a new five-year plan for the period 2015-2019, the objectives of which are to achieve a sustainable economic growth, create jobs and further diversify the economy. Specifically, the following goals are expected to be achieved by the policy during the plan period- the sustainability of the achievements of the previous plan, a quantum leap in regional development, ultimate resolution of the housing issue, acceleration of investment in the agricultural, industrial, tourism and handicraft sectors and optimum development of human capital.

In order to encourage investment, the State has implemented several investment and production incentives to improve and diversify the economy. These incentives are contained in the various finance laws, such as the 2015 Finance law.

3.0 THE INSURANCE INDUSTRY

Since the independence of Algeria in 1962, the insurance sector has passed through several stages of development as a result of the introduction of a number of reforms that were aimed at strengthening the industry so as to enable it support the socio-economic development of the nation. The profile of the market is presented below.

3.1 LEGISLATION AND SUPERVISION

After a period of state monopoly (1966 to 1995), the insurance sector in Algeria was liberalized in January 19 95, in accordance with ordinance N°95-07 of 25 January 1995, on insurance.
Among the salient measures introduced by this ordinance, are the following:

- Removal of state monopoly in the insurance sector and opening up of the market to national or foreign public and private investors to set up insurance companies. Insurance activity is subject to approval by the Ministry of Finance;

- Restoring of insurance intermediaries (general agents and insurance brokers) whose activities were suspended in 1972;

- Institution of strict State control of insurance activities to protect policyholders.

To further reinforce and consolidate the reform process that began in 1995, the legal framework governing insurance activities was updated in 2006 with the promulgation of law N°06- 04 of 20 February 2006 on insurance which focused on three areas as follows:

i) General revival of insurance activity particularly through:

- separation of the activities of life and non-life branches.

- broadening the network of insurance sales by including banks in the distribution of bancassurance products

ii) Strengthening the financial security of the market and companies by:

- Stipulating the full payment of the minimum capital as soon as the insurance company is set up;

- Regulating equity participation of insurance companies in other companies;

- Establishing a policyholder guarantee trust fund in the event of the collapse of a company.

iii) The reorganisation of the insurance supervisory authority with the setting up of the insurance supervisory commission with far-reaching powers regarding insurance supervision. The following two bodies have been in charge of insurance supervision since the promulgation of the 2006 law:

- The insurance supervisory commission which ensures the implementation of the insurance regulation, at the decision-making level. It comprises five members, including two magistrates from the Supreme Court;

- The department of insurance, which acts on behalf of the commission at the operational level, is in charge of carrying out inspection and control of insurance operations and further examines all issues linked to insurance regulation.

3.2 CAPITAL REQUIREMENTS

The minimum capital required to set up an insurance company was reviewed upwards with effect from 2010.The minimum capital is determined according to the nature of business written. A distinction is made between non-life, life and reinsurance operations. There is equally a distinction between joint stock companies and mutuals.
The capital required is as follows :

Joint stock companies:
Non-life : DA02 billion, or US$25 million.

- Life : DA 1 billion or US$12.5 million.

- Reinsurance companies: DA05 billion or US$ 62 million.

Mutual companies:

- Non-life: DA 01 billion or US$$12.5 million.

- Life: DA600 million or US$$7.5 million

3.3 MARKET SIZE

3.3.1 INSURANCE COMPANIES AND INTERMEDIARIES

The opening up in 1995 of the insurance market led to an increase in the number of private insurance companies, general agents and insurance brokers. This development boosted insurance activities and enhanced the products and services offered by the market.

In 1995, for instance, there were only 6 companies. The number rose to 15 in 2005 and by 2014, the market had 23 insurance companies with different ownership structures: public, domestic private, foreign private, mutuals and joint stock, set up in partnership with foreigners. The distribution of companies , in 2014, was as follows:
Fifteen non- life companies:

- Four public insurance companies: SAA, CAAR, CAAT and CASH;

- Seven private insurance companies: Trust Algeria, CIAR, 2A, Salama Assurances, Alliance Assurances, GAM and AXA Dommages Algérie;

- Two mutual insurance companies: la MAATEC for staff of the Ministries of Education and Culture and CNMA for the Agriculture sector;

- Two specialised companies: CAGEX for export credit insurance and SGCI for real estate credit insurance.

- Seven life companies:
Cardif Al Djazair, subsidiary of BNP Paribas;

- Social and Health Insurance Company (Société d'Assurance de Prévoyance et de Santé - SAPS) established by SAA in partnership with the French group MACIF and two Algerian banks BDL and BADR;

- Taamine Life Algérie, set up by CAAT insurance company in partnership with BEA (Algerian public bank and the National Investment Fund (FNI);

- CAARAMA company, whose share capital is entirely owned by CAAR company;
- MACIR Vie, whose share capital is entirely owned by CIAR insurance company ;
- AXA Algérie Assurance vie, set up by the French group
AXA in partnership with BEA and FNI;
- Mutualiste, subsidiary of CNMA.
- One reinsurance company : Compagnie Centrale de Réassurance (CCR).

The market had about 1100 direct agents, 900 general agents and 30 insurance brokers in 2014. Banks are also involved in the marketing of bancassurance products.

3.3.2 PREMIUM INCOME

The increase in the number of players in the market has led to a significant improvement in production. In 2013, the market premium income reached 114 billion Algerian dinars, up by 14%, compared to about 100 billion dinars in 2012.5 Non-life premiums amounted to 106 billion dinars, representing 93% of the market premium income, while life accounted for 8.00 billion.

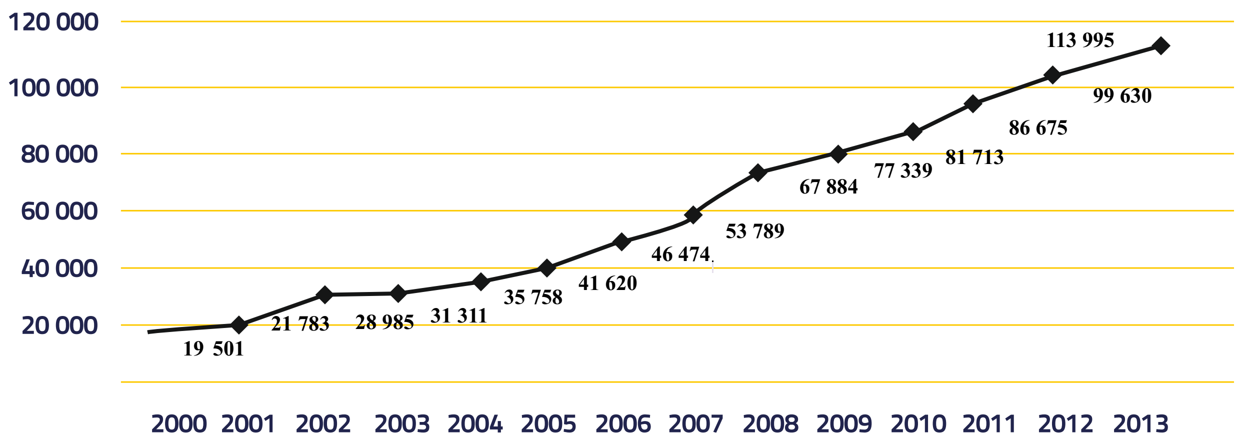
As would be observed from table 1, the motor business remained the largest source of premium income, contributing well over 50% of the total market premium income in 2012 and 2013. The property class retained the second position with an income of well over 30% of the total in both years.

Table 1 : MARKET PREMIUM INCOME

In millions of Algerian dinars (DA)

	2012		2013		Variance 2012/2013	
	Amount	Share	Amount	Share		%
Motor	53 118	53%	61 073	54%	7 95 5	15%
Property	32 559	33%	37 030	32%	4 471	14%
Transport	5 262	5%	5 749	5%	48 7	9%
Agriculture Risk	1 398	1%	1 758	2%	360	26%
life	7 290	7%	8 381	7%	1 091	15%
(*) Others	3	-1%	4	-	1	33 %
Total	**99 630**	**100%**	**113 995**	**100%**	**14 365**	**14%**

Premium income 2000-2013 (In millions DA)



3.3.3 CLAIMS PAID :2012-2013

The total claims paid in 2013 amounted to 54.1 billion Algerian dinars, 3.4 billion higher than the total payment in 2012, which stood at 50.7 billion Algerian dinars. Table 2 contains the relevant data.

Table 2 : CLAIMS PAID BY CLASS

	2012 Amount	2012 Share	2013 Amount	2013 Share	Variance 2002/2013 value	%
Motor	**36,417**	**72%**	**40,569**	**75%**	**4 151**	**11%**
Property	9,880	19%	9,243	17%	-637	-6%
Transport	1,730	3%	1,799	3%	69	4%
Agriculture Risks	533	1%	102	-	-431	-81%
Life	2,000	4%	2,234	4%	234	12%
Credit Insurance	144	-	111	-	- 33	-23%
Total	**50,706**	**100%**	**54,059**	**100%**	**3,353**	**7%**

As would be observed, the Claims paid by class,in 2012 and 2013 indicate that the bulk emanated from motor business which is to be expected, given the size of the motor portfolio relative to the other classes and the increase in the number of reported losses in this class of business.

3.4 INSURANCE PENETRATION AND INSURANCE DENSITY

Despite a double digit growth in premium income, insurance penetration is still below1%. In fact, the share of insurance in GDP in 2012 and 2013 stood at about 0.7%.

Insurance density or insurance premium per capita was estimated at DA 3 000 in 2013, representing US$38 per capita.

3.5 LARGE LOSSES IN THE LAST 5 YEARS.

There were two major claims in 2013 and 2014. The first was a fire loss that occurred in October 2013, estimated at US$32 million. The second one was an aviation loss of Air Algérie that crashed on 24 July 2014 in Mali.

3.6 INVESTMENT IN FINANCIAL INSTRUMENTS

Financial investment is a very important aspect of the activity of insurance companies. Since insurance is a regulated activity, insurance companies are required to own financial and other assets to meet their obligations towards policyholders. In this connection, Algerian companies are required to buy Treasury Bills to cover at least 50% of their commitments.

As at 31/12/2013, insurance companies had total invested assets (financial and property) amounting to 200 billion dinars up by 11% ,compared to 2012. Treasury Bills, accounting for 80.4 billion dinars or 40%, remained predominant, representing an increase of 7 billion dinars, compared to 2012. Bank deposits offer the biggest opportunity in terms of returns. There was an 18% increase in bank deposits which amounted to 66.6 billion dinars in 2013, compared to 56.5 billion in 2012.

	2012		2013		Variance 12/13	
	Amount	**Share**	**Amount**	**Share**	**Value**	**%**
Treasury Bills	73 336	41%	80 426	40%	7 090	10%
Securities	17 413	10%	17 293	9%	119	1%
Term Deposits	56 528	31%	66 629	33%	10 101	18%
Others	7 349	4%	8 597	4%	1 248	17%
Total Financial Investments	**154 626**	**86%**	**172 946**	**86%**	**18 320**	**12%**

The insurance market recorded an increase in net profit from 6 billion dinars in 2012 to 10.8 billion dollars in 2013, representing a 78% growth. This was achieved as a result of the increase in premium income of about 14% and a 31% increase in technical margin.

4.0 SIGNIFICANT DEVELOPMENTS

4.1 Export credit insurance

In 1996, Algeria introduced an export credit insurance scheme to promote non-hydrocarbon exports. Ordinance No. 96-06 of 10 January 1996 on export credit insurance was accordingly promulgated, stipulating the terms and conditions of coverage of this type of risk. 9The Algerian Insurance and Export Guarantee Company (CAGEX), was therefore set up as a specialised company in the management and coverage of this class insurance.

In accordance with ordinance No.96-06, CAGEX covers four categories of risks:

On behalf of CAGEX:
business risks.

On behalf of the State
- political risks;
- natural catastrophes ;
- risks of non-transfer.

Business risks
CAGEX covers, on its own account and under the supervision of the State, the following business risks:

- de jure insolvency of a purchaser;
- insolvency of a purchaser in deed;
- Insolvency of the debtor.

Political risks
CAGEX covers, on behalf of the State and under its supervision, political and allied risks that can occur in the country of residence of the purchaser and in some cases may be akin to a force majeure. Political risks may arise as a result of :

- the occurrence of civil or international wars, revolutions, strikes or similar events in the country of residence of the purchaser;
- Possible financial restrictions by the authorities of the purchaser's country;
- The fact that the export operation leads to a contractual obligation by a public administration or a company in charge of a public service.

Natural catastrophe risks
This risk involves the occurrence, in the country of residence of the purchaser, a natural catastrophe like earthquake, flood, tidal wave, cyclone or volcanic eruption that is likely to directly affect the activity and solvency of the purchaser and prevent him from paying his debt.

Risk of non-transfer
This risk is linked to political events, economic depression or amendment of legislation in the country of residence of the purchaser, which can result in the postponement or impossibility of transferring funds.

4.2 NATURAL CATASTROPHE INSURANCE SCHEME

4.2.1 Nature of the scheme:

Algeria has been hit several times by earthquakes and major natural disasters like floods that have caused severe damages. These natural disaster risks require the provision of adequate covers. Thus, following the earthquake in 2003 that hit Boumerdés (50Km from Algiers), a natural catastrophe insurance scheme was introduced in accordance with ordinance N°03- 12 of 26 August 2003 on insurance of natural catastrophes and settlement of damages.

Through this scheme, compulsory insurance was instituted for the following:

- Owners (individuals or legal entities) of real estate in Algeria;
- All individuals and legal entities carrying out industrial or commercial activities.

Through the CAT-NAT guarantee, this scheme covers the following perils:

- Earthquake;
- Floods and mudslides;
- Floods and violent winds;
- Landslides.

The scheme involves the policyholder, the insurer, national and international reinsurers. It equally benefits from State guarantee to ensure financial stability and as a demonstration of national solidarity. This guarantee is entrusted to Compagnie Centrale de Réassurance (CCR) in its capacity as national reinsurer. CCR is required to keep separate accounts of the operations linked to natural catastrophe insurance.

4.2.2 Management of the scheme

Natural catastrophe insurance is based on domestic and international reinsurance patterns.
At the domestic level, insurance companies have two covers:

(1) Quota Share Treaty

Cedant Retention:	**30%**
Cession to CCR:	**70%**
Limit :	**2.5Bn. Algerian dinars**

(2) A stop loss that covers the retention of the cedant (30%) from a loss of 100%.

Reinsurance is covered by an international reinsurance programme arranged by CCR. The application of the CAT-NAT is subject to the declaration of a natural catastrophe by an inter-ministerial order of the Ministries of Finance and Interior. Furthermore, insurance companies are required to `constitute catastrophe risk provisions that can only be released after 21 years.

5.0 CONCLUSION

Since the opening of the market in 1995, insurance activity has seen the introduction of several instruments which have promoted the development of insurance such as the authorization of new insurance companies and intermediaries. This process has enabled the insurance sector to achieve, over the past few years, a double-digit growth rate.

The reinforcement of the reform process in 2006, with the launching of other instruments such as bancassurance, increase in the level of minimum capital of insurance companies and authorization of new subsidiaries of life companies, are indicative of prospects for renewed growth of the insurance industry. The low penetration rate of less than 1% recorded by the sector testifies to the potentials of the insurance market which, if exploited, would enhance the contributions of the industry to the growth and development of the national economy. Indeed, the insurance market remains very attractive, considering its potential for expansion and the profitability of the sector.

The Insurance Market of Madagascar

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1.0 - INTRODUCTION

Situated in the Indian Ocean to the south west of the African continent in the southern hemisphere, Madagascar is the 4th largest island in the world, with a surface area of 587 044 km2. Bordered to the west by the Mozambique canal, the closest point to the Mozambican coast is only 400 km away. Madagascar is surrounded by several small islands including Mauritius and Reunion to the east, Seychelles, Union of the Comoros and Mayotte to the north west. A former French colony, Madagascar achieved independence in 1960. Its capital Antananarivo is situated on the mountainous central highlands, about 1 hour 30 minutes by air from Johannesburg and from Mauritius Island. The population was estimated at 22 million in 2012.

The Vazimbas of the Central Highlands were the natives. Migration then brought the Austronesians of the South of Borneo (Indonesia), Bantus from Mozambique followed by Arabs, Persians and the French. Indians, Pakistanis and Chinese settled in the island afterwards. The French put an end to the monarchy of the Imerina Kingdom of the Highlands by colonizing the country from 1895 to 26 June 1960 when Madagascar became independent.

There are 18 tribes in Madagascar and they speak the same language, Malagasy. They have the same culture, inherited from people who inhabited the island. The major difference is racial between the Merina of the Highlands and of the Centre and the tribes that live mostly along the coast.

2.0 ECONOMI C ENVIRONMENT

Madagascar is rich in diverse and varied resources:

- Agricultural resources, including vanila whose production is falling and clove (11% of total exports in 2012) exported the world over. The country also produces cocoa.
- Shrimps and fishery and aquaculture products that are exported (4.5% in 2012) to COMESA, SADEC and Europe.
- Diverse and rare mineral resources, such as gemstones, ilmenite, iron titanium dioxide, bauxite, cobalt, uranium and petroleum. Their contribution to GDP is marginal (0.5 to 1.5%).
- Wildlife, 90% of which is unique in the world attracts tourists from all over the world. Rose wood, deep-sea corals, lemurens, amongst others, are part of the endemic biodiversity of Madagascar. Most of the wildlife species are protected.

Despite this great potential, Madagascar remains poor. It is ranked 6th out of the 10 poorest countries in the world with a per capita GDP of US$458 (IMF May 2014)

As a former French colony, Madagascar was naturally part of the franc zone though the country has its own currency, the Malagasy franc, which was pegged to the French franc like other currencies of the franc zone as part of economic and cooperation agreements between France and its former colonies.

3.0 – INSURANCE SECTOR

3 .1. Brief history

Three major periods shaped the country's insurance sector: pre-independence period, the period of nationalization of the banking and finance sector and that of the liberalization of the banking and finance sector.

3.2. Legislation and Supervision

During the colonial period, insurance activities in Madagascar were governed by the French Law of 13 July 1930 and in 1960 motor insurance was made compulsory in accordance with Ordinance No. 60-162 of 3 October 1960.

To bring order to the sector, Ordinance no. 62-034 of 19 September 1962 and its implementation Decree No. 1963-526 of 05 September 1963 came into effect to regulate all insurance companies and insurance operations (official gazette No. 312 of 14 September 1963, p. 2079).

In 1999, the Insurance Code of Madagascar was adopted by the National Assembly and published in the official gazette under law No. 93-013 of 2 August 1999. It enabled the liberalization of the insurance sector that had been nationalized in June 1975. It is worth noting that the insurance code of Madagascar has several similarities with the CIMA Code.

Several Decrees and orders supplemented and eased the implementation of the Code, the most important of which are:

Decree No. 2000-986 of 20 October 2000 on insurance operations;

Decree No. 2001-1120 of 28 December 2001 on State supervision and the institutional framework of the insurance sector. The Decree lays down the operational modalities of the Insurance Service and defines its role which consists essentially in overseeing the implementation of the Insurance Code and related regulations, through supervision, the ultimate goal of which is to ensure the protection of the insured, underwriters and beneficiaries of insurance contracts.

Decree No. 2001-1121 of 28 December 2001 on legal and financial regimes of insurance companies. It describes the legal regime namely, the rules for establishing and operating insurance companies, life and mutual insurance companies as well as the financial regime applicable to these companies, especially reserves, assets and investment regulations.

Decree No. 2005-088 of 15 February 2005 on insurance intermediaries, particularly brokers and general agents. It defines the responsibility of companies towards their clients and the obligations of the brokers while carrying out their activities.

3.3. Institutional framework of the insurance sector

Decree No. 2001-1120 of 28 December 2001 on State supervision and the institutional framework of the insurance sector set up the structures below in order to support the efforts of the Insurance Service:

Insurance Board, whose members (and alternates) comprise civil servants and insurance professionals appointed by a Decree of the Governing Council.
The role of the Insurance Board is to advise the Minister in charge of Finance when taking decisions to implement the above-mentioned Decree.

A favourable opinion of the Insurance Board is necessary before the Minister of Finance and the Budget takes any decision related to the sector. Furthermore, the council makes recommendations to the Minister of Finance and the Budget to improve the insurance sector.

A Committee of Insurance Companies

A professional association of insurance companies. All insurance companies are obliged to be members. Two of its representatives are members of the Insurance Board. It is also in charge of the tariffs and plays a leading role in the functioning of the National Arbitration Commission.

National Arbitration Commission

According to Decree No. 2001-1120 of 28 December 2001, this commission is in charge of handling conflicts between insurers efficiently and promptly through arbitration. The commission is chaired by a representative of the Ministry of Finance and the Budget.

In addition, there are Associations of Brokers and General Agents, which are self-regulated bodies.

3.4. Capital requirements

In accordance with Decree No. 2001-1121 of 28 December 2001 on legal and financial regimes of insurance companies, the minimum required capital is:

Public Limited Companies and those in charge of annuity:

Category 18 (welfare associations) : Ar100 million

Category 1 to 18 (general insurance companies): Ar600 million

Category 20 to 24 (life and annuity) : Ar1 billion

Mutual insurance companies:
Ar100 million

3.5. Market size

a) At independence, the insurance market had 42 representatives of foreign insurance companies namely, 25 French, 14 British, 1 Moroccan, 1 Italian and 1 American, symbolising the interest of the major colonial powers.

b) From 1960 to 1975, the insurance market had 2 insurance companies and two mutual companies namely:

CMAR NY HAVANA, first Madagascan insurance company set up on 11 October 1968, with 50% owned by the state but governed by the trade law.

The two mutual companies are MAMA (Mutuelle d'Assurance Malagasy) that brings together road transporters and AVOTRA, more general in nature set up in 1968 and 1971 respectively.

- La Préservatrice, a branch of the French Group Préservatrice Foncière Assurance (PFA), a purely private initiative, set up in 1974.

c) In June 1975, following the nationalization of private companies, especially of the financial sector, 62% of the shareholding of NY Havana was ceded by the State while la Préservatrice was fully nationalized and became "Assurances et Réassurances Omni-branches", ARO, with 73.36% of the capital owned by the State and the remainder went to private shareholders from Madagascar. The two companies are however governed by the trade law (limited liability companies).

d) The advent of the Insurance Code with the promulgation of law No. 99-013 of 2 August 1999 led to the liberalization of the insurance sector. Accordingly, two insurance companies saw the light of day: SAHAM Assurances (former Colina Assurances) obtained its licence on 29 December 2005 while Allianz (former-Préservatrice) returned in 2006.

The market presently has 5 insurance companies of which 2 are state owned: ARO with a 55% market share and NY HAVANA with a 21% market share. There are 2 foreign companies: ALLIANZ (8% market share) and SAHAM Assurances (7% market share) as well as la Mutuelle d'Assurance Malagasy – MAMA (9% market share). A request for a licence to operate by a 6th company is currently being examined. The market has 22 insurance intermediaries, 5 brokers and 17 general agents.

4.0 – MARKET STATISTICS

In 2013, the market recorded a premium income of MGA 154.41 billion compared to MGA 135.65 billion in 2012 representing a 13.83% increase.

Table 1. Evolution of premium income (LIFE + NON LIFE) by class of insurance from 2013 to 2009.

Millions MGA	2013	2012	2011	2010	2009
Fire and other property	12,051.39	10,336.78	8,667.97	10,101.44	8,260.69
Motor	31,572.97	28,436.48	27,343.79	26,456.25	26,407.52
Marine	6,004.78	5,979.03	5,975.09	5,503.64	4,482.80
Miscellaneous third party liability	37,916.40	23,880.90	16,718.03	16,632.48	15,361.08
Other forms of transport	-	-		-	121.77
Accident and sickness	211.25	187.76		169.12	80.10
Aviation	8,177.41	9,619.69	7,720.32	5,840.96	6,273.49
Other direct property risks	17,144.69	21,744.56	21,166.91	21,024.84	17,697.72
Others (Allianz 2011)			5,136.16		
Total Non Life excluding Acceptances	113,078.89	100,185.19	87,592.10	85,728.73	78,685.18
Acceptances	4,359.40	4,226.90	3,601.70	3,441.60	3,530.00
Total Non Life	**117,438.29**	**104,412.09**	**96,329.96**	**89,170.33**	**82,215.18**
Total Life	**36,969.14**	**31,241.61**	**26,228.05**	**23,617.66**	**19,994.61**
Total Life + Non Life	**154,407.43**	**135,653.70**	**122,558.01**	**112,787.99**	**102,209.79**

Source: Insurance Service of Madagascar

Despite the political crisis that affected the economy for 5 years between 2009 and 2013, the insurance sector continued to record appreciable growth rates: 14% between 2012 and 2013; 11% between 2011 and 2012; and 9% between 2010 and 2011. Generally, motor remains the predominant class though in 2013 there was a significant increase in miscellaneous third party liability due to fronting. Generally, production is well balanced between the different classes (Motor, Fire and other property damage + other direct property risks). Marine and aviation are lagging behind and accounted for 5% and 7% of non-life production respectively.

Life products are mainly distributed between ARO and Ny Havana. Production increased by 18% between 2012 and 2013.

Table 2. Results of the market (Non-Life) 2012 and 2013.

Million MGA	NON LIFE 2013	NON LIFE 2012
PREMIUM NET OF CANCELLATIONS	117,438.29	104,412.09
Changes in unearned premium	4,003.61	172.78
EARNED PREMIUM	**113,434.68**	**104,239.31**
PREMIUM CEDED TO REINSURERS	43,120.14	42,570.28
Changes in unearned premium	428.36	893.62
PREMIUM EARNED BY REINSURERS	**42,691.78**	**43,463.90**
NET EARNED PREMIUM	**70,742.90**	**60,775.42**
CLAIMS NET OF RECOVERIES	27,008.15	31,052.75
Changes in outstanding claims	6,617.52	687.23
INCURRED LOSSES	**33,625.67**	**30,365.53**
CLAIMS BORNE BY REINSURERS	6,111.05	10,698.16
Changes in outstanding claims	3,376.83	3,033.10
REINSURERS' SHARE OF THE INCURRED LOSSES	**2,734.22**	**13,731.26**
INCURRED LOSSES NET OF REINSURANCE CESSIONS	**30,891.44**	**16,634.27**
ACQUISITION COSTS OF DIRECT CONTRACTS	9,128.38	9,087.71
COMMISSIONS PAID BY REINSURERS	4,572.32	4,458.09
Net Commissions	4,556.05	4,629.62
Net reinsurance flow	**35,385.23**	**25,274.55**
Administration fees	20,231.93	23,861.41
Other operational expenses	450.22	1,030.04
Management expenses	**20,682.15**	**24,891.46**
Net disbursements	**25,238.20**	**29,521.07**
Underwriting profit/loss	**14,613.26**	**14,620.07**
Loss ratio	29.64%	29.13%
Incurred loss ratio (net of reinsurance)	43.67%	27.37%
Net expenses to premium earned (expense ratio)	35.68%	48.57%
Management expense ratio	29.24%	40.96%
Combined ratio (incurred loss ratio + expenses ratio)	79.34%	75.94%

information from previous years is not available. Statements C were used only from 2012

Source: Insurance Service of Madagascar

The market has excellent results, with a combined ratio of less than 80% for two consecutive years. Management expenses are however very high and can still be trimmed down.

Table 3. Evolution of insurance penetration and premium per capita

Description	2013	2012	2011	2010	2009
TOTAL PREMIUM (Million	154,407	135,654	122,558	112,788	102,210
GDP (Million MGA)	24,148,908	20,088,100	21,988,600	18,264,000	16,729,000
PENETRATION RATE	0.64%	0.68%	0.56%	0.62%	0.61%
Polpulation	21,842,167	21,263,403	20,696,070	20,142,015	19,601,026
Density (MGA per capita)	7,069	6,380	5,922	5,600	5,215

Source: Insurance Service of Madagascar

As in many in sub-Saharan African countries, the insurance penetration in Madagascar remains low.

5.0 CONCLUSION

The Insurance Supervisory Service is working with the Committee of Insurance Companies to review the insurance code, especially regulation relating to fronting, micro insurance, reinsurance and institution of compulsory insurance such as domiciliation of transport insurance and the revision of taxes on insurance operations to improve the penetration rate.

A presentation was made to the Council of Ministers to sensitize all Ministries to take into account insurance in all bilaterally funded projects in order to include the cost of insurance in the budgets of projects to enable domiciliation of insurance in Madagascar.

Madagascar is a country with a high economic potential. The political crisis from 2009 to 2013 undermined the heralded economic recovery of the 2000s. The availability of funding that was suspended by donors will revive the economy.

NEWS FROM THE REGIONS
Francophone West and Central Africa

A. New companies/ Mergers/ Acquisitions / Closures

West Africa

1. New companies
- WAFA Assurances in Senegal
- SUNU Assurances Vie in Burkina Faso
- CIF Vie in Burkina Faso
- SAAR in Guinea Conakry

Mergers /changes
- UGAR became Activa Guinea
- Change of name of the subsidiaries of SUNU group (life and non-life)
  The former names were changed to SUNU Assurances + type + name of country
  In Côte d'Ivoire and Benin, in addition to the change of name, life subsidiaries merged; thus, LMAI Vie and UA Vie became SUNU Assurances Vie Côte d'Ivoire. AVIE and UBA became SUNU Assurances Vie Benin.

- Atlantic Business International has acquired a stake in Consortium d' Investissement et de Financement – CFI - (majority shareholder of the Atlantic group)

Central Africa

Mergers/changes
OGAR, the first Gabonese insurer, took over FEDAS group, comprising 3 companies established in Côte d'Ivoire, Benin and Togo.

Appointments
In Burkina Faso, Mr. Simon Pierre GOUEM was appointed MD of Société Générale des Assurances du Burkina – GAB : life and non-life

CHANAS Assurances Cameroun has a new Managing Director in the person of Albert PAMSY, in replacement of Henri EWELE.

Mr. Theodore Edjangue, has been appointed Chairman of CHANAS Cameroun to replace Jacqueline CASALEGNO, one of the main shareholders.

MAJOR LOSSES

DATE OFLOSS	POLICYHOLDER	COUNTRY	CLASS	DESCRIPTION	Gross amount of loss at 100% USD)
09/01/2014	SAPETRO	BENIN	OIL	Damages in an oil well	11 921 454
12/06/2014	AZITO	COTE D'IVOIRE	OIL	Fire declared in unit N°2 of the power plant	11 000 000
14/09/2014	TOTAL E&P CONGO	CONGO BRAZZA	OIL	Electrical damage on cables of the platform	11 776 600
06/11/2014	CASINO CONGO (MIME GROUP) in BRAZZAVILLE	CONGO	FIRE	Fire ravaged a supermarket	11 813 663

NEWS FROM THE REGIONS
North East Africa & the Middle East Region

A. NEW COMPANIES

Egypt
The newly licensed company- United Insurance Company - started operations in December 2014

Full takeover of Nile Takaful insurance company by Tokyo Marine

B. Appointments/Retirements

Egypt
- Eng. Mohamed Ahmed Lotfy was appointed Chairman of the Board of Directors of Al Mohandes Insurance Company while Mr. Reda Fathy was appointed Managing Director to replace Eng. Mohamed Baraka.

- Dr. Mohamed Ghazy was appointed Chairman & Managing Director of Misr Life insurance company to replace Dr. Said Gabr.

Sudan
- Mr. Mohsin Hussien was appointed General Manager of Blue Nile insurance company, Sudan to replace Mr. Asim Sir El Khatim. .

- Mr. Ali Osman El Fidail Manager of PTA Re-Takaful window (Sudan) has retired.

C. LEGISLATION

Egypt
- In May 2013, the Central Bank of Egypt (CBE) introduced the long awaited regulations allowing banks to offer insurance. The new regulations require the coverage of risks related to bancassurance and complete separation of the activities of banks and insurance companies.

- The Egyptian Financial Supervisory Authority (EFSA) plans to revise laws in areas such as micro insurance, medical insurance and private pension plans. The revised laws will be submitted to the Cabinet before amendment by Parliament.

- In 2014, EFSA introduced new requirements regarding cessions / maximum shares to be ceded to reinsurers.

- EFSA also plans to make it compulsory for all domestic or foreign reinsurance brokers to be registered in the relevant lists in Egypt to transact business in the Egyptian market.

D. MAJOR LOSSES

Egypt
There were floods on 8 May 2014 in the Taba region in Sinai, Egypt with a 100% loss estimate of US$ 41million (EGP 300 million)

NEWS FROM THE REGIONS
Maghreb

MOROCCO

February 2014
Société Centrale de Réassurance (SCR) opens an office in Côte d'Ivoire
Société Centrale de Réassurance (SCR) has opened an office in Abidjan. This opening is part of SCR's international development strategy aimed at supporting the development of markets in the region and the expansion of Moroccan insurance companies in Africa.
This office is the first of its kind for SCR.

April 2014
RMA Watanya enters the CIMA Zone
RMA Watanya bought over four insurance companies in three major countries of the CIMA zone. It has a majority share in four subsidiaries of the Ivorian group Belife Insurance: Beneficial Life Insurance SA and Beneficial General Insurance SA in Cameroon, Beneficial Life Insurance SA Togo and Belife Insurance SA Côte d'Ivoire. The Moroccan insurer confirmed that these acquisitions are the beginning of a major development plan in Africa.

July 2014
Mamda Re, new reinsurance company
Mutuelle Agricole Marocaine d'Assurances (MAMDA), has partnered with the American group Partner Re and the French company La Mutuelle Centrale de Réassurance (MCR) to launch a reinsurance company. The new company called "Mamda Re" has already been authorized by the Moroccan regulatory authorities.

Mamda Re will have a capital of one billion dirham, half of which will be provided by Mamda. The American and French partners will share the remaining half of 30% and 20% of the capital respectively.

August 2014
Trust Re acquires the status of CFC
Trust International Insurance and Reinsurance Company (Trust Re) opened an office in the new Casablanca Finance City. This branch will focus on the group's business development in North, Central and West Africa.
Obtaining this status (Casablanca Finance City) confers entitlement to some tax benefits.

September 2014
Wafa assurance sets up a subsidiary in Cameroon
Wafa assurance, a subsidiary of the Attijariwafa Bank group has officially created a subsidiary in Cameroon named Wafa assurance Vie Cameroun. It has a share capital of CFA one billion francs (2 million dollars).

September 2014
Wafa Assurance establishes an Office in Senegal
Wafa Assurance has announced the extension of its activities to Senegal through two newly created subsidiaries: Wafa Assurance Vie and Wafa Assurance. These subsidiaries have been authorized to operate the Life and Non-Life insurance classes.

November 2014
AIG establishes an Office in Casablanca
The American insurer AIG has opened an office within the premises of the new financial centre called Casablanca Finance City (CFC). The company obtained the status of CFC, which confers it with financial and tax benefits.
This branch will enable AIG to continue its growth in North and West Africa and to better serve its customers operating in this region.

November 2014
Saham Finances acquires 40% of Nigeria's Unitrust Insurance
Saham Finances has acquired 40% of the shares of the Nigerian insurer Unitrust Insurance.
This equity participation allows Saham group to enter the Nigerian market.
Following the recent 66% acquisition of the Rwandan CORAR-AG, this new transaction brings the presence of the Moroccan group on the African continent to 20 countries.
Unitrust Insurance operates the Non-Life class. The company had a premium income of US$ 19 million in 2013, for a net result of US$ 8.7 million.

December 2014
New Life Insurance Company in Morocco
Banque Centrale Populaire (BCP) has created Attamine Chaâbi, its new life insurance subsidiary with a capital of MAD 50 million (US$ 6.2 million).
Regarding this project, BCP has Mutuelle Centrale d'Assurance Marocaine (MCMA) as partner to develop new products.

TUNISIA

Tunis Re in search of a strategic partner
To reach a new level in the implementation of its 2012-2016 development plan, Tunis Re conducted a bid for international investors to acquire 25% of its capital (with voting right).
The exercise, estimated at TND 25 million (US$14.1 million) will enable Tunis Re to raise its capital to TND 100 million (US$56.4 million). The Tunisian reinsurer specified that it was in search of a strategic partner capable of "participating in technical, financial and commercial strengthening" of the company.

NEWS FROM THE REGIONS
Maghreb

2 January 2014
Assurances At-Takafulia starts its activities
Assurances At-Takafulia officially started its activities on 2 January 2014. This new Takaful insurer, the third to have obtained an approval in Tunisia, proposes coverage for companies and individuals. With a capital of TND 10 million (US4 6.1 million), the company has a 96% share ownership of financial institutions.
The traditional players of the market are among the major shareholders: STAR, Tunis Re, Assurances Salim, AMI, MAE, CTAMA.

Legislation and Supervision
From 1 Mars 2015, compulsory motor insurance rates on third party liability would be increased by 10% as against a drop of 8% for other voluntary motor insurance.

ALGERIA

CASH: A new life insurance company has been established in partnership between CASH, Banque Nationale d'Algérie and a Kuwaiti partner.

Algeria Gulf Bank (AGB) Intends to establish two insurance companies and another specialised in real estate leasing very soon.

LYBIA

A new company 'AL CHARK ALAWSAT INSURANCE" was established and commenced operations from the 2nd half-year 2014.

APPOINTMENTS
Morocco

Dirk de Nil – Managing Director of Zurich Maroc
Dirk de Nil has been appointed as the Managing Director of Zurich Maroc to replace Mr. Frédéric Louat.
Dirk de Nil who joined Zurich group in 2008 as Director of Operations in charge of the Asia-Pacific zone was Operations Manager for the non-life class since 2010..

Mr. Driss Bencheikh resigns from office
Driss Bencheikh stepped down from his duties at the head of Wafa Assurance. He has been at the head of Wafa Assurance since June 2014. He was replaced by Ali Harraj, who had held many positions of responsibility particularly within the group Caisse de Dépôt et de Gestion (CDG).

Mr. Ali Harraj, new CEO of Wafa Assurance
Ali Harraj has just been appointed CEO of Wafa Assurance to replace Driss Bencheikh. This appointment comes barely 8 months after the appointment of Mr Driss at the helm of the company. Ali Harraj was Managing Director of Ténor Group since June 2014.

Tunisia

Dalila Koubaa, Managing Director of Salim Assurance
Appointment of Dalila Koubaa to the position of Managing Director of Salim Assurance from 1 June 2014. Dalila Koubaa was Deputy Managing Director of Banque de l'Habitat (Housing Bank) prior to this appointment.

Florian Sallmann, Managing Director of Maghrebia
Appointment of Mr. Florian Sallmann to the position of Managing Director of Maghrebia with effect from 1 August 2014.

NEWS FROM THE REGIONS
Maghreb

Algeria

CAAT : appointment of a new CEO : Mr Youcef BENMICIA

SAA : Appointment of a new CEO : Mr Nacer SAIS.

NEWS FROM THE REGIONS
East Africa

A. Economic Environment

Kenya

The relative peace experienced in Kenya in 2014 gives hope for a stronger economic performance in 2015. Inflation was down to 6.02% in December 2014 following steady food prices and a drop in fuel and power costs.

According to International Monetary Fund, Kenya's economy is likely to grow at a rate of 6.9% in 2015, higher than the growth rate of 5.4 percent in 2014. This will be driven by increased infrastructural development, inflow of new foreign direct investments and increased activities in sectors such as farming, real estate and financial services.

Ethiopia

In the 2012/13 fiscal year, Ethiopia's economy grew by 9.7%, the tenth year in a row of robust growth. In 2012, Ethiopia was the twelfth fastest growing economy in the world. Average annual real GDP growth rate for the last decade was 10.9%. Agriculture, which accounts for 42.7% of GDP, grew by 7.1%, while industry, accounting for 12.3% of GDP, rose by 18.5% and services, with 45% of GDP, increased by 9.9% in 2012/13. This momentum is expected to continue in 2013/14 and 2014/15, albeit at a slower pace because of constraints on private-sector growth.

Tanzania

The economy has continued to perform strongly, with current growth at around 7%. This is driven largely by communications, transport, financial intermediation, construction, agriculture and manufacturing. In the medium term, growth will be supported by the ongoing investments in infrastructure and the projected good weather conditions. Also, these medium-term growth projections are backed by continued investments in the natural gas reserves in Tanzania and the expansion in public investments (including the ongoing construction of USD 1.2 billion gas pipeline from Mtwara to Dar es Salaam), as well as the related investments aimed at stabilizing power generation in the country.

Uganda

Uganda will be alive to political campaigns in 2015 as the country prepares for the presidential election in 2016. The country is battling with a constantly weakening shillings. The current rates represent a fall in the value of the Uganda shilling of 12.4% since January 2014. Inflation is expected to rise in 2015 because of the pressures on the economy from expenditure by the government as the 2016 elections approach. The drop in global oil price presents a situation in Uganda where oil is selling at less than it would cost to extract from Uganda's oil feeds. This situation calls for Oil explorers in Uganda to review their projections and profitability. Accordingly, GDP growth rate has been projected at 5% which is lower than the rates in the previous years.

Malawi

Malawi conducted a successful election in May 2013 and power has been transferred from the former President Jocye Banda to President Peter Mutharika, the brother of the late President of Malawi Bingu Wa Mutharika without problem.
Economically, Malawi is still struggling and has difficulty, as major foreign country donors are not giving support as in the previous years. Tobacco is still the main source of its foreign exchange earnings. Uranium mining is closed for the time being as the demand for it in the world market has fallen.
Inflation stood between 20% to 23% in 2013 and it is expected to increase slightly at the end of the current year, 2014.

According to AfDB's report on Malawi's Economic Outlook, real GDP growth was estimated at 5% for 2013 and was expected to accelerate to 6.1% and 6.2% in 2014 and 2015 respectively.

South Sudan

The resumption of oil production in 2013 was projected to improve the economic outlook of the country, with GDP rising by as much as 40%. However, civil strife casts a shadow over the prospects for economic recovery and development.

Zambia

Mr Edgar Lungu was sworn in as Zambia's new president in January 2015 crowning a successful presidential transition which was slightly contested by the opposition after the death of the former president, Mr. Michael SATA.
The Government's preliminary projections are that real GDP growth will be higher than the projected 6.5% for 2015. This is expected to be driven by a good harvest in the 2013/2014 farming season, increased electricity generation, investments in private and public infrastructure and growth in manufacturing as well as in transport and communications. Mining still constitutes the main driver of the Zambian Economy.

Inflation was contained within single digits over the first nine months, although it increased slightly to 7.8% in September 2014 from 7.1% in December 2013.

NEWS FROM THE REGIONS
East Africa

B. New Companies/Mergers/Acquisition /Closures/Legislations

New Companies

Kenya

1. Metropolitan Life and Cannon Assurance Merged under the brand name Metropolitan Canon.
2. Old Mutual acquired controlling shares in UAP Holdings owners of UAP Insurance.
3. Prudential Assurance UK bought Shield Assurance Kenya.

Zambia

1. Ultimate Insurance Company Limited (UIC)
2. VERITAS General Insurance PLC (VGI)

Malawi

CIC Kenya opened office in Malawi in 4th quarter of 2014.

Uganda

1. CIC General Insurance.
2. CIC Africa Life Assurance.
3. Alliance Africa General Insurance.

Legislations

Kenya

The Mandatory share of Kenya was increased from 18% to 20% and extended for a further 5 years.

Zambia

Major Tax changes:
1. Introduction of VAT of 15% on Insurance policies
2. Increase in underground mining royalties to 8%, from 6%
3. Introduction of 30% corporate processing and smelting tax on Mining

Ethiopia

The Reinsurance Company establishment Directive came into force on the 1st day of May 2014

C. Appointments.

Kenya

Mrs. Catherine Karimi

Mrs. Catherine Karimi has been appointed the Chief Operating Officer (Life Business) of Kenyan Alliance Insurance Company.

Mr. Peter Mwangi

Mr. Peter Mwangi has been appointed the Group Chief Executive Officer of Old Mutual Kenya

Mr. Tom Gitogo

Mr. Tom Gitogo has been appointed the Group CEO of CIC Insurance Group Kenya.

Mr. Jerim Otieno

Mr. Jerim Otieno was appointed the Managing Director of CIC Life Assurance Limited Kenya.

Zambia

Mr. Shrirumbur P. Ravichandran

Mr. Shrirumbur P. Ravichandran has been appointed the Principal Officer and Managing Director of Ultimate Insurance Company Limited (UIC).

Mr. Geoffrey Mkandawire

Mr. Geoffrey Mkandawire was appointed the Chief Executive Officer of VERITAS General Insurance PLC (VGI).

Mr. Isaac Gunda

(PGDFM, MBA, BSc, FCII, AIISA)

Mr. Isaac Gunda has been appointed the Managing Director of Focus Life Assurance Limited Zambia.

NEWS FROM THE REGIONS
East Africa

Uganda

Mr. Jackson Muli
Mr. Jackson Muli has been appointed acting Chief Executive Officer of ICEA Life Assurance Company Limited Uganda.

Mr. Tesfaye Debella
Mr. Tesfaye Debella was appointed the acting CEO of National Insurance Company of Ethiopia starting from 1st October 2014.

Ethiopia

Mr. Addisu Demissie
Mr. Addisu is has been appointed the Acting Managing Director of Berhan Insurance Company. This was after the resignation of Mr. Haile Michael Kumsa from the company.

Mr. Dagnachew Mehari
Mr. Dagnachew Mehari was appointed Chief Executive Officer of Bunna Insurance Company with effect from 15th September 2014.

D. Some Major Losses

Kenya
Mombasa EPZ Limited – Date of loss is 20.05.2014. Estimated gross amount USD 3.5 million

Jumbo Foam Mattress – Date of loss is 22.12.2014. Estimated gross amount USD 4.2 million

Tanzania
Seronera Lodge – Date of loss 07.01.2015 – Estimated gross amount USD 15.0 million

NEWS FROM THE REGIONS
Anglophone West Africa

A. Economic Environment

Nigeria
The National Bureau of Statistics (NBS) announced new (re-based) numbers for the Nigerian GDP from 2010 to 2013 in April and July, 2014. The re-basing has made Nigeria the largest economy in Africa. The main drivers of the re-based GDP are services, mining, construction, and agriculture sectors. However, the slump in the price of crude oil (which started around June, 2014), sluggish recovery of global economy, oil theft and security challenges in the north eastern part of the country are some of the major risks to Nigeria's economic growth. The foreign exchange reserves continue to decline and naira was devalued by the Central Bank of Nigeria as part of measures aimed at strengthening the Nation's economy and yet that objective has not been achieved.
Inflation rate stood at 7.95% in December, 2014. The continued depreciation of the naira poses serious threats to multinational companies operating in the country. In fact,Major Oil & Energy investments were put on hold in 2014.

Nigeria's quick and proactive responses to the index case of Ebola Virus yielded positive result and the deadly disease was contained within a very limited time.

Ghana
Ghana's economy grew by 4.2% in 2014 as against 7.3% in 2013, representing a slowdown of about 42.5%. The driver of the economy is the industrial sector which expanded by 8.1% in 2014. The government forecasts 3.9% growth for 2015, which indicates a further slowdown in the country's economy. Inflation rate stood at 14.8% in May, 2014.

The current accounts deficits remain very high and net international reserves have equally declined. The new Ghana Cedi continues to struggle against other major currencies depreciating by 35%, against the United States dollar, between 2013 and 2014.

Liberia
Liberia's real GDP was estimated to grow by 6.8% and 8.2% in 2014 and 2015 respectively. Increasing iron ore production and concession-related foreign direct investment (FDI) will continue to be the engine of growth of the economy.
The inflation rate stood at 7.66% in December, 2014. The two currencies in Liberia are the Liberian dollar (LD) and US dollar (USD).

The outbreak of Ebola Virus Disease (EVD) in Liberia posed a serious challenge to the growing economy. A state of emergency was declared for one month and with this declaration, the Liberian economy almost collapsed. This seriously affected business activities including insurance.

Sierra Leone
The country's real GDP was estimated to grow in 2014 by 13.8%. Agriculture, construction and continued public investment will continue to be the engine of growth of the economy. Inflation rate stood at 7.85% in December, 2014 and the country's currency, Leone, continues to struggle against world major currencies.

The outbreak of Ebola Virus Disease (EVD) in May, 2014 equally affected the Sierra Leonean economy seriously like it did to the Liberian economy, disrupting all the major sectors. Agricultural, mining, construction, transportation and tourism activities were all paralysed after the outbreak of the deadly disease. Its negative effect on macroeconomic stability and human development ranges from medium to long term, especially if allowed to spread further. Market premium income reduced drastically on account of the impact of EVD.

The Gambia
The country's real GDP for 2014 was estimated to grow by 7.5%. The Gambian economic growth is still driven by agriculture and tourism. The local currency, dalasi, continues to depreciate against world major currencies. Inflation rate in Gambia stood at 5.6% in May, 2014. The insurance industry is relatively small.

There was a coup attempt by a group of Gambian soldiers, while the president of the country was abroad on December 30, 2014. The coup was foiled, thus preventing further slowdown of the Gambian economy.

B. Appointments/Resignations/ Retirements/ Successions

0.1 Appointments
Nigeria

Mr. Jide Orimolade
Mr. Orimolade was appointed the Managing Director of Law Union and Rock Insurance Plc., Nigeria

NEWS FROM THE REGIONS
Anglophone West Africa

Mr. Rotimi Fashola
Mr. Rotimi Fashola was appointed the Managing Director of IGI Plc. Nigeria

Mr. Bode Akinboye
was appointed the GMD/CEO of Standard Alliance Insurance Plc., Nigeria

Mr. Abiodun Dosunmu
was appointed the Executive Director of LASACO Assurance Plc. Nigeria

Dr. Balla Swamy
was appointed the Managing Director of Prestige Assurance Plc.

Mr. Bola Temowo
becomes the President of Chartered Insurance Institute of Nigeria.

Ghana

Mr. Kwei M. Ashidam
was named as Acting Managing Director of SIC General Insurance, Ghana, in replacement of **Mrs. Doris Awo Nkani.**

Mr. Charles Ansong
was appointed Acting CEO of Vanguard Insurance, Ghana

The Gambia

Ms Senor Thomas-Sowe
was appointed the Executive Vice Chairman of Royal Insurance (Gambia) Company.

Mr. Makaireh Badjan
was appointed as the Managing Director of Royal Insurance (Gambia) Company.

NEWS FROM THE REGIONS
Anglophone West Africa

Resignations

Mrs. Toyin Ogunseye
resigned her appointment with Law Union and Rock Insurance Plc.

She was the Managing Director of the company.

Mr. Jide Wright
retired from LASACO Assurance Plc. Nigeria.

He was the Executive Director of the company.

Mr. Tom Imokhai
resigned his appointment with Standard Alliance Insurance Plc.

He was the Managing Director of the company.

Mr. Austine Isire
retired from Standard Alliance Life Insurance Limited.

He was the Managing Director of the company.

Retirements

Mr. Godwin Odah
retired from Union Assurance Limited. He was the Managing Director of the company.

C. INDUSTRY NEWS
Nigeria

- ECP announced their exit from Continental Reinsurance Plc.
- AXA acquired 70% stake in Mansard Insurance Plc.
- Greenoaks Global acquired substantial stake in Union Assurance Limited
- A consortium of investors acquired substantial stake in SA Insurance Group
- Morocco's Saham Finance acquired 40% of Unitrust Insurance
- Sanlam (South Africa) acquired 25% stake in FBN Insurance

NEWS FROM THE REGIONS
Anglophone West Africa

Ghana

- Santam (South Africa) acquired 40% stake in Metropolitan Ghana.
- A new reinsurance company, GN Re was established in Accra, Ghana. Mr. Joseph Kesi-Tieku was appointed the Managing Director of the company. He was the Country Manager of Munich Re in Ghana prior to this appointment.

Liberia

- A new company, Equity Insurance Limited was established in Monrovia, Liberia.
- Mr. Momo Fortune, GM/CEO Mutual Benefits Assurance Limited, Liberia became WAICA President

The Gambia

- A new company, Royal Insurance (Gambia) Company was established in Banjul, The Gambia.

D. Major Losses
Nigeria

Date of Loss	Insured	Description	Business Class	Gross Amount (USD)
07/05/14	APM TERMINALS	FIRE DAMAGE TO THE INSURED'S PLANT	FIRE/TREATY	4.385m
21/3/14	BRISTOWHELICOPTER	FIRE IN THE HANGER	AVIATION/FACULTATIVE	37.960m

Ghana

Date of Loss	Insured	Description	Business Class	Gross Amount (USD)
31/5/14	SUNLIFE/IATA	DEFAULT IN PAYMENT	Credit/Treaty	370,760.45

NEWS FROM THE REGIONS
African Indian Ocean Islands

A. Economic Environment
The LEPEP Alliance of Sir Aneerood Jugnauth won the general election organized by the outgoing Prime Minister and Sir Aneerood became Prime Minister in December 2014.

Mauritius is the main market of the African Indian Ocean Islands. The economy looks promising and in 2015, GDP growth is expected to be more than the 3.9% forecast, despite the slowdown in the global economy.

The year 2015 could be better than the previous year in all the African Indian Ocean Islands. These countries are putting in place structural and integrated economic and development programmes to improve social welfare and boost GDP growth, which is expected to be 4.0% in Madagascar, 3.8% in Seychelles and 3.9% in The Comoros.

B. New Companies/Acquisition
New Companies

Mauritius
Quantum II (i.i.) Ltd. is a new insurance company incorporated on 15th October 2014.

Acquisition
Saham Insurance completed a due diligence on Sun Insurance, a small size insurance company marked for acquisition. The deal will be completed soon.

Seychelles
Sri Lankan Insurance (a state–owned insurance company in Sri Lanka) and Falcon Insurance (joint-venture between British and Seychellois private investors) got licences to operate in Seychelles.

Mauritius Union Group completed the acquisition of Phoenix Transafrica Holdings Limited (PTHL) on 30 May 2014. PHTL holds a controlling interest in Phoenix of East Africa Assurance (PEAL), a company incorporated in Kenya. PEAL in turn holds controlling interest in subsidiaries operating in Tanzania, Uganda and Rwanda

C. Appointments/Resignations

Mauritius
Mr Derek Wong Wan Po was appointed Managing Director of Mauritian Eagle Insurance on 1 July 2014.

Mr Bertrand Casteres was appointed CEO of Mauritius Union Group with effect from 1 January 2015, succeeding Mr Kris Lutchmeenaraidoo.

Mr Kris Lutchmeenaraidoo has been in charge of Mauritius Union Group's African operations through Phoenix Transafrica Holdings Limited (PTHL) since September 2014.

Mr Venkat Balandrapu was appointed CEO of Mauritius Union Group's newly acquired interests in Phoenix of East Africa Assurance (PEAL) in September 2014.

Seychelles
Ms Jennifer Morel was appointed CEO of the Seychelles Financial Services Authority on 31 July 2014, succeeding Mrs Wendy Pierre.

Madagascar
Resignation

Mr Venkat Balandrapu resigned as General Manager of Lamco Insurance in July 2014.

D. Major Losses
Mauritius

Ring Road C.A.R claim: Collapse of embankment on the newly constructed Ring Road. The gross loss is estimated at around US$ 5 million out of which Africa Re share is US$ 1 million.

MANAGERIAL STAFF

HEADQUARTERS

Executive Management

	Managing Director/ Chief Executive Officer	Corneille KAREKEZI
	Deputy Managing Director/Chief Operating Officer	K. AGHOGHOVBIA

Departments

Administration and HR	Director	Raphael OBASOGIE
	Assistant Director, Administration & Human Resources	Guy Blaise FOKOU
Corporate Secretariat	Corporation Secretary	Sere Mady KABA
	Assistant Director, Secretariat & Languages	Roger BONG BEKONDO
Finance & Accounts	Director	Seydou KONE
	Assistant Director, Treasury and Investments	George MENSAH
	Assistant Director, Financial Reporting	Janet KIUNGA
Central Operations	Director	Leonidas BARAGUNZWA
	Assistant Director, Retrocess ion, Research, Statistics and Development	Adewale ADEWUSI
Department of Information and Communication Technology	Director	Aly SEYDI
Internal Audit	Deputy Director	Ousmane SARR
Risk Management and Compliance	Director	Sere Mady KABA

MANAGERIAL STAFF

REGIONAL OFFICES

Casablanca	Regional Director	Mohammed BELAZIZ
	Assistant Director, Fin. & Accounts	Eshan GAFFAR
	Assistant Director, IT	Mohamed SADRAOUI
Nairobi	Regional Director	Eunice MBOGO
	Assistant Director, Fin. & Accounts	Jean -Paul TANKEU
	Assistant Director, Technical Operations	Kiiza BICHETERO
Abidjan	Regional Director	Patrick N'GUESSAN
	Assistant Director, Fin. & Accounts	Assemian O. ASSEMIAN
Mauritius	Regional Director	Marie-Agnès SANON
	Assistant Director, Fin. & Accounts	Moussa BAKAYOKO
Cairo	Regional Director	Omar A. H. GOUDA
	Deputy Director, Technical Operations	Nasser MAHMOUD
	Assistant Director, Fin. & Accounts	Silifat AKINWALE
West Africa	Regional Director	Sory DIOMANDE
	Assistant Director, Underwriting and Marketing	Funmi OMOKHODION

SUBSIDIARIES

South Africa	Managing Director	Daryl De VOS
	General Manager, Finance & Admin	Ibrahim IBISOMI
	General Manager, Operations	John IZEGBU
Africa Retakaful	Managing Director	Omar A. H. GOUDA

LOCAL OFFICE

Local Office	Local Representative	Shimelis BELAY

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