THE AFRICAN REINSURER

A PUBLICATION OF
THE AFRICAN REINSURANCE CORPORATION

AFRICAN REINSURANCE CORPORATION
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28th Edition, June 2014 **Launched in 1987**

EDITORIAL

Corneille KAREKEZI
Editor-in-Chief

The 28th edition of the African Reinsurer features topics related to disruptive technology, agriculture insurance in Africa, implementation of IFRS 4 and comparison of the integration of African financial markets with the European Union.

Disruptive technologies such as mobile computing, cloud technology, social networks and big data have a clearly defined place in the insurance industry and will lead to profound changes in the way companies carry out their activities in the years ahead. Proactive companies that react quickly and decisively to the new technology will derive immense benefits.

The future of agriculture insurance looks promising. The insurance industry needs to develop effective risk transfer mediation tools to support the green revolution and other initiatives African governments are taking to improve the lot of their people, majority of whom reside in rural areas. The write-up discusses the importance, products, challenges and the role agriculture insurance could play in the socio-economic development of Africa.

Insurers and reinsurers are advised to prepare their systems, processes and human resources to accommodate multiple changes and requirements for effective implementation of the new standard on accounting for insurance contracts. This inevitable new standard will bring consistency, inter alia, to the accounting, reporting and disclosure framework for insurance contracts issued by insurers, reinsurers or other entities.

The hub and spoke network of the European Union and national bodies working together is possible as a result of the embrace of the concept of supranationality. European Union member states delegate decision-making powers to EU institutions which are in turn responsible for providing oversight and/or direction to member states. This factor is incredibly lacking in the operation of African Regional Economic Communities (RECs).

Before ending with the traditional news from the various regions of the continent, the 28th African Reinsurer presents the insurance markets of the United Republic of Tanzania and the Republic of Cameroon.

I wish you an enjoyable and informative reading.

DISRUPTIVE TECHNOLOGY: A LEVERAGE FOR THE INSURANCE INDUSTRY

By

Mr. Mohamed KANTE

Director of Information and Communication Technology, African Reinsurance Corporation

1.0 Introduction

As ground breaking technologies evolve rapidly, they are likely to have a significant impact on the changing world economy. They supplant existing technologies and/or procedures thus making traditional organizational skills and approaches obsolete.

This paper examines the impact of information and communication technology on the insurance industry and notes that its growth and development would be greatly enhanced, as ICT gains necessary foothold in the industry. Given the vast and complex nature of the topic, the article focuses on just a few relevant areas in insurance where the advances being made in ICT are likely to have important applications. In this connection, the paper recognizes the role of disruptive technology and notes the impact it can make to either improve or destroy traditional mechanisms of providing services to customers. Disruptive technologies would reshape the insurance industry. Indeed, disruptive technologies such as mobile computing, cloud technology, social networks, Big Data have a clearly defined place in the insurance industry and should be welcomed.

2.0 Technological waves that are changing the world of insurance

Information and Communication Technology (ICT) is no longer just a tool that enables insurance companies to face challenges and seize opportunities but has become a fully-fledged engine of change, as the distinction between corporate and ICT priorities becomes increasingly blurred.

The best performing insurance companies respond to the rapid changes in the market through innovation, which often enables them to maintain an edge over their competitors. These companies adopt evolving and flexible business models that can be adapted to the most significant changes in regulation such as Solvency II directives. They successfully interact with clients who are increasingly demanding, impatient and expect transactions to be carried out at their own pace. These companies develop new products and services within tight deadlines to meet the specific needs of their customers. Furthermore, they resort to predictive analysis, which enables them to exploit an ever increasing volume of information at their disposal, to find solutions that will enable them to manage risks and to continue to grow in a difficult economic environment.

Statistics indicate that 60% of sales transactions start on the telephone or on the Internet. Nevertheless, finalising insurance underwriting online remains fairly low as physical contact is still necessary. In fact, the major developments today are in after-sales services and, in particular, the ability to disseminate information. Customers use ICT to inquire, consult and obtain information on their contracts, such as progress regarding claims settlement. Thus, monitoring files online on smartphones or tablets has become a growing practice.

Dematerialisation - replacement of material information (often on paper) with computer files - seems to be the real revolution in the distribution and management of insurance products. The appearance of work stations on tablet for example and complete dematerialisation of the processes profoundly challenge organizations to go beyond the simple web functionalities. Technology now allows for a paperless underwriting of an insurance contract.

2.1 ICT - major challenges for the African insurance industry

It must be admitted that the business community in this part of the world has not been fully integrated into the ICT world and as a result the digital divide still remains wide. Efforts are however being made to close the gap and it is encouraging to note from a recent study published by Mckinsey Global Institute (MGI), that Africa will soon experience a boom of its digital economy, through an Internet revolution. It is expected that this would greatly impact on the growth and development of the insurance industry. It is within this context that the attention of the insurance markets in Africa needs to be drawn to the following major challenges, identified by Mr Albert Joel Nduna in a paper presented at the 40th AIO Conference and General Assembly in May 2013.

- Insurance companies should be encouraged to make more investments in ICT and pool certain ICT resources and create data bases which would be useful in the interchange of insurance and reinsurance business.
- ICT platforms need to be updated and upgraded continually in line with emerging cutting-edge technologies.
- ICT systems if implemented correctly have the potential to enhance response times and reduce the cost of doing business.
- African insurers/reinsurers need to harness the latest developments in ICT in order to fine tune their underwriting systems and procedures, reduce losses and enhance returns.
- The use of mobile phone technology, the internet, real time monitoring and adopting new pricing and modelling platforms would enhance insurance activities
- Africa must not just wait for technology transfer either from the West or East but must invest in technical and vocational education, technology development, and knowledge creation underpinned by innovation and entrepreneurship.

3. Disruptive technology

Disruptive technology has a specific feature. As its name indicates, it disrupts the existing market – which it enhances or destroys – and profoundly modifies the economic landscape. There are examples in recent history: engines made animal traction obsolete, telephone signed the death warrant of the telegram, digital photography spelt doom for the analogue. The two thousands also had their fair share of disruptive technology with, for example, downloads as against buying of hard copies, digital books and e-commerce. Indeed, it is expected that as ICT attempts to address emerging challenges in the business world, new technologies would be developed which would further expand the scope and depth of disruptive technologies.

The McKinsey Institute recently published a report entitled Disruptive technologies: Advances that will transform life, business and the global economy. This 180-page document contains a list of twelve innovations that are capable of changing the world by 2025, as noted below.

3.1 Main areas of disruptive technology

The list of the McKinsey firm is not exhaustive but focuses on two criteria: the significance of the impact of the innovations on the economy and society and the capacity to disrupt the existing market. The twelve innovations according to McKinsey Global Institute are:

1) Mobile Internet: Increasingly inexpensive and capable mobile computing devices and Internet connectivity.
2) Automation of knowledge work: Intelligent software systems that can perform knowledge work tasks involving unstructured commands and subtle judgments.
3) The Internet of Things Networks: low-cost sensors and actuators for data collection, monitoring, decision-making, and process optimization.
4) Cloud technology: Use of computer hardware and software resources delivered over a network or the Internet.
5) Advanced robotics: Increasingly capable robots with enhanced senses, dexterity, and intelligence used to automate tasks or augment humans.
6) Autonomous vehicles: Vehicles that can navigate and operate with reduced or no human intervention.
7) Next-generation genomics: Fast, low-cost gene sequencing, advanced big data analytics, and synthetic biology.
8) Energy storage: Devices or systems that store energy for later use, including batteries.
9) 3D printing: Additive manufacturing techniques to

create objects by printing layers of material based on digital models.

10) Advanced materials: Materials designed to have superior characteristics (e.g. strength, weight, conductivity) or functionality.

11) Advanced oil and gas exploration and recovery: Exploration and recovery techniques that make extraction of unconventional oil and gas economical.

12) Renewable energy: Generation of electricity from renewable sources of energy such as solar, wind, hydro-electric and ocean wave energy.

A further example, " $5 million compared to $400",from the McKinsey firm compares the prices of the fastest supercomputer in 1975 and a smartphone with equivalent performance today. This striking example illustrates the impact of technological changes which are happening at a rate never seen before.

The widespread impact of the dozen innovations and examples in the McKinsey report is likely to lead to structural and radical changes of considerable ramifications by 2025.

3.2 Effects of four major disruptive technologies on the insurance industry.

3.2.1 Social networks

Social media is creating new communication opportunities for enterprises and brands. Twitter and Facebook, for example, enable innovative contacts to be established with clients by way of personalized relationship, special operations and sharing of exclusive information. Insurance companies have a specific need to develop a healthy client relationship and are therefore availing themselves of this new mode of communication. A good number of insurers have opened Facebook pages or created Twitter accounts for this purpose.

According to a 2011 publication by Accenture entitled - Vision technologique pour l'assurance, the increasing influence of social networking has an important potential for sales growth and improvement of customer relationship. For most insurers, a Facebook Page or Twitter account helps to relay institutional information and the presentation of new services or sector-based news. Some insurance companies also use these media, mainly Facebook, to propose market recreational and innovative services that offer new experiences to the community.

If used appropriately, social networking can boost confidence and strengthen the bond between insurers and their clients. As would be appreciated, bad news spreads just as fast as good news and insurers should therefore ensure that their strategies with regard to these modes of communication clearly differentiate between social networking and other forms of communication.

3.2.2 The mobile revolution and banking and insurance

Today, the relationship between insurance companies, intermediaries and clients has been upset with the arrival of mobile technology. Whereas in the past requests from clients to insurance companies were made in writing through intermediaries, these days inquiries can be made directly with the use of mobile telephony. The intermediaries are now therefore obliged to develop new relational skills in addition to the technical and technological knowledge for them to remain relevant.

Indeed, the insurance industry is likely to derive benefit from the use of mobile telephony. New generation telephones and smartphones with their numerous functionalities can be useful to insurance. They however appear to present some constraints and, according to Daniel Zajdenweber Professor emeritus, Université Paris Ouest Nanterre, "the emergence of information communication technology (internet and mobile telephony and their combination - the smartphone) upsets all distribution channels. Does it create new products and services not offered by traditional channels? What about the legal and financial security of "online" transactions and counselling especially in life insurance? Can the confidentiality of information be guaranteed like written information, kept in coffers?"

The Big Data

According to IBM, Big Data covers three dimensions: volume, velocity and variety.

Volume: companies are overwhelmed by growing data volumes of all types, which are measured in terabytes or even petabytes.

Velocity: sometimes, 2 minutes is enough. For critical processes such as fraud detection, Big Data must be used, as the data is collected in order to maximize value.

Variety: Big Data is in the form of structured data and unstructured (text, sensor data, sound, video, clickstream data, log files, etc.). New knowledge comes from the collective analysis of this data.

Insurance companies control substantial volumes of information, from both internal and external sources. Big Data can be used to especially improve their processes, propose better services to their clients, create customer-focused products and comply with regulations such as Solvency II. Insurers are very much interested but very few have started projects with unstructured external data. Some, however, use big data technology for traditional decision-making, based on internal data.

3.2.3 Cloud Computing

Cloud computing is a concept that involves the processing data, which is traditionally hosted on local servers or on the user's workstation, from remote storage servers.

This has numerous advantages in the professional world; for example, ability to access services online without having to manage the associated infrastructure, which often represents a complex problem. The web browser (or another standard means) which significantly reduces user constraints then becomes the gateway to the service – subject to an appropriate bandwidth to ensure the fluidity of the system.

The five characteristics of Cloud Computing are:

- Resource pooling to reduce costs;
- On-demand self-service (without a need for the intervention of a service provider) ;
- Rapid elasticity (modifiable as need be) ;
- Broad network access to the resources ;
- Usage-based billing (as the service is measured).

Cloud computing is a concrete risk management tool and, as a result, it is required by all enterprises for the following reasons indicated below.

- Risk Managers need software that is accessible twenty four hours, all year round and which can be easily deployed in several sites throughout the world to enable subsidiary companies provide their headquarters all the necessary information on possible risks and incidents that can lead to losses. The Group also needs to alert the subsidiaries and share information that is of interest to them (local claims experience, risk management expenses, etc). This implies giving personalized access to the software to a large number of users dispersed geographically and likely to be connected at any time or at the same time.
- Risk Managers should have real time access to specific data related to the risk exposure of the company such as its dependence on a particular insurer, requirements for reserves, record of loss experience and claims settlement. This information and other essential data can only be obtained from a centralized data base fed by all stakeholders involved in risk management.
- A number of stakeholders are involved in managing risks and insurance business (brokers, insurers, adjusters, management etc) and each may need to have access to some specific information. The installation of a local application, with the problems of compatibility and stability does not appear to be the ideal solution and Cloud computing therefore comes in handy.

In terms of security, it is important to specify that Cloud Computing is not a problem to Risk Managers who work on strategic data. On the contrary, it guarantees continuous availability of platforms and total integrity of the data exchanged. Securing access to data and backups is better carried out by web hosts as it is their core business.

Indeed, Cloud Computing allows for rapid production of strategic applications by simplifying the problem of integration and settings. It specifically meets the need of business and is positioned as a central link in the business chain.

It is worth emphasizing the fact that Cloud is not a closed system as it is always possible to revert to the traditional architecture. It is an asset for managing risks and it is facilitated by the use of software.

Cloud computing has not yet gained widespread application in insurance as in other businesses. This is largely due to the fact that many insurance companies have to use inherited systems that are difficult to transpose into the cloud. However, some companies are beginning to outsource their processing and storage capacities and that holds a future for cloud computing.

4. Conclusion

Disruptive technology will lead to profound changes in the way companies carry out their activities in the years ahead. Indeed, proactive companies that react quickly and decisively to the new technology will derive immense benefits while others struggle to adapt their business models.

SOME REFLECTIONS ON AGRICULTURE INSURANCE IN AFRICA

By
Ephraim Kiiza BICHETERO
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INTRODUCTION

This article discusses the importance of agriculture insurance and the role it could play in the socio-economic development of the continent. It then examines the main agriculture insurance products available in the continent, the challenges in providing agriculture insurance, attempts at innovations and the role African governments can play to overcome the challenges. The article concludes with some thoughts on the future of agriculture insurance in the continent.

IMPORTANCE OF AGRICULTURE TO THE ECONOMY OF AFRICA

Agriculture is considered a key economic sector that will be critical to the survival of a growing world population that is estimated at more than 9 billion by 2050. According to the World Bank report (2008), two-thirds of the world's agricultural value added is expected to be created in developing countries. Africa is blessed with abundant natural resources and accounts for about 60% of the world's arable land according to experts. Indeed, the continent is expected to play a pivotal role in guaranteeing world food security if its abundant natural resources are optimally exploited.

Agriculture provides the bulk of employment opportunities and, in some countries, significant export earnings, compared to any other sector of the economy. According to the United Nations Environment Programme (UNEP) report first published in 2007, agriculture supports the survival and well-being of up to 70% of the population of Africa. Arguably, Agriculture is the single most important sector in the continent's macro-economic portfolio, with a conservative estimate of close to 40 percent contribution to GDP and providing more than half of the continent's export revenue.

Certainly, for African governments to realise the Millennium Development Goals (MDG), agriculture should be one of the key strategic sectors to leverage on. Indeed, it has the potential to drive Africa's initiatives for industrialisation and modernisation which are some of the ingredients required for the gradual transformation of Africa to a developed continent. The General Assembly of the African Union (AU) declared in January 2014 in Addis Ababa that Africa needs to use "its full potential to increase its food and agriculture production so as to guarantee sustainable food security and ensure economic prosperity for its people". The AU's initiatives on agricultural development will change the face of the continent's agricultural sector by attracting huge foreign investment to the continent.

AU member countries agreed to urgently implement and adopt effective policies that would encourage the development and modernization of agriculture in their various countries. Increased agricultural productivity, combined with viable agribusiness that adds value to farmers' production and improved access to markets, can drive broader economic growth across the continent and vastly improve food security. Agriculture can contribute to spurring growth, reducing poverty and sustaining the environment. GDP growth in agriculture is at least twice as effective in reducing poverty as non-agricultural GDP growth (World Bank 2008).

THE ROLE OF AGRICULTURE INSURANCE

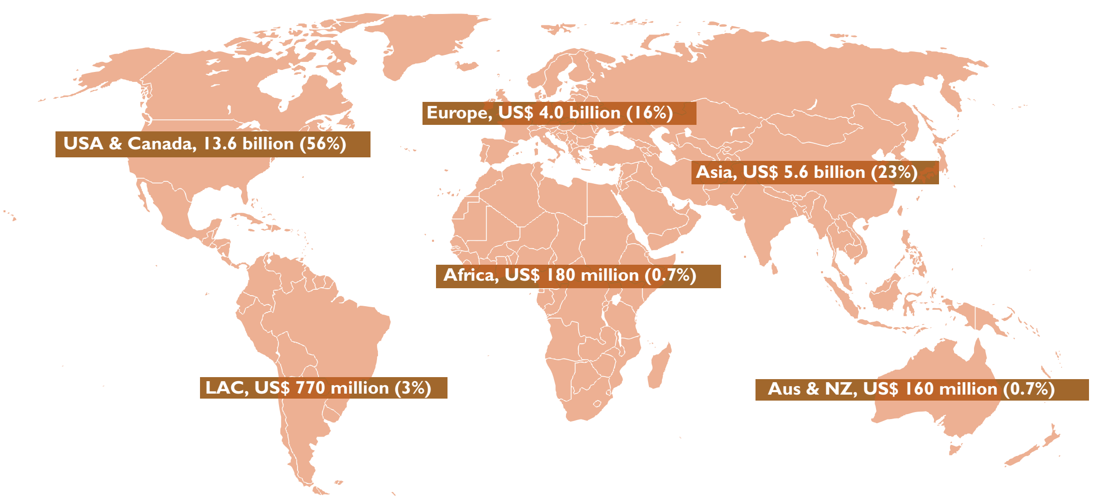
As African governments strive to leverage on agriculture to improve the economic fortunes of their people, the insurance industry would be expected to make significant contributions by designing products that take care of the risks associated with agriculture.

Suffice it to say that a well-developed and functional agriculture insurance market can contribute to the development of the agricultural sector. In fact, as a risk management tool, agriculture insurance provides financial protection against losses caused by natural perils such as drought, flood, hail, frost, excessive moisture and pests. Agriculture insurance is therefore a vital instrument for economic development and the modernization of the agricultural sector since the associated financial risks can be transferred to a third party.

Furthermore, agriculture insurance can assist farmers get access to credit facilities from financial institutions which consider the agricultural sector as too risky. Most financial institutions require collateral securities such as land and buildings which most rural small scale farmers usually do not have. Lack of credit facilities inhibits farmers from investing in modern methods of farming that will enable them to expand their agricultural production activities.

Despite the obvious and critical importance of agriculture to African economies and the inherant risk the sector is exposed to, agriculture insurance is not well developed in Africa as in other parts of the world. According to the 2011 World Bank report, it is estimated that the total agriculture insurance premium from Africa was about US$180 million, accounting for 0.7% of the global premium income from this sector (see map below).

Geographical Distribution of Agricultural Insurance Premiums



The availability of agricultural insurance in Africa is low, with most countries attempting some pilot programmes (pilots on named-peril crop insurance, index-based crop insurance or livestock insurance) which reach only a limited number of farmers and herders. Only a few countries in Sub-Saharan Africa - Mauritius, Nigeria, South Africa and Sudan are known to provide agricultural insurance on a reasonable scale.

MAIN TRADITIONAL AGRICULTURE INSURANCE PRODUCTS IN AFRICA

Crop insurance: growing crops as well as crop products at harvest are exposed to a number of natural perils in the form of weather conditions, whose frequency and severity are difficult to predict with certainty. As has already been indicated, the common perils that crops are exposed to in Africa include drought, flood, windstorms, frost and pest infection. Crops are also exposed to fire losses either accidental or by way of arson.

Crop insurance policy indemnifies the farmer for losses resulting from listed weather hazards. Before planting and subject to agreed planting conditions, a farmer buys an insurance policy with sum insured equal to the value of expected revenue from his anticipated harvest at the end of the crop season. A premium is paid based on the exposure, and calculated taking the expected income from the harvest as the baseline. In the event of a loss, the damage is estimated based on the available facts. At the end of the crop season and after harvesting and selling the crops, losses are settled using the average price of the proportion sold to the estimated revenue that would have otherwise been generated from the damaged portion. This type of insurance cover is common in most markets that offer Agriculture insurance.

Harvest insurance: this insurance policy covers loss of value of the expected crop harvest. Usually the unit price of the crop is specified as a percentage of the expected yield. This is usually not a contract of indemnity but an agreed value policy clearly stating, prior to inception, what the insurance company promises to pay in the event of a claim under the policy.

Credit insurance: this type of insurance is gaining popularity in countries where governments are encouraging more lending to the agriculture sector. Basically, the insurance covers the amount of loan given to the farmer. The sum insured under the policy is limited to the farmer's production costs on the basis of which the loan was disbursed.

Livestock insurance: livestock is primarily exposed to the risk of death caused by accidents and various types of diseases. In many cases, epidemics can cause catastrophic losses such as the death of an entire herd of livestock.

The insurance policy could provide for payment of compensation to the insured farmer against the death of the animal covered resulting from an accident (fire, lightning, flood, inundation, cyclone, tornado, storm, tempest, hurricane, earthquake, famine, riot, strike and civil commotion) and diseases contracted or occurring or surgical operation performed on the animal. The policy can be extended to cover permanent total disability of the insured animal.

Other Agriculture insurance related covers include insurance for agricultural machinery used in farms such as tractors, combined harvesters, cold storage rooms (flower farms) and other machinery which are capital intensive and are usually financed by banks.

CHALLENGES FACING AGRICULTURE INSURANCE IN AFRICA

Providing agriculture insurance is quite challenging and with the divestiture of government from insurance companies, privately owned insurance companies are quite cautious or unwilling to offer agriculture insurance. Some of the obstacles that impede the growth and development of agriculture insurance are:

- Lack of insurance culture and limited understanding of insurance products by farmers;
- Moral hazard and risk selection by farmers;
- Limited use of modern farming methods by most farmers ;
- The possibility of catastrophic events which can threaten the financial stability of insurance companies;
- Land fragmentation characterized by numerous small scale farmers. It is administratively costly to provide insurance services to so many small farmers. Agricultural insurance is expensive to service, particularly to small and marginal farmers scattered across the countryside. Private insurance companies usually do not have a network with which to reach such scattered potential clients and are reluctant to invest in such networks, given the high operational costs relative to the limited business opportunities;
- Limited supportive regulatory framework. For most countries in Africa, agriculture insurance is treated as part of the non-life insurance business and therefore subject to the same regulatory requirements as,

for example, Agriculture Insurance is classified under Miscellaneous Accident in Kenya. Agriculture Insurance is rarely mentioned in Insurance laws of many African countries;

- Lack of sufficient and reliable statistics on the industry impedes the development of agriculture insurance which relies heavily on data. For instance, reliable estimate of the frequency of natural hazards and the damage caused are essential for accurately assessing and pricing risks. Information on agricultural products and livestock can also facilitate good risk management and adaptation in decision making by households and businesses. Furthermore, individual grower-yield based crop insurance and indemnity products require individual farm-level yield data, which are costly to collect;
- Most farmers cannot afford to pay the required insurance premium which is high on account of the high loss ratios associated with agriculture insurance;
- Limited reinsurance support;
- The dearth of experienced staff with the required technical skills.

INNOVATIONS

The challenges that face the agriculture insurance business are enormous. In order to overcome some of these obstacles, attempts have been made recently to introduce some innovations such as **Index-based Insurance.** This is a simplified form of contract in which indemnity payments are based on values obtained from an index that serves as a parameter or representation for losses and not on the assessed losses of each individual policyholder. The payout is made when an independently observable trigger (such as the level of rainfall recorded at a local weather station), shows that an insurable event has occurred. When the index falls below a predetermined level, the policy holder automatically gets a payment without requiring an estimation of the potential yield losses. The index is based on an objective measure such as rainfall, temperature levels, livestock mortality, water levels in a lake or river. These measures should be highly correlated with the economic losses that might be experienced by the policy holder such as crop failure or death of livestock. Unlike the traditional insurance policies which provide cover based on actual loss, the insured cannot influence the results of the index and by extension the quantum of the loss.

An example of an index based scheme is a drought index insurance contract that pays an indemnity anytime that cumulative rainfall during the first 2 critical months of a growing season for an insured crop is less than 200 millimetres. Indemnity payments would increase proportionately as the measure of rainfall declines until a pre-specified limit is reached. For example, the maximum indemnity will be paid whenever cumulative rainfall is less than or equal to 100 millimetres. In this case, the insurance policy is said to have a threshold (usually called a "strike") of 200 millimetres and a limit of 100 millimetres. If a farmer has a policy with a sum insured of say USD50,000, the payment rate for every 1 millimetre of rainfall shortage below 200 millimetres would USD500 i.e. 50,000/ (200 rainfall mm – 100 rainfall mm). If the cumulative rainfall over the 2 months critical period were equal to say 150 millimetres i.e. 50 millimetres less than the required threshold of 200 millimetres, the indemnity works out to USD25,000 (50 mm x USD500).

Weather index innovation addresses the following challenges:

- moral hazard and adverse selection against insurers;
- high costs relating to loss adjustment for small units;
- reduction in the cost of providing insurance against a number of agricultural risks thereby allowing insurance companies to reach very many farmers in one given area;
- requirement for intensive underwriting data and lack of trust.

Some of the drawbacks of this innovation are concerns that policy holders could suffer losses and still not be compensated, if the triggers are not affected or that insurers would still pay claims simply because a trigger was crossed and yet the policy holder may not have suffered financial losses. Furthermore, the available data may not be adequate to develop the most desirable index insurance policies.

A number of pilot projects are underway in many countries in Africa where Weather index insurance is being developed and tested for possible deployment as the most effective way to spread the use of insurance among small scale rural farmers who form the bulk of the population in Africa. Some of the countries where Weather Index Insurance is currently a pilot project or is being used are Ethiopia, Ghana, Kenya, Mali, Malawi, Rwanda Senegal, South Africa, Tanzania and Uganda.

The Role of Government

Agriculture insurance plays a critical role in the quest for a green revolution in Africa. There is therefore the need for African governments to take necessary steps to ensure the development of this vital sector given the enormity of the challenges it faces which cannot be shouldered by private insurance companies alone. Among other things, governments would have to provide the necessary enabling environment to support the sector.

Indeed, there should be a good regulatory framework that recognizes the critical role which agriculture insurance plays towards realizing the dreams of most African governments that are striving to modernize a sector that employs majority of their people.

In recognition of its importance, governments in most developed countries support agriculture insurance through public-private partnership (such as the Federal Crop Insurance Program in the USA) by offering financial support to selected private insurance companies offering agriculture insurance to target farms and industries.

In fact, most markets that have recorded successful agriculture insurance programmes have benefited from government subsidies. Countries in Latin America and Asia (Brazil, Mexico and India) continue to offer insurance premium subsidies to targeted agricultural farms thereby increasing the uptake of agriculture insurance in those countries. Insurance companies are thus able to charge appropriate premiums that reflect the risk exposure and farmers can therefore afford to purchase insurance protection.

By way of support, governments should provide the necessary infrastructure that can capture the required data by investing in modern weather stations across countries. They should also provide the key research information required for underwriting agriculture risks such as soil studies, seed varieties, pest control methods and appropriate planting seasons.

Furthermore, they should provide incentives to private insurance companies to develop products that serve rural farmers. The insurance law may also include a mandatory provision which requires that a given percentage of total premium income should come from the sale of agriculture insurance to rural households, as is the case in India where insurance must be purchased for all agricultural loans.

CONCLUSION

Agriculture insurance could be a key area of growth in Africa if insurers seize the emerging opportunities arising from the major initiatives taken by African Governments to modernise the agriculture sector. However, as has been noted, a number of challenges confront insurers as they strive to offer the necessary protection. These challenges are not unique to insurers in Africa. They are in fact similar to those faced by insurance markets in identical settings such as Latin America and Asia. For instance, insurance companies in Brazil and India have to contend with such problems. They are however some steps ahead in the effort being made to seek solutions to the problems they face in providing agriculture insurance. These markets therefore provide some useful lessons which could assist African insurers take care of the challenges associated with the provision of agriculture insurance.

Indeed, the future of Agriculture insurance looks promising. The industry just needs to reposition itself by developing effective risk transfer mediation tools that would support the green revolution and other initiatives African governments are taking to improve the lot of their people, majority of whom reside in rural areas.

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ROADMAP TO THE IMPLEMENTATION OF IFRS4 – PHASE II

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Introduction and background information

In April 2014, the International Accounting Standards Board (IASB) released an analysis of the comments it received on the revised Exposure Draft it issued on Insurance Contracts in June 2013 and the tentative decisions of the Board on those comments. These represent the latest step in the long and winding process of developing a single principle-based Standard on accounting for all types of insurance and reinsurance contracts. Termed "Insurance Contracts Project", this process started in 1997 and passed through a number of key steps including the issuance of the current (interim) Standard, IFRS 4: 'Insurance Contracts' in March 2004, which concluded Phase I of the project. Now in the decisive stages of Phase II, the project may well be in its home stretch thus making it imperative for insurers and reinsurers to better prepare for the reality of implementing the new Standard sooner rather than later.

This article seeks to assist insurers and contribute towards a successful implementation of the envisaged new Standard by suggesting how to:

- Embrace IFRS 4 Phase II and prepare to implement the new comprehensive Standard to be issued under it,
- Realize the business benefits of IFRS 4 Phase II, especially the better understanding and reflection of insurance products as well as its value offering to investors and other stakeholders alike,
- Understand the implications of the new Standard and take early steps to make good use of the transition window that it offers, and
- Prepare for the inevitable implementation of the new Standard.

The paper will start with a summary of the objectives and potential benefits of the insurance project as well as the key provisions and requirements of the impending Standard together with the timeline envisaged for its implementation before proceeding to proffer a set of simple steps and processes for a successful implementation. Some of the other issues associated with the new Standard that are excluded in or beyond the scope of this paper are also listed as limitations to this article.

Rationale for the insurance project

International Financial Reporting Standards (IFRSs) to date represent the boldest and most successful efforts at harmonizing accounting Standards across the globe. The advantages of harmonized Standards have been well articulated, especially their promotion of better understanding and comparability of the financial statements of companies around the world.Yet the process of formulating and adopting the Standards has been anything but smooth and easy, especially to the level of drawing unanimity and consensus among standard-setting bodies, rating agencies, regulatory authorities and industry operatives across the globe. In the specific case of a universal Standard on insurance contracts, it has so far taken seventeen years of hard work – in offices, meetings, workshops, communication exchanges as well as on the field – yet the development of a comprehensive Standard is only now close to finalization. This level of extensive effort and dedication to bring out just one reporting Standard is not without justification.

The IASB was succinct in stating the objectives of the Insurance Project as follows:

"To improve financial reporting by providing a consistent basis for the accounting for insurance contracts and to make it easier for users of financial statements to understand how insurance contracts affect an entity's financial position, financial performance and cash flows. The proposals would enhance comparability across entities, jurisdictions and capital markets. The proposals would apply to all insurance contracts whether issued by insurers or other entities."

It is clear from this statement that the envisaged new Standard on insurance contracts will bring consistency, ease of understanding, uniformity and comparability to the accounting, reporting and disclosure framework for insurance contracts, whether those contracts are issued by insurers, reinsurers or other entities. These qualities are currently lacking in the insurance industry due to the diverse and piecemeal fashion in which insurance accounting has evolved over the years across many jurisdictions. The new Standard is expected to be principle-based, and could not have come at a better time than now when the global economy is yearning for uniform standards, principles and other measures to redress the shortcomings that led to the near-collapse of the world economy in 2008. The new Standard will also promote transparency in reporting the risk exposures of insurers and reinsurers.

Insurance as an increasingly international industry and laden with inherent risk exposures and financial obligations deserves no less than a comprehensive, common Standard to process, report and disclose its transactions, financial performance and financial position in a manner that truly reflects the peculiar nature of the business of insurance.

Implications of key provisions and requirements

An overarching requirement of the proposed new Standard is the extensive use of estimates to reflect largely new terms and concepts, namely contractual service margin, discount rate and risk adjustment. This calls for strong computational, analytical and modelling skills that will require investment in people and technology for many African insurers and reinsurers.

Devoid of any technicalities and based on the final Exposure Draft issued in June 2013 that is the basis of the impending final Standard, the other key provisions of the insurance project together with their requirements and implications for insurance and reinsurance entities are presented as follows:

Time value of money – Introduction of a current value approach to measuring insurance contracts to reflect time value of money. This involves the discounting of future cash flows that are all too common (but mostly uncertain) in the business of insurance. Insurance and reinsurance entities would therefore require versatility in financial calculations, modeling and market analysis in order to undertake the ensuing discounting calculations which are sometimes quite complex. This has implications for system and people capabilities as well as for data availability at the appropriate levels of quality and granularity.

Scope – The new Standard will apply to both insurance and reinsurance contracts, whether issued by licensed insurance entities or not. This implies that business conglomerates that undertake contracts of an insurance nature without being separately licensed to do so, would need to account for those transactions in a manner consistent with the envisaged new Standard. The possession of an insurance licence would therefore no longer be the requirement for the applicability of the new Standard on accounting for insurance contracts. Specifically, investment contracts with a discretionary participation feature are included within the scope of the incoming Standard.

Measurement approach – Insurance contract liabilities of a long tenure would be measured through a building block approach while a simplified approach, called premium allocation approach, is prescribed for short term contracts. This also has implications for system and people capabilities as well as for the quality and granularity of available data.

Revenue recognition – There will no longer be recognition of accounting profit from Day One – a contractual service margin liability margin is, instead, to be added in order to defer any expected profit until when realized – whereas Day One losses are to be recognized immediately in the income statement. This has implications for the amount and timing of the profitability of insurance contracts as well as for the data, system and people resource requirements to accurately account for individual contracts. The clarity of the contract wordings also matters a lot here, though treatment on the basis of substance over form may well prevail.

Contract boundaries – The draft Standard contains elaborate provisions on the important subject of insurance contract boundaries, and rightly acknowledges the flexibility features of many insurance contracts that affect the amount, timing, nature and uncertainty of the resulting cash flows. Examples of such features identified in the Standard include 'renewal options, surrender options, conversion options and options to cease paying premiums while still receiving benefits under contract.' This has significant implication for data granularity and calls for a more detailed understanding and multi-disciplinary interpretation of the insurance contract wordings. Of course, the computational, analytical and forecasting skills and resources available to the organization will also be impacted.

Selling costs – Acquisition costs, defined in the draft Standard as the costs of selling, underwriting and initiating an insurance contract, are to be treated as contractual cash flows over the life of the insurance contract only if they are directly attributable to those contracts. Otherwise they are to be expensed immediately when incurred. This conforms to the key accounting principles of matching and conservatism and has implications for the profitability of the business.

Bundled products – Any embedded derivatives, goods and non-insurance services as well as distinct investment components of insurance contracts are required to be unbundled and appropriately accounted for separately from insurance contracts. Investment contracts, for example, are to be measured and accounted for under IFRS 9: Financial Instruments.

Presentation and disclosure – The proposed Standard also contains elaborate provisions on the presentation and disclosure of insurance contract transactions, results and risk exposures in the financial statements, the details of which are beyond the scope of this paper. Suffice it to say that the presentations seek to ensure that premium is allocated to the accounting period in proportion to the value of insurance coverage provided, that underwriting results reflect the profit/loss for insurance services provided during the period as well as reflect the changes in the measurement of uncertainty and in cash flows for past services. The IASB at its March 2014 meeting tentatively decided to make it optional for changes in insurance contract liabilities arising from changes in the discount rate (current rate vs locked-in inception rate) to be reported through Other Comprehensive Income (OCI) or in the income statement (profit or loss). Other changes in insurance contract liabilities are to be reported through the income statement.

It is clear that the key provisions of the proposed Standard have enormous requirements of insurance entities especially in terms of skilled personnel, system resources as well as data quality and granularity. The amount, timing and uncertainty of cash flows together with their impact on asset and liability values as well as on operating performance also have implications on investor communication and employee remuneration (especially performance-based remuneration). No less important is the implication that certain new provisions and alternative approaches included in the proposed Standard have on the accounting policy of insurance and reinsurance entities. The transition period of three years envisaged for the new Standard to become effective is therefore best put to immediate use in preparing to meet these requirements.

Roadmap and timeline to finalization and implementation

The IASB envisages that the new Standard will be finalized by the beginning of 2015 and become operative three years later. It is therefore expected that insurance and reinsurance entities as well as other stakeholders in the insurance project should be ready for the implementation of the new Standard to take full effect on 1 January 2018. However, when account is taken of the comparability component of the Standard, then the practical implementation date may well be 1 January 2017!

To this end, the following steps and measures are recommended for insurance and reinsurance entities in preparation for the full implementation of the impending Standard over the two-year period January 2015 to December 2016. It is also recommended that 2017 be used for a test or parallel run of the new Standard with the existing reporting framework to the extent possible.

- Designate IFRS 4 Phase II implementation as a priority project and situate it appropriately in the company's strategic plan.

- Establish a project implementation team comprising cross-functional representation (at the minimum include accountants, actuaries and underwriters) with direct and regular reporting to senior management. Provide team with clear mandate and authority to guide implementation of the project.

- Develop implementation plan, set time table, agree work routine and agenda, identify and assign required resources (people, systems, finance). Include work in normal routine rather than as an 'overtime' or after-hours job. It would be preferable to have a diagrammatic implementation plan that itemizes major steps and milestones, accompanied with dates, leading up to the full implementation of the new Standard.

- Develop and obtain required approval for an implementation budget.

- Involve and engage with external auditors for their expertise and required consent in order to avoid post-implementation audit issues.

- Make maximum use of own resources in order to keep costs down. However, recognize own limitations; it is unlikely that any organization would have all it takes for successful and full implementation of the new Standard without external help. Identify and engage external consultants to bridge gaps in internal expertise and resources. Many consultants have developed proprietary software to assist smoothen the transition and implementation processes.

- Understand key requirements of the new Standard in detail, well beyond what this paper has presented in simplified form.

- Identify and segment required data to achieve appropriate granularity and quality levels. Clean existing data to meet requirements. Redesign business forms to generate new data at the sufficient level of details.

- Define system requirements and reconfigure/ modify systems to meet the new requirements (in terms of transaction data, reporting and disclosure requirements). Be mindful not to build anything big until proven to be absolutely essential for successful implementation. Build appropriate system controls.

- Consider financial impact and provide for these – implementation costs, stakeholder engagement (especially shareholders and Stock Exchanges for the potential impact of first-time application on performance results and on share values), disclosure requirements, need for premium payment for skilled resources (e.g. actuaries), changes in profit levels arising from the new basis of revenue measurement, impact of valuation and discount rate application, etc.

- Review product offerings and identify product components of a non-insurance nature that require to be unbundled.

- Consider and incorporate operational efficiency issues – train and up-skill staff not just in technicalities but also in teamwork, governance and control arrangements, work processes, new policy imperatives, etc.

- Identify existing policy and procedural documentation to be amended or changed altogether to meet the requirements of the new Standard.

- Prepare for further regulatory changes needed to accommodate new Standard and possibly Solvency II in one form or the other.

- 'Stay tuned' to IASB, local accounting standard-setters, rating agencies, professional accounting bodies, regulatory authorities, industry associations and other stakeholders for further pronouncements and guidance on the project.

Other issues

The paper did not dwell on the following other issues that are relevant or otherwise typically associated with the insurance project for the indicated reasons:

- Comments on the revised Exposure Draft: The window for comments is firmly closed and the IASB has even taken tentative decisions on the comments received. Besides, any changes to the draft should hopefully make life (especially implementation) easier for insurance operatives;

- Whether or not IFRS 4 Phase II or the entire insurance project will come to fruition: The project may have taken long but it remains on course and the new Standard will happen, it is a matter of when and how, not if;

- Debates around the operational complexity, taxation challenges, data granularity issues, accounting mismatch issues, comparability challenges and other interpretation and implementation challenges of IFRS 4 Phase II: There will hardly be unanimity or common agreement on these issues. The position of this paper is to rather focus on how to make the impending new Standard work to the benefit of all stakeholders engaged in or affected by insurance activities. As seen from the objectives of the insurance project (summarized earlier in the paper), it is hardly contentious that the merits of the envisaged new Standard outweigh its disadvantages and challenges. Indeed, African insurance and reinsurance operatives will find that a significant number of the complexities and challenges are not particularly applicable to them due to the limited number of product varieties, the little depth of the existing financial markets as well as the unsophisticated nature of the prevailing tax regimes and financial systems; and

- Gaps between IFRS 4 Phase II and Solvency II: This is a whole different ball game that should be separately treated and therefore well beyond the scope of this article. The paper safely assumes that whatever the differences are, they would not deter the implementation of a new financial reporting Standard on insurance but rather challenge Standard setters and regulators to work together to harmonise the regulatory and reporting framework for insurance activities.

Conclusion

The declared goal of IFRS 4 Phase II is to improve transparency and comparability of insurers' financial statements regardless of sector, jurisdiction or products. This is a noble objective that will, save for the complexity and costs, potentially benefit all stakeholders in the long run.

Admittedly, the new Standard will impact individual organizations and sectors (i.e. life vs non-life, direct insurer vs reinsurer, etc) of the insurance industry differently. However, the potential impact strides over the entire policy, process, performance measurement and reporting, technology, data and people framework of every organization engaged in the provision of insurance and reinsurance services. It therefore merits organization-wide implementation effort and attention.

The key components of the new Standard especially in the areas of measurement, cash flow estimation, discounting, risk adjustment, contractual service margin, contract boundary, financial reporting and disclosure, accounting policy options and risk disclosures must be well understood and built into the implementation process. It is one Standard that will therefore require and promote teamwork and inter-disciplinary collaboration among different areas of the work force.

Given the many other on-going developments at this time, the implementation of the new Standard on accounting for insurance contracts is likely to be combined with other new or emerging regulatory and reporting requirements, especially IFRS 9 and Solvency II in one form or another. Insurers and reinsurers are therefore advised to prepare their systems, processes and human resources for flexibility, adaptability and easy integration to accommodate multiple changes and requirements.

Just like regulatory changes, most reporting requirement changes come with a lot of pain and costs despite their associated benefits. The envisaged new Accounting Standard on insurance contracts has been and will remain no exception. Organizations are well advised to focus on the benefits and especially the business implications in adopting and positioning themselves for effective implementation of this inevitable new Standard. The three-year transition period allowed for implementation seems long and sufficient but may well prove inadequate for the unprepared. It is hoped that this paper would serve as a timely clarion call that would be heeded by the African insurance industry to set out on the implementation journey sooner rather than later.

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INTEGRATING FINANCIAL MARKETS IN AFRICA: A EUROPEAN UNION COMPARISON

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1. Introduction

The general framework of economic integration adopted in Africa is that of the European Union (EU). This framework is adopted both by the African Economic Community (AEC), whose aim is to achieve African-wide integration, and the Regional Economic Communities (RECs), whose primary responsibility is to achieve integration at sub-regional levels. Nonetheless, RECs such as the Southern African Development Community (SADC), East African Community (EAC), Economic Community of West African States (ECOWAS), Common Market for Eastern and Southern Africa (COMESA) and other sub-regional groups such as the West African Economic and Monetary Union (WAEMU) and the Monetary and Economic Community of Central Africa (CEMAC) all of which bear hallmarks of the EU framework have not successfully achieved their economic integration goals within the scheduled timeline. [1] This is not as a result of flaws inherent in the EU framework but instead, challenges affecting the interplay of institutions at the regional and domestic levels.

Nonetheless, as the EU approach to integration is generally adopted in Africa, the EU model is likely to be adopted by African states for financial integration. It would also not be surprising to see them aim at adopting the new EU financial regulatory model – on paper, at least.

This article considers financial integration in Africa among RECs which were not considered in the first part of the article that featured in last year's edition of this magazine.[2] The article provides comparisons between the financial integration framework in the EU and in Africa. As in the first part of this article, financial integration would be examined among RECs with and without a monetary union agenda.

2. REC with a Monetary Union or a Detailed Monetary Union Agenda

There are a few RECs in Africa which have a monetary union or a detailed monetary union agenda. These include the West African Monetary Zone (WAMZ), Monetary and Economic Community of Central Africa (CEMAC) and the Southern African Development Community - Common Monetary Area (CMA).

2.1. West African Monetary Zone (WAMZ)

This regional group constitutes the Anglophone countries of the Economic Community of West African States (ECOWAS). In the case of WAMZ, the agenda is to establish a common Banking Statute and non-Bank Financial Institution Statute. This is outlined in the Statute of the West African Central Bank (WACB Statute) which would govern the operation of the common central bank once the monetary union takes effect. Article 16(vi) of the Revised WACB Statute placed the responsibility for banking supervision in the hands of the branches of WACB, which are National Central Banks. [3] It is understood that WACB would initially be responsible for banking supervision in the WAMZ, which would later be transferred to the West African Financial Supervisory Authority (WAFSA) through an evolutionary process.

There is currently no immediate framework for capital market regulation among the WAMZ states although the plan to introduce a WAFSA to regulate and supervise banks and non-bank financial institutions, is believed, would cover capital markets regulation. There is also no ECOWAS-wide framework for capital market regulation.

1. See I Salami, 'Legal and Institutional Challenges of Economic Integration in Africa' European Law Journal (2011) 17 (5) 667-682.

2. The African Reinsurer, 27th Edition June 2013 Integrating Financial Markets in Africa: Legal challenges.

3. The Revised Statute of the West African Central Bank 2003 (WACB Revised Statute), art 6(1).

The insurance industry in ECOWAS countries is small and dominated by non-life business with Nigeria having the largest insurance market in the region. However, like the other markets in the region, the impact of the industry on the economy is not significant. The supervision of the insurance industry in Ghana, Nigeria and Sierra Leone is performed by independent insurance commissions while it is the responsibility of the central banks in The Gambia and Guinea. No concrete plans are underway to establish a single insurance market within ECOWAS although there are discussions around establishing a common regulator within the WAMZ countries.

2.2. Southern African Development Community - Common Monetary Area (CMA)

The CMA is the monetary area within the Southern African[4] Development Community (SADC) comprising three states. In the CMA, each member state is responsible for the control of its financial institutions.[5] There is no harmonised banking regulatory framework within the CMA, unlike WAEMU, which was considered in the last edition[6] and the proposed WAMZ. Each central bank of member states of CMA has a bank supervision department which is responsible for the supervision of banks.

With respect to the regulation of capital markets, the main institution driving capital market harmonisation in SADC is the Committee of SADC Stock Exchanges (COSSE). COSSE works under the ambit of the draft SADC Finance and Investment Protocol which was signed in furtherance of the aims of the SADC Treaty.[7] The primary goal of COSSE is to make SADC a region with advanced and harmonised capital markets. Its objectives, among others, include: improving the operational and regulatory capabilities of SADC exchanges; making SADC securities markets more attractive to both regional and international investors; promoting the development of efficient, fair and transparent securities markets within the SADC region and encouraging the development of a harmonised securities market environment within the region.

Since 1997, COSSE has been promoting the harmonization of listing standards of the stock exchanges of SADC member states by using the standards of the Johannesburg Stock Exchange (JSE)[8] as the yardstick to be attained across SADC. However, as all the other SADC member states have small capital markets and are still trying to bring their capital market regimes up to speed with South Africa, the hub of the region, COSSE's vision to establish an integrated real-time network of the region's national exchanges by 2006 was not realised. There is currently no regional capital markets regulatory framework in operation within SADC.

The development of insurance markets in member states of SADC varies according to the level of economic development of the states. As South Africa has the most developed economy in Africa, its insurance industry accounts for between 72% and 80% of the continent's premium income.

Although there is currently no harmonised regime for regulating insurance markets in SADC, plans to integrate this sector are underway. A SADC Insurance Forum (SIF) was launched in June 2012 to help create regional insurance institutions that are comparable to those in developed countries. The aim of SIF is to promote co-operation among SADC insurance and reinsurance players, deepen insurance penetration, facilitate inter-regional trade and create a strong insurance industry in the region. SIF is expected to play a critical role in developing the insurance market in the SADC region.

2.3. Monetary and Economic Community of Central Africa (CEMAC)

CEMAC has a banking regulatory framework very similar to that of WAEMU[9] . Like WAEMU, banking laws are also harmonised and the regional banking commission – Banking Commission of Central Africa (COBAC) was established in 1990. COBAC is responsible for the harmonisation of regulations and supervision of the banking system. This body ensures compliance by credit institutions and issues sanctions for offenses. In 1992, a Convention was signed establishing the harmonization of banking regulations across CEMAC.

Capital markets integration within CEMAC attempts to follow the WAEMU framework of a single regulator for the regional stock exchange. The regional stock exchange, the Central African Stock Exchange (BVMAC), was established in 2003. The Central African Financial Market Monitoring Commission (COSUMAF) was created as the regional regulator of the capital market. However, the creation of

4. South Africa, Lesotho, Swaziland.

5. Preamble of the CMA – Multilateral Agreement.

6. The African Reinsurer 2013, p 20.

7. SADC Treaty, art 21 states that member states were to work towards harmonising macro-economic policies in specific areas of cooperation including investment and finance.

8. I. Salami, Financial Regulation in Africa (Ashgate 2012) p.74.

9. Considered in the last edition of the African Reinsurer, volume 027 of June 2013, p 20.

the regional stock exchange has been blighted by the co-existence of the Douala Stock Exchange (DSX), established by Cameroon in the same year and for which the Financial Market Commission was established to regulate. The co-existence of the two stock exchanges in the region results in duplicity in the regulation and supervision of the two exchanges. The region itself has very few large companies and investors. At the moment, there is a very low record of trading in the Douala Stock Exchange (DSX) and hardly any in the Central African Stock Exchange (BVMAC), thus making the capital markets in the region by all standards underdeveloped markets.

The insurance sector in CEMAC is small and underdeveloped. As is the case with WAEMU, CEMAC countries are signatories to the Inter African Conference of Insurance Markets (CIMA) and are bound by common laws and regulations. Many insurance companies in the region are undercapitalised and affected by the low diversity of investment products. Their activities are also inhibited by the stringent rules of CIMA such as those requiring companies to make full technical provisions for risks insured, even when portions of such risks have been reinsured.

3. RECs without a Monetary Union

The Common Market for Eastern and Southern Africa (COMESA) is among the Regional Economic Communities in Africa without a monetary union. The ensuing paragraphs consider financial integration within COMESA.

3.1. Common Market for Eastern and Southern Africa (COMESA)

There is no formal regional banking regulatory regime in COMESA, as exists within WAEMU, CEMAC and as proposed by WAMZ. Banking regulation is still very much in the purview of the national banking regulatory authorities. However, the idea of a regional banking regulatory framework was articulated in 2003 and an action plan for harmonizing bank supervision and regulation was adopted by the COMESA Council of Ministers.[10] This framework called for the adoption of the Basel Core Principles by all member states. It outlined the areas of harmonization in the COMESA region as including: legal framework, licensing, accounting and disclosure standards and consolidated supervision, among others.[11] However, this was not achieved by the 2004 deadline. As such, in 2006, the subcommittee on Financial System Development and Stability undertook a study to assess the extent of financial sector stability and development in COMESA member states. The study gave rise to a Report[12] which detailed an action plan for financial system development and stability for the COMESA region which was adopted by the COMESA Council of Ministers in 2007. This plan sets out a number of policy objectives including harmonisation in banking regulation and supervision.[13]

As in the case of banking harmonisation, there is no formal framework for a COMESA - wide capital markets regulation, except the Action Plan for financial sector development. However, as the primary goal of the Action Plan was not about achieving a regional capital markets regulatory framework, it mentions 'harmonisation' specifically in the context of banking and payment systems and not capital markets. Even if the action plan was strictly to achieve a regional capital markets regulatory framework, it would have by now failed to meet the targets projected for achieving its goals.

The main challenge for achieving a capital markets regulatory framework within COMESA is the fact that the capital markets of COMESA member states are at disparate stages of development and achieving harmonisation across such a wide disparity would be a herculean task. Nine stock exchanges exist within the 19 member states of COMESA with the Cairo (Egypt) and Nairobi (Kenya) stock exchanges being the most active.[14] There are low numbers of listed stocks in these 9 exchanges (with the exception of Egypt) due to costs involved in setting up and running the exchanges. These exchanges are also characterised by few market participants, low capitalization and low trading volume.[15] Like the case in all the other RECs above, the reason for this, amongst other economic issues in the sub-region, is largely due to the scarcity of investors resulting from the dearth of listable companies on these exchanges and the poor legal regime for the protection of investors within the region.

There is currently no harmonised framework for regulating the insurance market within COMESA and the insurance

10. One of the organs of COMESA established by COMESA Treaty, Art 7.

11. For more on this see I. Salami, Financial Regulation in Africa (Ashgate 2012) p.92.

12. The Report and Proposed Guidance on Effective Harmonization of Financial System Development and Stability in COMESA.

13. COMESA Action Plan for Macroeconomic Convergence and Financial Sector Development in Financial Sector Integration in Three Regions in Africa, (African Development Bank, Tunis, 2010).

14. I. Salami, Financial Regulation in Africa (Ashgate 2012) p.92.

15. I. Salami, Financial Regulation in Africa (Ashgate 2012) p.92.

sector in the region, in general, is still very small. The life assurance subsector, in particular, is highly underdeveloped. Of the 19 member states, only Mauritius has a significant insurance penetration of about 4.1% while others have less than 1% each. It is only in Mauritius and Kenya that the insurance companies control a significant proportion of total financial assets.

Regulation and supervision of the insurance sector is weaker than that of the banking sector, and in many countries the legal and regulatory framework needs to be strengthened. In some cases, the insurance sector is still regulated by the Ministry of Finance (Seychelles) rather than by an independent regulator. In a few countries, the state has a monopoly on insurance (Eritrea, DRC) or plays the dominant role (Egypt).

4. Comparison with the EU Financial Regulatory Framework

The new EU financial market regulatory framework is known as the European System of Financial Supervision (ESFS). Unlike the framework for the African RECs, it is predicated upon the EU's strong embrace of the concept of supranationality, a sound EU legislative framework and the existence of effective financial supervisory authorities in member states. The African RECs and states hardly possess any of these qualities. The new EU regulatory framework operates as a hub and spoke network of EU and national bodies working together. It comprises three levels of authority with the European Systemic Risk Board (ESRB) sitting at the highest level; the European Supervisory Authorities (ESAs), sitting at the middle level and the National Supervisory Authorities sitting at the lower level.

The role of the ESRB (sitting at the highest echelon) is to supervise the financial system as a whole. [16]It was established to prevent widespread financial distress. The three main tasks of the ESRB include: monitoring and assessing systemic risk; providing early warnings when significant risks emerge; issuing policy recommendations for remedial actions and monitoring their implementation. [17] The ESAs, at the middle echelon, set common technical standards for EU financial firms and have the power to intervene in crises. They include the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA). These Authorities comprise national banking supervisors, national insurance supervisors and national securities supervisors. [18] The ESAs work in tandem with the member states' supervisory authorities. At the lower echelon of the EU financial regulatory framework are the National Banking Supervisors, National Insurance Supervisors and National Securities Supervisors. These national supervisory Authorities are responsible for the daily supervision of individual firms.

This hub and spoke network of EU and national bodies working together is possible as a result of the EU and its member states' embrace of the concept of supranationality. As an integral part of their EU membership, EU member states delegate decision-making powers to EU institutions which are in turn responsible for providing oversight and/or direction to member states – a factor that is incredibly lacking in the operation of African RECs.

Whatever the future holds for the regional framework for financial regulation and supervision within African RECs, it has to be mentioned that the reasons the EU approach of financial regulation has achieved success thus far, in comparison to its African counterparts, is due to EU member states' implementation of financial harmonisation directives although this has not been entirely a smooth journey. It should also be mentioned that the new framework may also be exposed to risks should national supervisors fail to agree on policies especially as many technical rules are determined at member state level, and there are still considerable variations between member states. An example of how such risks can arise is seen in the recent fierce opposition which confronted the 2012 proposal to establish a banking union in the EU. [19]The rationale for the banking union is to strengthen the Economic and Monetary Union and would comprise: a single supervisory mechanism (SSM) for banks led by the European Central Bank (ECB), a single rulebook, common deposit protection and a single bank resolution mechanism. On 12 September 2012, the European Commission established a set of proposals for the first steps towards "an integrated banking union" which would eventually see the

16. EU Regulation 1092/2010 (2010) OJ L 331/1 (ESRB Regulation), art 2.

17. Ibid, art 3.

18. Ibid, art 1(3).

19. The functions of the European Banking Authority under the current regulatory framework would be adapted to function within the banking union once it is fully established.

ECB assume ultimate responsibility for the supervision of all banks within the eurozone in 2014. This proposal was initially resisted by Germany but after long negotiations, Germany agreed to the creation of the single supervisory mechanism (SSM) in December 2012. As such, by ensuring a more complete exchange of information and views at an earlier stage, the new European Financial Regulatory Framework will considerably reduce the chances of disagreement.

5. Conclusion

Financial integration would no doubt benefit financial systems in Africa as it would, amongst other things, strengthen financial regulation in the continent and increase cross-border financial transactions. Nonetheless, as seen in the case of the EU Framework for financial integration, this type of integration should be driven by the existence of supranationality in the relationship between African states and their regional community institutions. As stated above, it is through this doctrine that EU member states have been able to delegate decision-making powers to EU institutions which - with respect to financial regulation - oversee and direct the policies around financial regulation in EU member states. Without embracing supranationality, financial integration in Africa would be nothing but a well thought out policy document that is of no practical relevance.

MARKET PRESENTATION: TANZANIA

By

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1.0 Introduction

The United Republic of Tanzania was formed in 1964 as a result of a Union between the mainland territory of Tanganyika and the coastal archipelago of Zanzibar. It is the biggest country in the East African Community, with an estimated population of 47 million (2012). Neighbouring countries are Kenya, Uganda, Burundi, Rwanda, Democratic Republic of Congo (DRC), Zambia, Malawi and Mozambique. Since the 1980s Dodoma has been the official capital city of Tanzania, but the former capital, Dar es Salaam, still hosts most of the Government and private offices and remains the commercial nerve centre of the country. Tanzania has 800 kilometres of coastline, the efficient use of which can be a huge investment through the provision of port services and transport logistics. Indeed, with its strategic location, the Dar es Salaam port is the gateway for 90 per cent of Tanzania's trade and provides vital access to its land-locked neighbours, namely Zambia, Malawi, Burundi, Rwanda, Uganda as well as Eastern DRC.

2.0 Business environment

The Tanzanian economy has been growing steadily with annual GDP growth rates of over 6% in the last 5 years. Tanzania has emerged as an attractive destination for foreign investors due to its favourable investment laws, political stability and location. The country is also one of the main destinations for tourists in Africa due to its natural endowment in wildlife variety and natural landscape that hosts the highest mountain in Africa – Mount Kilimanjaro. The country is highly dependent on agriculture which employs 75% of the workforce.

The economy is expected to grow even faster in the coming years, on account of the discovery of oil and gas. By October 2013, an estimated 13 trillion cubic feet of gas had been discovered and once the production starts the contribution of the energy sector to the Tanzanian economy will be substantial.

3.0 The insurance industry

3.1 Brief historical background

Until the liberalization of the insurance industry in 1996, only 2 insurance companies - the National Insurance Corporation of Tanzania (NICT) and Zanzibar Insurance Corporation - were operating in the market for decades. The National Insurance Corporation of Tanganyika later became the National Insurance Corporation of Tanzania in 1965 after the Union between Tanganyika and Zanzibar a year earlier, with the Government as the majority shareholder. Other shareholders included Munich Re and Swiss Re.

Following the Arusha Declaration in 1967 on Socialism ("Ujamaa") which called for the nationalization of banks, insurance companies and industries, all private shares in NICT were taken over by the Government and no private insurance company was allowed to operate in the market. Zanzibar Insurance Corporation was formed later in 1969. After the liberalization in 1996, the number of insurance companies increased rapidly and as at December 2013, the Tanzanian market had 28 registered insurance companies and one reinsurance company - Tanzania National Reinsurance Corporation established in 2004.

3.2 Supervisory Authority

The Insurance Act Cap 394 of 1996 liberalized the insurance sector in Tanzania. The Act established the Insurance Supervisory Department under the Ministry of Finance and Economic Affairs. The objective of the Department was to supervise, set standards and provide guidance to insurance companies, brokers, agents and other market players.

The Act was later replaced by the new Insurance Act No 10 of 2009, which set up the current Tanzania Insurance Regulatory Authority, now an independent body. The main objectives and functions of the Authority are provided under section 6 of the Act, and include promoting and maintaining efficient, fair, safe and stable insurance market for the benefit and protection of insurance policyholders. The Tanzania Insurance Regulatory Authority is headed by the Commissioner of Insurance.

3.3 Main changes in the legislation under the new Act

- The Commissioner of Insurance and his Deputy, who were previously appointed by the Minister, are now appointed by the President of the Republic.
- The role of the National Insurance Board was redefined to be more functional than simply advisory.
- The composition of the Board has changed to recognize the necessity to include professionals from the industry like members of the Association of Tanzania Insurers (ATI) and Tanzania Insurance Brokers Association (TIBA).
- Establishment of the Ombudsman office for the purpose of resolving disputes between insurance registrants doing business in Tanzania and insurance consumers.

Regarding separation between General and Life business, composite companies were given 3 years to comply, with the provision of an extension not exceeding two years to be granted by the Commissioner on application.

3.4 Capital requirements

Following the new insurance Act 2009, new minimum paid up capital was prescribed for different categories of insurance registrants.

a. General or Life Insurer

- TZS 1 billion for the year 2010;
- TZS 1.2 billion for the year 2011;
- TZS 1.5 billion for the year 2012;
- For subsequent years, the minimum amount of paid up capital is supposed to be the minimum capital for the prior year times the lesser of 1.1 or the ratio of the current year Consumer Price Index to the prior year's Consumer Price Index.

b. Existing composite Insurer

- TZS 1.3 billion for the year 2010;
- TZS 1.6 billion for the year 2011;
- TZS 2 billion for the year 2012;
- For subsequent years, the minimum amount of paid up capital is supposed to be the minimum capital for the prior year times the lesser of 1.1 or the ratio of the current year Consumer Price Index to the prior year's Consumer Price Index.

c. Reinsurer

- TZS 5 billion for the year ending 31/12/2010
- For each subsequent year, the minimum amount of paid up capital is supposed to be the minimum capital for the prior year times the lesser of 1.1 or the ratio of the current year's Consumer Price Index to the prior year's Consumer Price Index.

d. Insurance broker

- The greater of TZS 10 million and 3% of premium income up to a maximum of TZS 50 million for the year 2010;
- For subsequent years, the minimum amount of paid up capital is supposed to be the greater of the prior year's minimum capital times the lesser of 1.1 or the ratio of the current year's Consumer Price Index to the prior year's Consumer Price Index.

e. Insurance agent

- TZS 1 million if the agent represents one insurer, TZS 2 million if the agent represents two insurers and TZS 3 million if the agent represents three insurers, for the year 2010.
- For the end of subsequent years, the minimum amount of paid up capital is supposed to be the minimum capital for the prior year times the lesser of 1.1 or the ratio of the current year Consumer Price Index to the prior year Consumer Price Index.

3.5 Market size

The Tanzanian Insurance market is one of the fastest growing in East Africa. As at 31st December 2012, the market had 28 registered companies against only 18 as at 31st December 2008. The 28 companies are classified below.

Composite companies

Jubilee Insurance, National Insurance Corporation and Zanzibar Insurance Corporation.

Life companies

African Life Insurance, Alliance Life Insurance and Metropolitan Life.

Non-life companies Insurance companies operating in Tanzania in 2013

AAR Insurance Co. Ltd, Alliance Insurance Co. (T) Ltd, Bumaco Insurance Company Ltd, First Assurance Company Ltd, Golden Crescent Assurance Co. Ltd, Heritage Insurance Co. Ltd, ICEA Lion of Tanzania Insurance Co. Ltd, Insurance Group of Tanzania, Maxinsure (Tanzania) Ltd, Metropolitan Tanzania Insurance Co. Ltd, Mgen Tanzania Insurance Co. Ltd, Milembe Insurance Company Ltd, Mwananchi Insurance Company Ltd, Niko Insurance Tanzania Ltd, Phoenix of Tanzania Ass. Co. Ltd, Real Insurance Tanzania Ltd, Reliance Insurance Co. (T) Ltd, Resolution Insurance Company,Star General Insurance Tanzania Ltd, Strategis Insurance (T) Ltd, Tanzindia Assurance Company Ltd and UAP Century Insurance Co. Ltd.

The only reinsurance company established in the market is the Tanzania National Reinsurance Corporation Ltd, a Government-owned reinsurer which is entitled to 15% compulsory policy cession and 15% compulsory treaty cession. Several other reinsurance companies do business in the market including Africa Re and ZEP Re who enjoy 5% and 10% treaty compulsory cessions respectively. Swiss Re, Munich Re, Hannover Re, GIC Re, Kenya Re, East Africa Re and Continental Re also operate in the market.

The Tanzania insurance industry, which is broker-driven, industry has 81 Insurance brokers who generate about 60% of the market premium income. There are no locally registered reinsurance brokers in the market.The industry is served by a large number of Insurance Agents who currently number 246.There are also 49 loss Adjusters in the market.

4.0 Market statistics

The table below provides figures for the gross premium income recorded from 2008 to 2012.As would be observed, the gross premium income increased by more than 100% during the period in question.The average growth rate was 21.44% during the period under review, the lowest increase being 17.94% in 2012.

TZS Million	2012	2011	2010	2009	2008
Fire	71,724	56,652	51,777	41,856	30,474
Engineering	24,071	16,594	17,718	11,221	8,844
Motor	116,820	96,409	80,710	75,626	60,177
Marine	22,699	14,954	11,990	9,036	7,891
Accident	42,346	44,471	33,101	30,329	49,143
Aviation	9,975	10,573	8,164	6,335	7,969
Health	62,890	55,556	45,057	28,626	-
Other Non Life	12,363	13,230	7,230	6,530	-
Total Non Life	**362,888**	**308,439**	**255,747**	**209,559**	**164,498**
Total Life	**43,662**	**36,265**	**31,207**	**21,678**	**26,388**
Total Life + Non Life	**406,550**	**344,704**	**286,954**	**231,237**	**190,886**

The product mix for general business in 2012 indicates that the predominant class was Motor (32%), followed by Fire (20%), Health(17%) and Accident(12%).

Life premium income constitutes just about 10.0 % of the total market premium income a breakdown of which is provided below.

- **Life gross written premium in TZS Million.**

Class	2012	2011	2010
Individual Life	14,237	11,145	10,128
Group Life	27,715	23,490	17,451
Other Life	1,710	1,630	3,628
Total Life	**43,662**	**36,265**	**31,207**

The life business was dominated by group life with a share of 65%.

- **Insurance penetration**

The insurance penetration is below 1%. In fact, it stood at 0.8% in 2011 and rose only slightly to 0.9% in 2012. There is thus a big potential for the expansion of the market.

- **Insurance density**

The premium per capita has been growing over years as shown in the table below.

Description	**2008**	**2009**	**2010**	**2011**	**2012**
Premiumper capitain TZS	4,717	5,519	6,656	7,755	8,797

- **Large losses**

The following are some of the large losses recorded in the last five years.

- Aluminium Africa Limited (ALAF) – DOL 29/01/2008 – Fire claim. Gross loss: USD 10.5 million.
- Flood claims from various insurers – DOL 21/12/2011. Gross loss: USD 5 million.
- Aluminium Africa Limited ALAF – Machinery breakdown – DOL 01/06/2013. Gross loss: USD 6 million.
- VODACOM – Fire claim – DOL 16/08/2013. Gross loss: USD 26 million

- **Results in the last 5 years**

The underwriting results for general insurance deteriorated over the last few years as indicated in the table below. The classes which contributed most to the poor performance were Motor and Medical, but the other classes also did not record consistently good results, mainly because of the undercutting of premium rates.

TZS Millions	2012	2011	2010	2009	2008
Gross Written Premium	362,888	308,438	255,746	209,559	164,952
Less: Reinsurance ceded	194,174	158,124	131,267	107,398	82,622
Net Written Premium	168,714	150,313	124,480	102,161	82,330
Net Earned Premium	162,761	137,560	117,129	91,753	74,615
Gross Losses Paid	166,489	125,537	120,276	89,409	76,612
Less: Losses recovered from reinsurers	71,801	51,129	55,366	41,202	41,055
Net Losses paid	94,689	74,407	64,910	48,207	35,557
Net Incurred Loss	96,570	79,568	68,651	50,91	38,627
Gross Commission & Charges	42,393	35,841	27,853	22,865	12,013
Less: Comm & Chgs paid by reinsurers	38,225	32,434	26,724	21,860	10,889
Net Comm & Chgs	4,168	3,407	1.129	1,005	1,124
Net Reinsurance Inflows	(84,149)	(74,561)	(49,177)	(44,336)	(30,678)
Management Expenses	73,930	62,910	49,392	38,577	32,671
Net Expenses (Management&Comm.)	78,098	66,318	50,521	39,582	33,795
Underwriting (Profit)/Loss	(11,908)	(8,347)	(2,043)	1,265	1,582
Paid loss ratio (Gross)	46%	41%	47%	43%	46%
Incurred loss ratio	59%	58%	59%	55%	52%
Net exp. To Earned Prem. (Exp. Ratio)	48%	48%	43%	43%	45%
Manag. expenses ratio	45%	46%	42%	42%	44%
Combined ratio	107%	106%	102%	98%	97%

Source: Tanzania Insurance Regulatory Authority, Annual Report 2012

5.0 Recent developments

- **Minimum rates for Motor Insurance**

The insurance market has recently agreed on minimum rates to apply on all classes of motor. A joint public notice was signed by the Chairperson of the Association of Tanzania Insurers and the President of the Tanzania Insurance Brokers Association to that effect and posted on the website of the Insurance Regulatory Authority. These rates were expected to be implemented from 1 July 2013 but the implementation was postponed to 1 September 2013.Although the proposed minimum rates are still below the average rates charged in neighbouring countries like Kenya and Uganda, they are high enough to improve the underwriting results of the motor business in the market. There is however a major concern as to whether all the players in the market will maintain discipline in the application of the new agreed minimum rates. There was in fact a similar agreement in 2010 on the Fire and Industrial All Risks rates called Best Practice Code (BPC) whose implementation left much to be desired.

- **East African Insurance Association**

Representatives of national insurers associations from the East African Community signed a Memorandum of Understanding in 2013 to establish an umbrella body, the East African Insurance Association, to help promote fair and competitive business environment in order to enhance the growth of the insurance industry in the region. The Association brings together the Association of Kenya Insurers (AKI), Uganda Insurers Association (UIA), the Association of Tanzania Insurers (ATI), the Rwanda Insurers Association (RIA) and the Association of Burundi Insurers (ABI). This initiative is expected to translate into increased investment opportunities for Tanzania insurers and will also enable them to borrow best practices from neighbouring countries.

- **Bancassurance**

The regulatory framework is still under review and once completed, bancassurance is expected to be a key driver of premium income growth.

6 .0 Prospects

The discovery of oil is expected to boost insurance premium income from covers provided during exploration and production. The market has started benefiting from existing exploration projects though mainly on fronting basis. In order to contain the high values associated with risks in the oil sector, there is a need for the insurance industry to build local capacity.

Micro-insurance also represents a growth area for the market. Although income from this source is still relatively low compared to the other classes, there are positive signs that the market awareness is increasing and that micro-insurance which is currently sold through partnership with mobile telephone companies, may well serve as a veritable avenue to reach a great majority of micro-insurance consumers, particularly in the agricultural sector.

Needless to indicate that for the Tanzanian market to achieve sustainable growth and profitability, the following challenges need to be addressed.

- **Undercutting of Premium rates**

Premium rates undercutting is a matter of great concern in the market. Necessary steps need to be undertaken by insurance companies and/or the Insurance Regulatory Authority to improve the premium rates in all classes of business. Clearly, if the rates are not improved, companies may, in the long run, lose their ability to honour their obligations to pay claims, due to consistent underwriting losses.

- **Fronting**

There is an obligation to exhaust the local capacity before ceding risks outside the country. However, many risks still find their way out of the market without meeting this condition.

- **Adoption of bancassurance as a source of distribution**

This issue is still being considered by the Tanzanian Insurance Regulatory Authority and the Central Bank.

- **Shortage of manpower**

There is a dearth of local Insurance Professionals in the market. Unfortunately there are no local training institutions in the relevant fields and overseas training is also quite expensive.

7.0 Conclusion

The economic outlook of Tanzania suggests a lot of potential for the growth and development of the insurance industry. However, in order to achieve sustainable growth, there is a need to raise the standard of underwriting practices in the market. This can only be achieved through the support of players in the industry who have to appreciate the fact that proper underwriting is a prerequisite for the healthy development of an insurance industry.

THE CAMEROONIAN INSURANCE MARKET

By

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1.0 INTRODUCTION

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Cameroon, with a population of 19.4 million as at 1 January 2010, is located in Central Africa in the heart of the Gulf of Guinea. It has a surface area of 475 000 km² and is bordered by Chad to the North, Central African Republic to the East, Congo, Gabon and Equatorial Guinea to the South and Nigeria to the West. The country has three major climatic zones. The equatorial zone is characterised by heavy rainfall (2 000 mm of average annual rainfall) with an average temperature of about 25° Celsius. The Sudan zone experiences a longer dry season (between five and six months per year) with an average temperature of 22° Celsius and 1 000 mm of average annual rainfall. The Sudano-Sahelian zone, which is found beyond latitude 10 degrees North, has a more pronounced dry season (between seven and eight months) and scarce and irregular rainfall. The vegetation of Cameroon is as varied as its climate and topography. It ranges from the equatorial forest in the South, the savannah and the steppe in the North.

The two major towns in Cameroon are Yaounde - the political capital and Douala - the economic capital. There are also major urban centres such as Garoua, Bafoussam, Maroua and Bamenda. English and French are the two official languages of the country. There are about 240 ethnic groups that belong to three main groups namely the Bantus, the Semi-Bantus and the Sudanese.

2.0 BUSINESS ENVIRONMENT

The economy of Cameroon has continued to expand for the fourth consecutive year. Growth rate is expected to be 4.7% in 2013 particularly due to the rebound in industrial and export-based agriculture which performed poorly in 2012, the absorption of 25 000 youths recruited into the public service, the acceleration in construction and public works and upsurge in activities in the transport, storage and communication.

In 2014, real GDP, which promises to be more diversified, is estimated to grow at 4.8%, mainly as a result of the expected increase of about 23.7% in oil production and growth of about 5.2% in the industrial sector, following the commissioning of the Kribi gas plant in 2013. The slight recovery in the forestry sector would also contribute to the growth.

Besides the improvement in energy production, the economy will benefit, in the medium term, from a further boost in oil and gas production and the completion of large-scale infrastructure projects. Accordingly, the GDP growth rates are expected to reach 5.3% and 7.5% in 2015 and 2016 respectively. The extractive industries sub-sector is expected to contribute 2.7% to growth in 2016 of which 2.2% would come from oil. The contribution from the non-oil sector is projected at 1.1% on average over the two years.

The primary sector seems to have stalled, despite its contribution to foreign exchange gains according to sector-based balance of payments. The sector benefits from tax exemption and there is no reliable agricultural survey for over two decades. Projections for budget purposes therefore make a conservative growth estimate of 3.6%, just above the population growth rate of 2.8% according to the last census. It is urgent to have quality statistics on this priority sector to assess the impact of the programmes and projects in the sector.

A number of programmes and projects are underway to improve output, extend cultivated surface areas, regenerate farms and contribute to the mastery of production techniques. The aim of these programmes and projects is to increase food crop production and ensure food security. Other factors, such as the increase in national and sub-regional demand, are expected to lead to growth in production.

3.0 THE INSURANCE INDUSTRY

3.1 Brief historical background

In the aftermath of independence, French-speaking sub-Saharan Africa had to tackle future economic challenges. French, which the countries share as a common official language, facilitated the birth of a common monetary zone (CFA franc zone). This zone promotes trade among member countries on the one hand and on the other, between the countries of the zone and France. Furthermore, economic co-operation agreements between these countries and France ease trade with the rest of the world.

Thus, the insurance sector was rapidly organized to fully support the commercial transactions by offering necessary protection for goods and persons.

3.2 Legislation and Supervision

With the growing demand for the insurance sector to be organized and under the impetus of France, the International Conference of Insurance Supervision (CICA) was born on 27 July 1962. Despite the aim of integrating the sector by CICA, member States still maintained a large degree of autonomy with regard to legislation and market supervision.

The emergence of the Cameroon insurance market is based on two basic instruments: Ordinance n°62/0f/36 of 31 March 1962, which laid down regulations governing insurance in Cameroon, as amended by Ordinance n°73/14 of 10 May 1973, which obliged all insurance outfits, foreign for the most part, to be incorporated under Cameroon law.

On 27 November 1973, Africanisation of CICA started culminating in the transfer of its headquarters in 1976 from Paris to Libreville and the change in the status of France from a fully-fledged member to an observer. From that date, the insurance sector started experiencing profound changes in the member countries of CICA culminating on 10 July 1992, with the Inter-African Conference of Insurance Markets (CIMA). CIMA is really an integrated insurance organization in the member States, with a single legislation, which came into force on 15 February 1995.

As one of the 14 member countries of CIMA, insurance is governed in Cameroon by the provisions of the Insurance Code, including the various amendments made by the Council of Ministers. In accordance with the CIMA Code, the supervision of the insurance market is done by the Regional Insurance Supervision Commission (CRCA) in collaboration with the National Department of Insurance (DNA).

3.3 Self-regulatory organizations

The market has a Trade Association, namely, Association of Cameroon Insurance Companies (ASAC). Membership is open to all insurance companies operating in the market. There are also the Association of Professional Insurance and Reinsurance Brokers (APCAR) – a member of the Inter-African Federation of Insurance Brokers (FIAC) and the Professional Chamber of Adjusters - Chambre Professionnelle des Experts Techniques du Cameroun (CPET).

3.4 Capital requirements

The minimum capital is CFAF 1 billion for limited liability companies and CFAF 800 million for Mutual insurance companies.

3.5 Market size

The market has 24 insurance companies, out of which 8 transact Life business. The following companies operate in Cameroon ACTIVA VIE, ACIVA ASSURANCE, ALLIANZ CAMEROUN, AGC, ALLIANZ CAMEROUN VIE, AXA ASSURANCES, BENEFICIAL GENERAL, CHANAS ASSURANCES, BENEFICIAL LIFE INSURANCE, SAAR assurances, SAAR VIE, NSIA, ASS & REASS. AFRICAINES (AREA), CPA, GUARANTIE MUTUELLE DES CADRES, (GMC) PROASSUR, PROASSUR VIE, COLINA CAMEROUN, CAMEROON INSURANCE, SAMARITAN INSURANCE, COLINA ALL LIFE, UACAM ASSURANCES VIE, ZENITH ASSURANCE.

There are also four reinsurance companies domiciled in the market namely, Continental Re, CICA Re, ZEP Re and Ghana Re. Africa Re and CICA Re take 5% and 15% legal cessions on treaties respectively.
There are 70 general agents and 60 brokers who are members of the Association of Professional Insurance and Reinsurance Brokers (APCAR) – a member of the Inter-African Federation of Insurance Brokers (FIAC). 136 salaried agents, 8 commission-based agents and134 loss adjusters operate in the market.

4.0 MARKET STATISTICS

The market recorded a premium income of CFA F 150.6 billion in 2012 compared with CFA F 141 billion in 2011, representing a growth rate of 7.8%, against 8.4% in the previous year. Out of the total premium income of CFAF 150.6 billion in 2012, the life sector produced an amount of CFAF 40.1 billion. Table 1 provides a breakdown of the premiums generated in 2010, 2011 and 2012.

Non Life Gross premium income by class: 2010 to 2012 Table1

CATEGORIES	2010	Var 10 - 11	2011	Var 11 - 12	2012
Personalaccidentsandhealth	23 649 861 354	5.95%	25 057 216 271	11.35%	27 900 110 549
Motor third-party liability	28 147 443 798	-6.22%	26 395 349 401	-10.71%	23 567 548 490
Other motor risks	7 845 547 816	8.90%	8 543 981 428	30.28%	11 130 922 917
Fire and other property damage	11 499 190 201	23.39%	14 188 384 679	3.91%	14 743 631 162
Generalthird-partyliability	3 610 020 285	10.01%	3 971 420 121	-20.64%	3 151 863 163
Aviation	1 512 851 060	92.49%	2 912 145 497	-0.63%	2 893 754 436
Marine	11 945 320 575	20.44%	14 386 507 106	34.65%	19 371 432 584
Other forms of transport	3 914 614 160	-26.13%	2 891 751 716	-36.21%	1 844 658 389
Other direct property risk	2 446 473 293	32.15%	3 233 120 141	-11.39%	2 864 902 685
Credit/bond	69 923 922	188.30%	201 593 113	-85.25%	29 735 553
Acceptances	3 161 216 642	-10.33%	2 834 640 717	6.33%	3 013 950 909
TOTAL	97 802 463 106	6.97%	104 616 110 190	5.64%	110 512 510 837

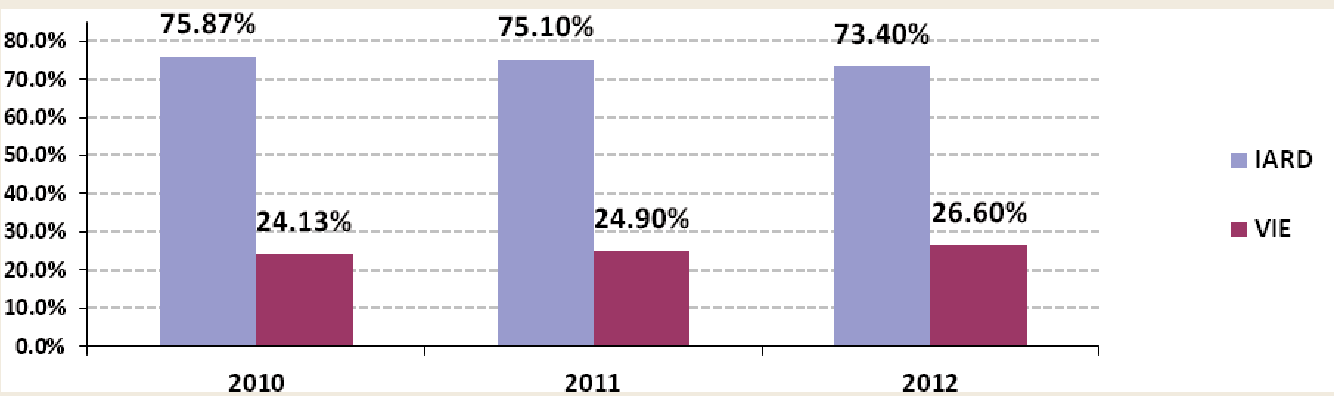
As would be observed, the non-life class with premium amounting to CFA F 110.5 billion, compared to CFA F 104.6 billion in 2011was dominated by Motor and Accident,

A breakdown of the premium income emanating from the life branch is provided in Table B. It would be noted that income from group life business was slightly higher than the corresponding income from individual life business; otherwise the production levels for the two were just about the same in the previous two years. The life branch had actually grown by an average of 15% per annum from 2002 to 2008 and thereafter declined to 9% per year in 2009 and 2010 only to pick up again in 2011 with a growth rate of 12.0% which is likely to be sustained.

Life premium income Table 2

Branch	2012	2011	2010
Individual life	18 602 428 249	16 880 919 101	15 725 965 921
Group life	21 079 924 090	17 953 319 890	14 955 968 419
Others	437 940 684	302 347 003	423 739 732

The relative contributions of the life and non-life branches to the total market premiums in 2010, 2011 and 2012 are indicated in the graph below.



The graph reflects the growing importance of life business and the potential for its continued growth in the years ahead.

Employment

In 2012, insurance companies employed 1413 persons compared to 1690 in 2011 and 1572 in 2010.

Insurance penetration in Cameroon is 1.5% and the **Insurance density** is 6,827 CFA or USD13.72

History of Large losses in the last 5 years.

The following are some of the large losses recorded in the last five years.

- BOWLEVEN Plc Oil & Gas Company – DOL 30/07/2007– explosion in oil platform- Gross loss: USD 9,177,685
- National Oil Refinery(SONARA) - Machinery breakdown – DOL 19/05/2009 - Gross loss: USD 3,078,255
- Aluminium Company (ALUCAM) – Fire loss – DOL 04/09/2012 - Gross loss: USD 3,396,108

- **Results of the insurance sector in 2012**

The table below indicates that, in 2012, the non-life class recorded a gross reinsurance underwriting result of CFA F 29.7 billion and a gross operating result of CFA F 34.2 billion. The reinsurance balance, largely in deficit, led to a net underwriting result of CFA F 4.3 billion. The net operating result stood at CFA F 8.8 billion. Over 50.0% of this result was achieved from the motor class.

Table 3: Breakdown of the net operating results per category of property insurance in 2012 (in CFA F)

CATEGORIES	Gross Underwriting Result	Reinsurance balance	Net Underwriting Result	Net Investment Income	Net Operating Result
Personal accidents and health	-538 951 871	-1 137 269 127	-1 676 220 998	376 062 263	-1 300 158 734
Motor third-party liability	2 429 406 033	-1 257 868 761	1 171 537 271	1 697 666 020	2 869 203 292
Other motor risks	2 091 503 282	-814 842 144	1 276 661 138	1 202 119 169	2 478 780 307
Fire and other property damage	4 858 739 480	-4 158 881 232	699 858 247	331 894 603	1 031 752 850
General third-party liability	1 948 184 917	-278 087 051	1 670 097 866	390 283 727	2 060 381 593
Air transport	2 618 949 884	-2 388 013 954	230 935 930	32 061 521	262 997 451
Marine transport	13 173 019 843	-12 240 239 399	932 780 444	341 218 125	1 273 998 569
Other forms of transport	949 171 827	-812 964 272	136 207 555	110 771 809	246 979 364
Other direct property risk	2 545 834 592	-1 441 192 296	1 104 642 297	66 552 485	1 171 194 782
Credit bond	101 540 620	-101 121 407	419 213	-45709	373 504
Acceptances	-513 468 091	-766 763 907	-1 280 231 998	13 463 253	-1 266 768 745
TOTAL	29 663 930 514	-25 397 243 549	4 266 686 965	4 562 047 267	8 828 734 232

The underwriting performance for life business and non-life are indicated in the table below.

Table 4: Results of the market 2010 to 2012 (CFAF)

		Written Premium	Incurred losses	Management Expenses	Gross Technical Results	Reinsurance Balance	Net Technical Results	Net Investment Income	Net operating Results
2012	Non life	109 469 520 375	38 792 790 957	41 012 675 902	29 664 053 516	-25 397 243 546	4 266 809 970	4 562 047 266	8 828 857 236
	Life	40 120 293 692	28 188 891 933	11 144 197 182	787 204 577	-796 424 898	-9 220 321	3 335 246 109	3 326 025 788
	TOTAL	149 589 814 067	66 981 682 890	52 156 873 084	30 451 258 093	-26 193 668 444	4 257 589 649	7 897 293 375	12 154 883 024
2011	Non life	102 821 834 537	35 002 010 795	43 217 274 311	24 602 549 431	-23 895 928 230	706 621 201	3 894 194 271	4 600 815 472
	Life	35 136 586 062	24 941 264 198	9 951 627 845	243 694 019	-592 461 177	-348 767 158	3 031 429 911	2 682 662 753
	TOTAL	137 958 420 599	59 943 274 993	53 168 902 156	24 846 243 450	-24 488 389 407	357 854 043	6 925 624 182	7 283 478 225
2010	Non life	96 959 546 812	32 971 453 630	39 524 347 455	24 463 745 727	-21 081 142 495	3 382 603 232	3 045 883 443	6 428 486 675
	Life	31 105 674 072	21 899 507 676	9 274 469 162	-68 302 766	-412 205 122	-480 507 888	2 699 580 652	2 219 072 764
	TOTAL	128 065 220 884	54 870 961 306	48 798 816 617	24 395 442 961	-21 493 347 617	2 902 095 344	5 745 464 095	8 647 559 439

The reinsurance balance further deteriorated (CFA F-26.2 billion in 2012 compared to -24.5 in 2011) and still constitutes a burden to the market.
As at 2012, indications were that the market solvency margin stood at 234.4% with technical provisions of 112.6% of net premium income.

5.0 SOME SIGNIFICANT DEVELOPMENTS

- The cancellation of insurance on credit and the payment of premium directly to insurance companies since 1 October 2011 and the advent of proper corporate governance through the systematisation of internal control within companies.
- In 2012, the market supervision led to the withdrawal of the licence of one company, the placing of one company under provisional administration, the permanent monitoring of three others and various injunctions given to many other companies.
- As part of its sanitization exercise, the Department of Insurance conducted a number of inspections resulting in the closure of some clandestine offices and the withdrawal of the licences of many intermediaries. Furthermore, the Ministry issued professional ID cards to persons authorised to carry out insurance transactions and reviewed many insurance policies submitted for its consent prior to issuance.

The CIMA code separates life business from non-life and requires that each class should be offered by a separate company. ASAC has been operating a coinsurance pool since 1 January 2010 to manage public transport motor risks (POOL TPV).

Conclusion

The Cameroon insurance market is the second largest in the CIMA region. It has potential for significant expansion, given the rather low insurance penetration and insurance density. It is expected that, with the envisaged improvement of the economy, the industry would experience noticeable growth in future. The various initiatives taken by industry players to reposition and strengthen the market, particularly as regards the public enlightenment campaigns and the expansion of the product base of the market, would go a long way to enhancing the fortunes of the industry in the years ahead.

ANGLOPHONE WEST AFRICA

A. Economic Environment

Nigeria

Towards the end of 2013, economic reports from various sources indicated that the economy grew around five per cent, the average output of crude oil was 2.4 barrels per day, the volume and value non-oil exports fell drastically but the economy remained driven by oil exports and incomes while the value of naira relative to other currencies had depreciated. The foreign exchange reserve had in the last five months of 2013 been going down to reach $44bn in November, partly to keep the Naira at a reasonable level and partly because of losses in oil revenue. However, the outlook for growth of the Nigerian economy remains positive.

Ghana

Ghana's economic growth slowed in the first two quarters of 2013 and deep into the third quarter. Financial and economic analysts anticipated the successful adjudication of Ghana's electoral dispute would restore business and consumer confidence to speed up recovery of the larger economy. However, power rationing, coupled with the introduction of new taxes impacted heavily on manufacturing and industrial production.

Crude oil, Ghana's second biggest export earner, generated some revenue to sustain the economy, but targets for cocoa sale were unstable and gold lost its shine prices on the international market drop steadily.

Liberia

The country has continued to sustain its economic growth following the re-construction after the war. The country's GDP is expected to be boosted by the continued expansion of iron ore and concession related foreign direct investment (FDI). However, Liberia's economic outlook remains vulnerable as prices of commodities experience fluctuation particularly for its key exports such as rubber and iron ore.

Sierra Leone

The country's real GDP has been on the growth path in the last three years as driven by the extractive industries. The expansion in agriculture and mining sectors has continued to support robust economic activities. Agriculture remains the largest contributor to GDP with over 60% of total output as several projects in the agriculture sector are being supported by international donors.

The industry and mining sectors will be the main drivers of GDP growth going forward.

The Gambia

Real GDP growth of The Gambian economy for 2013 is provisionally estimated at 5.6 per cent compared to 6.1 per cent in 2012. Tourism and agriculture continues to be the major sources of income for the country. Agriculture remains the highest employer of labour (75%).Growth in the value-added of agriculture is estimated at 14.8 percent, industry (7.0 percent) and services (3.7 percent).

Real GDP growth is projected at 7.5 percent in 2014 predicated on robust expansion of agriculture and services, particularly tourism.

B. Appointments/Retirements/ Resignations/Successions

Appointments

Nigeria

Mr. Edwin Igbiti
was appointed the Managing Director of Aiico Insurance Plc. Nigeria.

Alhaji Mohammed Kari is now the Deputy Commissioner (Technical) of the National Insurance Commission (NAICOM).

Mr.Valentine Ojumah
was appointed the MD/CEO of FBN Life Insurance Company Ltd.

WAPIC Insurance Plc appoints Mr. Ashish Desai as Managing Director/CEO.

Mr. Bode Opadokun
was appointed as Managing Director of Nigeria Agriculture Insurance Corporation (NAIC). He was formerly the General Manager, Operations at Consolidated Hallmark Insurance Ltd. Nigeria.

Mr. Dayo Alao
was appointed as Executive Director, Operations at Finsurance Limited. He was hitherto the Regional Head, North at Cornerstone Insurance Plc Nigeria.

Ghana

Mrs. Francisca Karikari
was appointed the CEO of Donewell Insurance Company Ltd, Ghana.

Sierra Leone

Mr. Paul Aja
was appointed General Manager, Operations at International Insurance Company Ltd, Sierra Leone.

Retirement

Mr. Olugbenga Falekulo
retired from Continental Reinsurance Plc. He was the Executive Director, Life Operations.

Resignation

Mr. Tunji Oluyemi
resigned his appointment with Glanvill Group as The Group Managing Director.

Nigeria

- FBN Insurance acquired 100% stake in Oasis Insurance
- Old Mutual, Johannesburg, S.A. acquired 70% stake in Oceanic Insurance while the remaining 30% is owned by Ecobank.
- African Capital Alliance (ACA) acquired 96% stake in Finsurance Limited. Gombe and Bauchi States are having the 4% balance.
- Jordans Global Insurance Brokers Ltd was established.
- Crystal Life Assurance Ltd changed the brand name to ARM Life

Ghana

- Old Mutual, Johannesburg, S.A. has acquired majority stake in Provident Life Assurance Ltd, Accra, Ghana.
- A new company Imperial General Assurance Company Ltd was established in Accra, Ghana.
- Enforcement of 'No premium No Cover' by National Insurance Commission (NIC), Accra, Ghana commences on 1st April 2014.
- Colina Insurance Ltd changed the brand name to Saham Insurance Ghana Ltd
- The National Insurance Commission, Ghana appoints Ms Lydia Lariba Bawa as Commissioner for Insurance.

C. Major Losses

Nigeria

DOL	INSURED	DESCRIPTION	GrossLoss Amount (100% - market)
1/1/2013	Afren	Problems whilst Drilling OKWOK 10 ST	$47.5m
20/3/2013	Total	Gas Fire during drilling OML 58 Fire/ Ibewa	$42m
16/2/2013	Seawolf	Transformer Room Fire	$10.5

AFRICAN INDIAN OCEAN ISLANDS

A. Economic Environment

In the Domestic or AIOI (African Indian Ocean Islands) markets, the 2013 GDP growth rate is predicted to be 3.93% for Mauritius, 2.45% in Madagascar, 2.74% in Seychelles and 3.03% in Comoros. 2014 GDP growth rate is forecasted to be 3.97% for Mauritius, 2.04% in Madagascar, 1.63% in Seychelles and 3.80% in Comoros.

B. New Companies/Mergers/Acquisition Closures

There were no new companies, mergers/aquisitions during the period.

C. Appointments

Mauritius

SUN: Mr. Anwar Purdasy has been appointed GM of Sun Insurance
Mr. Kathuriah has joined MUA

Madagascar

NY Havana, Madagascar: Mr. Alain Ramanenima has been appointed DMD (replacing Mr. Harivola Andriatsimisetra)

D. Major Losses

Mauritius

C.A.R claim: Collapse of embankment on the newly constructed Ring Road. Liability of Insurers/Reinsurers is yet to be established and the Gross Loss is estimated at around USD 5m.

NORTH AFRICA

A. New Company

Algeria

CNMA established its personal insurance subsidiary known as "Le Mutualiste" and its authorisation was granted in 2012.

B. Appointments/Resignations

Algeria

Mr. Abdelhak Benallegue was appointed Chief Executive Officer of Cash Assurances in 2013.

Libya

Mr. Mohammed Reda Almegereb was appointed General Manager of Sahara Insurance Company in January 2014.

Mr. Abdulrhman Sonissi was appointed Chief Executive Officer of African Insurance Company in December 2013.

Mr. Abdurazag Almegereb resigned as the Chief Executive Officer of African Insurance Company in October 2013.

Mr. Abdulhakem Zaglay resigned as the Chief Executive Officer of Sahara Insurance Company in 31 December 2013.

FRANCOPHONEWESTANDCENTRALAFRICA

A. Legislation and Supervision

Countries of CIMA Zone

The insurance sector of the countries covered by the Abidjan Regional Office is governed by the CIMA Code (Conférence interafricaine des marchés d'assurances – interafrican conference of insurance markets) except Guinea Conakry and the Democratic Republic of Congo. The CIMA Code contains the registration charges, other taxes, obligatory insurance and commission rates for intermediaries.

The regulator in the CIMA Zone is the Regional Insurance Supervisory Committee (Commission régionale de contrôle des assurances - CRCA). The minimum required capital for all companies is CFAF1,000,000,000.

Guinea Conakry

The insurance sector in Guinea Conakry is governed by the country's insurance code. This document contains the registration charges, other taxes, obligatory insurance and texts governing intermediaries.

Democratic Republic of Congo

In the Democratic Republic of Congo, the insurance industry is governed by a law that allows the monopoly of a State company that has recently become a commercial corporation with state capital. A new code that will liberalize the sector has been tabled in the Senate after adoption by Parliament.

B. Retirement

Burkina Faso

Mr. Hervé Allou has been appointed General Manager of Globus Re, to replace Mr Jean Kwimang, who has retired.

EAST AFRICA

A. Economic Environment

Kenya

As East Africa's largest economy, Kenya has proven its potential and has seen its economy grow by more than 4% for the last three years, according to data from the World Bank. The March 2013 elections, the country's first under the new 2010 constitution, were reported as credible by international observers and avoided the violent conflict that had marred previous elections.

According to International Monetary Fund, Kenya's economy is likely to expand 5.9 percent in 2014 after below-target growth of 5.1 percent in 2013. This will be helped by improved tax collection and credit growth.

Ethiopia

Ethiopia's economy has experienced strong and broad based growth over the past decade, averaging 10.6% per year in 2004/05 - 2011/12 compared to the regional average of 4.9%. This momentum is expected to continue in 2014, at a slower pace though.

Tanzania

The main drivers of the strong economic growth have been agriculture, manufacturing, wholesale and retail trade, transport and communication activities. Tanzania's medium-term growth prospects are around 7%, significantly boosted by natural gas discoveries. Nevertheless, underperformance in the agriculture sector – which employs 75% of the workforce – has been a key factor in jobless growth and chronic underemployment.

Uganda

A combination of heavy public investment in infrastructure, surging foreign investment into the nascent oil sector and a buoyant consumer segment will see the economy grow by an average of 7.1% annually between 2014 and 2018.Weather always poses risks to the country's economic outlook, as the Ugandan economyis heavily reliant on agriculture. Adverse weather conditions couldseriously hamper economic output and stoke inflationary pressures,while favorable weather could boost productivity.

Eritrea

The Economic Intelligence Unit (EIU) ranked Eritrea the third fastest growing country in Sub Saharan Africa for 2013. Real GDP growth is forecast at 7% in 2013 and 8% in 2014, driven by activity in the mining sector. It could be higher if the government follows through on plans to begin opening up the economy.

B.NewCompanies/Mergers/Acquisition/Closurers/

Kenya

1. G.A LIFE
2. Orient life
3. Resolution Insurance Company ltd was also registered as a General Insurance Company in Kenya

C. Appointments

Kenya

Mr. Rueben Java
has been appointed the C.E.O of Old Mutual Kenya.

Mr. Andrew Greenwood
is the CEO of Metropolitan Life Kenya.

Uganda

Mr. Allan Mafabi
Britam Board of Directors has announced the appointment Mr. Allan Mafabi as its new Chief Executive Officer in Britam Insurance, Uganda.

Mr. Madhav S Kumar
has been appointed as the Chief Executive Officer of TransAfrica Assurance effective March 2014.

South Sudan

Mr. David Kuria
joined UAP Insurance South Sudan as the Managing Director on January 1, 2014.

Tanzania

Mr. Kelvin Massingham is the General Manager of Metropolitan Life.

Mr. George G. Nyakundi was appointed as Chief Executive Officer of Alliance Life Assurance Limited, Dar Es Salaam, Tanzania.

Ethiopia

Mr. Yared Mola Woldesilasia is the new Chief Executive Officer of Nyala Insurance Company S.C.

Mr. Teshome Aklog Ketsela was appointed the Chief Executive Officer of Bunna Insurance S.C. in July 2013.

Mr. Negasi Yoseph is the current CEO of Lion Insurance Company.

C. Major Losses

Kenya

- Jomo Kenyatta International Airport (JKIA) – Date of loss is 07.08.2013. Gross amount finalized at USD 23.2 million

Tanzania

- Vodacom – Date of loss 16.08.2013 – Estimated gross amount USD 16.0 million
- Alaf – Date of loss 01.06.2013 – Gross loss finalized at USD 6.3 million
- Chemi & Cotex – Date of loss 30.01.2013. Estimated gross amount USD 4.56 million.
- Kiwengwa Strand - Date of loss 23.01.2001. Gross loss finalized at USD 2.97 million
- R.K CHUDASAMA LTD – Date of loss 10.01.2014 – Estimated gross loss USD 2.2 million
- Aquatech Products & Equipment - Date of loss 10.01.204 – Estimated gross loss USD 1.12million

Zimbabwe

- Zesa - Date of loss 19.11.2011. Gross loss finalized at USD 3.59 million
- Zesa – Date of loss 03.02.2012. Gross loss finalized at USD 2.35 million

SOUTHERN AFRICA

A. Market News

The market has been quiet from the beginning of the year and not much is happening in regard to closures, appointments, and retirements/resignations. The few notable events are as follows:

B. Mergers and Acquisitions

Etana Insurance and Hollard Insurance have finalized the merger which commenced in 2013 last year and became effective from 01/02/2014. The two companies will now be trading as Hollard Insurance. The transaction saw Hollard Insurance acquire100% of the issued share capital of Etana, with all Etana's business being transferred to Hollard from the start of 2014.

Hollard's R1-billion acquisition of Etana Insurance has pushed the insurer up the South African insurance rankings, which have made them the number two, short-term insurer by market size, according to Hollard Broker Markets managing director Paolo Cavalieri in an interview.

The sale of Guardrisk to MMN Holdings which was announced in November 2013 has been approved by the Financial Services Board (FSB) and South African Competition Authorities effective from 3/3/2014. Guardrisk will still be trading as Guardrisk but as a subsidiary of MMN Holdings.

C. Resignation

Caryn Ford (Senior Corporate Underwriter) resigned from Zurich Insurance.

AFRICA RE MANAGERIAL STAFF

HEADQUARTERS

Executive Management

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

Departments

Administration and HR	Director	Raphael OBASOGIE
	Assistant Director, Administration & Human Resources	Guy Blaise FOKOU
Corporate Secretariat, Risk Management & Compliance	Corporation Secretary & Director of Risk Management & Compliance	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, Retrocession, Research, Statistics and Development	Adewale ADEWUSI
Department of Information and Communication Technology	Director	Aly SEYDI
Internal Audit	Deputy Director	Ousmane SARR

AFRICA RE MANAGERIAL STAFF

Casablanca	Regional Director	Mohammed BELAZIZ
	Assistant Director, Fin. & Accounts	Jean-Paul TANKEU
	Assistant Director, IT	Mohamed SADRAOUI
Nairobi	Regional Director	Eunice MBOGO
	Assistant Director, Fin. & Accounts	Silifat Akinwale
	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	Eshan GAFFAR
Cairo	Regional Director	Omar A. H. GOUDA
	Deputy Director, Technical Operations	Nasser MAHMOUD
West Africa	Regional Director	Sory DIOMANDE
	Assistant Director, Finance and Accounts	Moussa BAKAYOKO
South Africa	SUBSIDIARY	
	Managing Director	Daryl De VOS
	General Manager, Finance & Admin	Ibrahim IBISOMI
	General Manager, Operations	John IZEGBU

NOTES