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Société Africaine de Réassurance

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The 31st African Reinsurer contains fascinating articles on aviation insurance, agriculture insurance and the impact of new insurance regulations in the CIMA zone.

The article on building resilient agriculture in Africa through technology and insurance examines innovative risk management and insurance, challenges and opportunities in agriculture insurance in the face of climate change. It gives examples of agriculture insurance and looks at new technologies and innovative solutions emerging in Africa. One of the biggest challenges today, is how to make vulnerable farmers more resilient to natural disasters. Therefore, affordable and accessible agriculture insurance schemes will help farmers recover rapidly from natural disasters and come one step closer to escaping the poverty trap.

In order to reverse the trend of low insurance penetration, the CIMA zone has initiated a number of regulatory reforms to deepen the market and reinforce its credibility, which entails greater transparency in financial disclosure, especially the introduction of periodic accounting, whistle blowing by auditors and supervision of real estate experts. The write-up on the effect of new regulations on the development of insurance in the CIMA zone clearly shows that the different measures will certainly have a very significant impact on the organization of companies, relationship between insurers and policyholders, profile and development of the insurance sector. The reforms will strengthen the financial position of companies and reduce the number of players to a few that are capable of providing services comparable to those of insurers in more developed markets.

The African aviation industry remains a challenging market for a plethora of reasons namely, investment, health & safety, international standards, training and education. The global insurance industry which insures at least 90% of African aviation risks, is awash with excess capital. This has continued to depress premium rates, thus contributing to the low levels of premium recorded by the industry, which impacts the limited African insurance market. It is however expected that in the near future, premium rates would firm up if the gradual exit of funds from the aviation sector to more lucrative sectors continues.

Before presenting news from the different regions of the continent, the 31st African Reinsurer presents the Angolan insurance market.

Technology and insurance: building resilient agriculture in Africa

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1.0 Introduction

Agriculture remains the mainstay and driving force of livelihoods and economies of most African countries, in spite of the fact that it is a highly weather-sensitive sector which is prone to natural disasters. On average, economic losses from natural disasters total more than US$300 billion a year[1]. Although this number fails to detail the extent to which specific regions, sectors and livelihoods are affected, it is believed that agriculture, which is largely made up of smallholder farmers (80%) working on up to 10 hectares[2], is impacted to a rather significant extent. A loss affecting a smallholder farmer will impact his or her wellbeing more adversely than his wealthier counterpart, and repeated disasters are in fact keeping smallholder farmers in poverty. The challenge today lies in how to make these vulnerable farmers more resilient to natural disasters.

This paper aims at answering this question by examining one piece of the puzzle: innovative risk management and insurance approaches. By way of contributions from experts from the World Bank, FINACTU Group, AXA and the African Risk Capacity (ARC), the article provides a wide range of insights on the topic. It examines the challenges and opportunities

1 United Nations Global Assessment Report on Disaster Risk Reduction, 2015

2 Food and Agriculture Organization of the United Nations, 2012

in agricultural insurance in Africa in the face of climate change. The paper then provides examples of agricultural insurance as practised in a few African countries. Finally, it looks at new technologies and innovative solutions emerging on the continent that are likely contribute to the pool of knowledge on this subject.

2.0 Agricultural insurance in Africa: challenges and opportunities

2.1 Focus on smallholder farmers and insurance - World Bank's perspectives

2.1.1 Impact of natural disasters on smallholder farmers

According to a recent World Bank Report, climate change remains a serious threat to poor people across the world, with the power to push more than 100 million people into poverty over the next fifteen years. In 2016, the World Bank Group found that the cost of weather extremes to the poor- over US$500 billion[3] - was 60% higher than previous estimates. This is partly due to the fact that after a natural disaster (drought, flood or other weather extreme), poor people may experience relatively less asset losses, but the losses they experience by way of well being can be twice as large as the average. Thus, they need significantly longer time to recover, causing farmers to fall back into poverty. The poor suffers disproportionately from natural disasters for a number of reasons, notably: higher vulnerability, overexposure to risk, less ability to cope and recover, adverse impact on education, health, savings and investment.

2.1.2 How the World Bank helps farmers to be more resilient

Funded by the European Commission, ACP Group of States, the Netherlands and Japan, the World Bank's Global Index Insurance Facility (GIIF) was created in 2009 to respond to the dire global problems which are being exacerbated by climate change. With financial expertise and advisory services, support is provided through the Global Index Insurance Facility (GIIF) for the development and growth of local markets. This support also enables local markets to gain access to finance and build index-insurance markets. The programme has helped more than 1.3 million farmers, pastoralists and micro-entrepreneurs in sub-Saharan Africa, Latin America, the Caribbean and Asia Pacific gain valuable access to credit and finance. Thus, they are able to repay loans after a weather shock and/or recover working capital. Furthermore, the programme has supported additional development objectives of the World Bank Group by enabling better financial guarantees at the regional level in the CFA franc zone (CIMA region).

As climate change threatens the productivity and reliability of agriculture, it is critical to recognize the risks and take action to mitigate the developmental challenges of agriculture and food security. Insurance is important for development because uninsured losses lock vulnerable populations in a vicious cycle of destitution. An example of the crucial role index insurance plays in protecting food security is the positive impact of the livestock index project initiated by Dr Andrew Mude of the International Livestock Research Institute (ILRI), the recipient of the 2016 Norman Borlaug Award for Field Research and Application at the World Food Prize International Symposium. Dr. Mude pioneered Index-Based Livestock Insurance (IBLI) project that uses satellite to monitor grazing conditions as a proxy for the health of livestock in the lowlands of East Africa. Insurance payouts are made to herders whose animals have been killed by drought. The project was initially supported by GIIF at its pilot stage, and then scaled up through the World Bank's Disaster Risk Finance and Insurance Programme (DRFI).

In the coming years, GIIF also looks forward to providing more support to the private sector through public-private partnerships and to supporting climate smart technologies that promote resilience and combat climate change. In addition, GIIF aims at building both financial literacy and knowledge around resilience to climate change among the stakeholders.

2.2 The potential of agriculture insurance in Africa: FINACTU's perspective

Despite the huge demand for better handling of risks, the African continent still offers only a handful of pilot projects which are scarce in number and limited in scale. In Senegal, 18,540 producers were

3 World Bank Group, 2016

lucky enough to benefit from a policy against drought in 2015, though close to 700,000 farmers remained without coverage. In Mali, 30,000 farmers, or less than 1% of the farmers, were insured in 2014. These numbers are definitely not large enough to attract international reinsurers and thus trigger a cycle of interest, financial capacity and technical sophistication, generally obtained from funding partners (World Bank, USAID, WFP, EU, etc.). There is, thus, a considerable margin in the coverage of the entire agricultural population, and the pilot projects will have difficulty in promoting a rapid expansion of agricultural insurance.

The reasons for the shortcomings are apparent: reluctance of farmers, illiteracy, low ability to service loans, solvency of insurers, limited interest from international insurers for small pilot projects with small premiums, hostile regulation in certain countries, lack of statistical data, complexity of agriculture, etc. Furthermore, the involvement of States in the development of agriculture, particularly through subsidies, is limited. These obstacles explain why agricultural insurance has not been able to breakthrough. FINACTU, with experience in agricultural insurance of over 10 years in Africa, is convinced that this relative lack of success which comes as no surprise, does not represent a fatality.

2.2.1 Differences between marketing of credit facilities and insurance to farmers

It is paradoxical that for the same population in rural Africa, where agricultural insurance has been struggling to develop, microcredit has recorded spectacular growth. In order to appreciate this development, it is worth looking at the major differences between the marketing of agricultural insurance and the provision of credit facilities.

These differences are of two kinds. The first difference is the fact that an agricultural insurance policy is significantly more complex than a credit scheme. Indeed, in order to establish tariff, an insurer must have access to large amounts of historical data that are reliable and granular, both in terms of risk and their possible impact, for example, drought risk and agricultural yields. However, statistical data on agriculture is generally scarce, and oftentimes cannot meet the needs of Underwriters and Actuaries. Some types of innovative insurance solutions, such as parametric insurance, can nevertheless curb the data problem, as highlighted in subsequent sections of this article.

The second difference is even more subtle: whereas in a credit scheme, the farmer sees the immediate need for such facility and would go ahead to make the demand, it is not the case in insurance which "doesn't get purchased, but gets sold". Indeed, the farmer may not see the immediate need for an insurance facility which he regards as a mere promise for which he has to pay a premium. It takes a lot of efforts to overcome the inertia on the part of the prospective insured which thus slows down insurance penetration. Indeed, unlike a microcredit institution, an insurance outfit needs a more elaborate marketing network to initiate and support the sale of its products which entails a lot of resources.

FINACTU is convinced that agricultural insurance will only be able to develop through "BtoB"-type projects, leveraging on the existing distribution channels of aggregators, to ensure effective distribution and supervision. BtoB projects help circumvent issues regarding the distribution of insurance products by associating insurance with credit and leveraging institutions such as farm input distributors or agricultural banks. The following could be achieved from this collaboration: pre-financing of insurance through the payment of premiums on behalf of farmers; marketing of insurance products to producers, taking into account their proximity and knowledge of the agricultural sector; and the distribution of payouts to farmers.

Following a decade-long experience in agricultural insurance, characterized by a series of experiments conducted in that field, FINACTU now collaborates effectively with relevant Agencies to create agricultural insurance models in some countries in Africa, as highlighted below.

2.2.2 Examples of promising agricultural insurance models

2.2.2.1 The experience in Morocco

FINACTU felt honoured to be mandated by the Kingdom of Morocco in 2010 to work with the Ministry of Agriculture and Maritime Fishing to transform the existing drought guarantee to a real insurance scheme. The collaboration which resulted in the design of a product that is insured by MAMDA-MCMA, covers cereals, vegetables and oil seeds against 5 principal climate risks, and is sold– among others - through the bank network of Credit Agricole of Morocco. Farmers welcomed this product with enthusiasm. In just over 5 agricultural seasons, the insured surface increased from 300,000 to more than 1 million hectares, making Morocco a reference point of successful agricultural insurance in Africa.

Agricultural insurance in Morocco has been a success on account of the strong commitment of the State which offers premium subsidy to make the product accessible to smallholder farmers. MAMDA also contributed to the success of the new product by reinforcing its marketing network, doubling the number of agents and sales points, carrying out numerous activities to raise awareness and building the capacities of farmers.

It is important to note that MAMDA also offers an index insurance product that pays out, based on the average yield observed over a sample of parcels of the municipality. This product is actually in a transition phase. It is expected that, it would eventually become an insurance product based on an index that would be calculated, using different parameters, including satellite data. This, among others, would thus establish the utility of satellite-based index insurance in the development of agricultural insurance in Africa.

2.2.2.2 FINACTU's experience in Benin and Senegal

Through the active intervention of the West African Development Bank (BOAD), FINACTU also had the opportunity to work on two projects at the national level: in Benin, with the Mutual Agricultural Insurance of Benin (AMAB) and in Senegal, with the Agricultural Insurance Company of Senegal (CNAAS). The objective of this collaboration was to develop agricultural insurance for rice in Benin and cotton as well as maize in Senegal.

The cotton sector in Benin and Senegal is well structured. The BOAD, with technical assistance from FINACTU, put in place projects in collaboration with various parties (insurance companies, agricultural banks, farm input suppliers, federations of producers) that led to the development of appropriate covers for the entire cotton sector as well as rice and maize farmers in both countries.

It is estimated that around 40,000 producers in Senegal of which 5,000 also produce maize, close to 125,000 cotton producers and 1,000 rice producers in Benin, were covered. The projects in both countries use satellite images and are based on satellite indexes. Preparatory activities to launch these insurance products are at advanced stages and should lead to the marketing of agricultural insurance products at the national level during the 2017 agricultural season.

In Senegal, CNAAS was able to insure close to 30,000 cotton producers in 2016, representing 75% of all cotton producers in the country, through aggregators (Société de Développement des Fibres Textiles and Caisse Nationale de Crédit Agricole). CNAAS hopes to capitalize on this scheme by including a few partners (ministries, banks, input suppliers, producers and cooperative organizations, etc.) to achieve its objectives for 2020 to cover 250,000 agricultural producers.

Indeed, the forthcoming agricultural season will indicate whether the use of aggregators and satellite-based index will enable West Africa to achieve a level of performance comparable to what Morocco has recorded in terms of insured agriculture population.

2.3 New technologies and innovative insurance solutions in Africa

2.3.1 Parametric insurance

Finding innovative insurance solutions that reduce the costs of traditional insurance and are accessible to smallholder farmers is key to successfully growing the African agricultural insurance market for smallholder farmers. The good news is that, increasingly, new technologies are making sub-Saharan Africa the new frontier for insurance solutions and potentially the insurance lab of the world.

AXA believes in investing in new technologies to optimize our understanding of risks, better prevent and prepare for risks, and better insure risks through more sophisticated products. The

AXA Research Fund- the Science Philanthropy initiative of the AXA Group, supports global fundamental research to understand and better prevent environmental, human and socio-economic risks. Since 2007, €149 million has been committed to 492 research projects in 33 countries.

To better prevent risks and come up with innovative risk transfer solutions, AXA has a dedicated "Data Innovation Lab", the Group's Big Data expertise center. This center processes huge amounts of Big Data and uses them to optimize our prevention mechanisms and insurance products.

Specifically, regarding climate-change risks, AXA has a dedicated parametric insurance team, specialized in data science and Big Data processing methods, which creates tailor-made parametric insurance products. Parametric insurance is based on independent weather indexes that are correlated to the clients' yields, cost structure and/or revenue structure that best reflect their risks. All parties agree upon a trigger (e.g. rainfall below average during the planting season, vegetation development of a few percentage points below normal, etc.). Once that trigger is hit, the insurance pays out within a few days.

Specifically for smallholder farmers, parametric insurance has many advantages, especially as regards pricing, transparency and claims payment. Firstly, in terms of price, parametric insurance is a very "lean" product. As everything is agreed upon ex-ante, there are no claims handling costs, which thus cuts down a large portion of the traditional cost of insurance. Parametric insurance also has a flexible limit and franchise, to be adapted to the farmers' specific needs. Furthermore, as parametric insurance can easily combine with existing distribution networks, distribution costs are also greatly reduced. Secondly, regarding transparency, parametric insurance is straightforward, as there is no possible denial of claims as data is verifiable. There is also full transparency of payouts that are determined upfront based on triggers and limits. Finally, the claims process is also optimized, as once the weather trigger is hit, the payout is processed within a few days, thus allowing farmers to replant in the same season and avoid falling deeper into poverty. Parametric insurance provides income stabilization, improved livelihoods and assets for customers.

2.3.1.1 What data is used?

The data used to design parametric insurance products is constantly improving, and at an impressive rate. First pilots with parametric insurance were launched using weather stations as data sources in the 2000s. However, with the use of weather stations, notably in rural Africa, there existed basis risk namely, information discrepancy between what is measured by the weather station and what is observed on the field. Indeed, with less than 30 weather stations in one country, one can imagine that what is measured at a weather station 100 km away from the farm will cause too much basis risk. It can also be imagined that, even though two farmers are close in distance, one farmer may be more vulnerable to flooding risks, if located near a river.

Remarkably, since the 2010s, as data science and Big Data processing methods improved, the use of satellite imagery to design index insurance products was made possible. Data from satellite imagery, as it is highly granular, exponentially decreases this basis risk. Additionally, the processing of satellite data allows insurers to come up with many types of indexes, such as plant health and development indexes on specific parcels of land, to best reflect the farmers' risk. Through improved data sources and improved data processing methods, parametric insurance products are becoming much more precise, reliable and applicable to many types of very specific risks.

2.3.2 Innovative tools to make African farmers resilient - the African Risk Capacity

Approximately two-thirds of the population of sub-Saharan Africa resides in rural areas and most farmers are dependent on income from agriculture. The region mainly practises rain-fed agriculture and is therefore extremely vulnerable to natural disasters such as drought and flood. In Malawi, for example, a 1-in-10 year drought event could have an adverse impact of 4% on the GDP. In Mozambique, the flood experienced in 2013 had an impact on GDP of half a billion US dollars.

As currently structured, the international system for responding to natural disasters is not as timely or equitable as it should be. Funding is secured on a largely ad-hoc basis after disaster strikes, only then can relief be mobilized toward the people who need it most. In the meantime, lives are lost, assets are depleted and development gains suffer major setbacks.

Recognizing that there was a need for a faster and proactive financial response, the African Union Member States created the African Risk Capacity (ARC) in 2012. The mutual insurance company, ARC Insurance Company Limited (AR Ltd) uses a weather-based parametric model, for a timely response in case of a natural disaster. ARC Ltd payouts are deployed in the countries' response mechanisms, allowing the continent to scale up the existing social safety nets in case of natural disasters. On top of the already operational drought model, the ARC is developing flood and tropical cyclone models.

To date, countries have taken out coverage of approximately US$ 400 million, and paid US$ 50 million of premiums. In two years, ARC has purchased more than US$ 100 million of reinsurance coverage. At the end of 2016, ARC was expected to have made payouts totalling almost US$35million to countries affected by drought namely, Senegal, Niger, Mauritania and Malawi. These funds have gone directly towards helping 1.5 to 2 million people with focused and timely assistance. The objective of ARC is to reach US$1.5 billion coverage on the continent, indirectly insuring 150 million Africans.

3.0 Conclusion

In the face of climate change, one of the biggest challenges today lies in how to make vulnerable farmers more resilient to natural disasters. Arguably, one key ingredient is affordable and accessible agriculture insurance schemes, allowing farmers to recover rapidly from natural disasters and helping them come one step closer to escaping the poverty trap. The World Bank, FINACTU, AXA and ARC agree that new technologies, innovative approaches and a more specific understanding of weather risks and their effects on farmers, have resulted in extraordinary progress on the African continent. The future is promising and as new technologies continue to emerge, the possibilities and applications see no limit.

Impact of new regulations on the development of insurance in the CIMA zone

By

Adama NDIAYE

President of the Federation of African National Insurance Companies (FANAF)

The CIMA zone is an integrated market of fourteen countries. As at the end of 2015, the zone had 164 companies - 58 life and 106 non-life. Five major groups Allianz, AXA, NSIA, Saham and Sunu have 62 companies representing 38% of the total number of companies and 53% of the total market premium income of CFAF 930 billion.

The market grew by 8% per annum in the last ten years. This was driven by life business which grew at an average of 12% per annum, while the average growth rate of non-life business stood at 7% per year during the same period.

Despite this steady increase, non-life insurance penetration was on a downward trend from 0.80% in 2002 to 0.70% in 2015.

This low penetration is due to several reasons:

- Unbridled competition leading to rate cutting;
- Low attractiveness of the products;
- Poor claims payment;
- Weak financial strength of the companies;
- Lack of confidence of the public in insurance companies;
- Managerial lapses and the consequences such as increase in operating expenses and undervaluation of commitments;
- Non-domestication of the coverage of major risks, etc.

To reverse the trend, legislators initiated a number of regulatory reforms "intended to further deepen the market and to reinforce the credibility of its players." Accordingly, between 2009 and 2016, the Council of Ministers of Insurance, the legislative organ of CIMA, adopted 28 regulations directly related to insurance companies. During the same period, 17 circulars and regulations summarized in table 1 were adopted by the Regional Insurance Control Commission which is the organ that regulates companies, ensures general supervision and contributes to the organization of the national markets.

Table 1

Year	2009	2010	2011	2012	2013	2014	2015	2016	Total
Council of Ministers Regulations	4	2	3	6	0	3	1	9	28
Control Commission Regulations	1	0	6	1	2	3	3	1	17
Total	5	2	9	7	2	6	4	10	45

More specifically, close to half of these regulations and circulars (20 out of 45) were adopted over the past three years. The following were adopted in 2014:

- Regulation on the compensation of bodily injury; the cap on compensation and the scope of victims eligible for compensation were increased. Furthermore, this regulation introduced a system of penalties for delay, which could be significant regarding major losses that occurred before the reform.

- Regulation issued to CIMA and National Departments of Insurance on interim statements, which obliges insurance companies to produce statements on a quarterly and half-yearly basis. This regulation also changes the deadline for publication of annual statements from 1 August to 1 June following the end of the financial year.

- Regulation regarding loan on life policies, which stipulates information that must appear on the loan on policy contract. An example of this includes clear and precise definition of the legal and contractual consequences of buy-back and loan on policy. Another example is the interest rate, which can no longer exceed 7%.

- Circular on the guaranteed interest rates which obliges insurance companies to communicate to policyholders, the impact of management charges on the benefits of their life insurance policies. To the legislator, this disclosure obligation contributes to transparency regarding life insurance contracts.

Many regulations and circulars were issued in 2015 including the regulation on the supervision of reinsurance companies, which lays down conditions for approving reinsurance companies and the modalities for supervising them. The regulation sets the minimum share capital at CFA F10 billion and the Underwriting Office at CFA F1 billion. Companies in operation before the adoption of this new regulation have five years to comply with the share capital and financial guarantee requirements.

During the April 2016 Council of Ministers meeting in Yaounde, an avalanche of regulations was adopted - nine in total. They are:

- Regulation setting the minimum share capital for insurance companies at CFA F 5 billion and the initial capital for mutual companies at CFAF 3 billion. Insurance companies have 5 years to comply with this regulation, with an interim period of three years during which the share capital should amount to CFAF 3 billion.

- Regulation on article 308 whose amendment, according to CIMA, is to ensure greater retention of premium in the markets of the CIMA zone. This regulation provides for obligatory domiciliation of all insurance coverage, with no exception allowed. It also prohibits reinsurance abroad of personal lines, especially motor, cargo, health and life insurance which have to be fully reinsured with companies authorized to operate in the CIMA zone either as companies, underwriting offices or representations. Fire and property risks can only be reinsured abroad to the extent of 50% after prior authorization by the Minister in charge of the insurance sector.

- Regulation on the right of auditors to issue warnings, which provides that auditors of an insurance company shall henceforth bring to the attention of the Commission any act that can significantly influence the financial and accounting situation of the company. The same obligation applies to information on a parent company, sister company or subsidiary obtained by an auditor when carrying out his duty.

- Regulation on the modalities for appointing real estate valuation experts, which provides that the Commission should update and publish in a journal for legal notices, at least once a year, a list of experts that can carry out real estate valuation in microinsurance, insurance and reinsurance companies in each CIMA member country .

- Regulation on penalties for late payment of motor insurance, which amends articles 233 and 236 on penalties for late payment by establishing different rates for losses that occurred before 1 August 2014 (date of entry into force of the 2014 regulation on bodily injury), and losses that occurred subsequent to this date.

- Supplementary regulation on technical assistance, adopted seven years after the basic regulation on technical assistance. This regulation raises the cap of technical assistance bills to 3% of the premium income for non-life companies and 2% for life companies.

- Regulation on management provision and liquidity risk provision, two new technical provisions to be included henceforth in the insurance code.

The first provision is life insurance management provision whose role is to address the shortfall in management and acquisition charges in order to cover the expenses generated by the management and acquisition of contracts. Once constituted, this provision is taken into account in the calculation of the minimum solvency margin of life insurance companies as well as mathematical reserves.

Liquidity risk provision results from the comparison of the overall value of the acquisition of non-depreciable assets with the overall value of the realization of these assets. When the first value is higher, a provision for overall shortfall is constituted called liquidity risk provision. This provision does not exempt the company from constituting a line-by –line provision in accordance with article 410 of the insurance code.

Furthermore, discussions on draft regulations have been going on for many years, namely:

- Draft regulation on profit sharing which aims at including group life contracts and capping management expenses in the computation of minimum profit sharing.

- Regulation on commission discount, which aims at eliminating the practice of zillmerisation provided for in the insurance code and which is the consequence of commission discounts. The adoption of this regulation will lead to the fading away of the network of sales agents, who play a prominent role in the distribution of life insurance products.

These different measures will certainly have a very significant impact on the organization of companies, relationship between insurers and policyholders, the profile of the insurance sector and its development.

As regards the development of the sector, there are two seemingly opposing visions:

1. That of the regulatory organ, which feels that the first milestone is to make insurers credible in order to build a climate of trust between insurers and policyholders. This credibility entails greater transparency in financial disclosure, especially the introduction of periodic accounting, whistle blowing by auditors and supervision of real estate experts.

   Credibility also calls for the respect of commitments and the allocation of the largest share of the resources at their disposal to settle claims and revalue contracts. Regulations on profit sharing, elimination of commission discount, revaluation of outstanding claims and introduction of dissuasive penalties for delay were adopted to this effect.

   Lastly, credibility entails the strengthening of the financial position of companies and the reduction of the number of players to a few that are capable of providing services that can be compared to those of insurers operating in more developed markets. This is the objective of the fivefold increase in the minimum share capital.

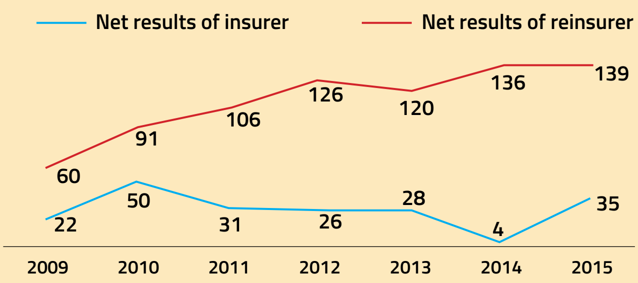
2. For insurers that are FANAF members, the development should be in an enabling environment, which implies a healthy economy, a dynamic financial market and a legislation that is favourable to the exploration of promising niches and the protection of the market.

To this end, reform proposals like those of 2011 on premium collection, amendment of article 308 of the insurance code on domiciliation of premium, reflections on micro assurance, digital technology, takaful and proposals that tend to widen the range of compulsory insurance offers were initiated by FANAF.

Beyond this apparent divergence, it is worth highlighting the fact that there seems to be more areas of convergence than it appears. Indeed, supervisors and insurers are convinced of the need to take strong measures to develop the sector. Therefore, painful concessions are necessary, but it would have been appropriate to plan and give sufficient time for adaptation to get a better value. Such has not been the case, which could explain the feeling of rejection of these reforms in spite of the fact that they are consistent.

Indeed, it is inconceivable to develop insurance without formally prohibiting all insurance abroad. It is also not relevant to expect government authorities to take measures to develop the sector without, in return, envisaging a greater contribution to the economy. The graph below, culled from a CIMA study carried out by Mr Alain OUATTARA of CIMA, shows that the bulk of the profit of the sector goes to reinsurers especially players that are not permanently established in the CIMA zone.

Comparison of the results of non-life reinsurers and insurers of the CIMA zone from 2009 to 2015 (in billions of CFAF)

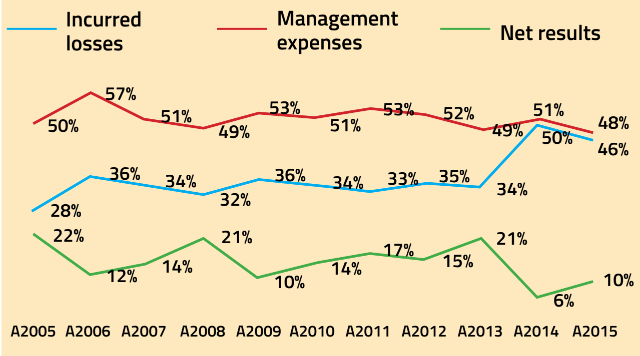


It is obvious that such transfer of profit could not go unnoticed by the tax authorities which, in 2009, adopted measures, in some countries like Côte d'Ivoire, Cameroon and Burkina Faso and later on in Gabon and Senegal, to withhold 25% of reinsurance premiums of non-admitted reinsurers in these countries. A seven-year moratorium, from 2010 to 2017, was declared by the highest authorities of the countries on condition that measures are taken to increase retention of premium locally.

Lastly, it would be mistaken to streamline the market and improve premium retention without players with sufficient size to mutualize the risks and the underlying costs. In this respect, studies have shown that the average size of a company in the CIMA zone is CFAF 5.6 billion; CFAF 8 billion for a corporate group and CFAF4.2 billion for companies that are non-members of a corporate group. Furthermore, it has been noticed in all the CIMA markets that more than 90% of the business, other than motor and health, is held by three or four leading companies. The expected added value from smaller companies that should have taken advantage of underexplored niches is slow to materialize.

The graph below taken from the study by Mr Alain Ouattara shows that for risks like motor, more than 50% of the premium goes to management expenses. The figure exceeds 70% in more mature markets.

Comparison of incurred losses and management expenses in motor insurance from 2005 to 2015 in the CIMA zone



The most emblematic reforms of 2016, namely article 329-3 on share capital and article 308 on domiciliation of risks are inseparable, as retention of risks at the national or regional levels depends on the level of shareholders' funds of the company and the capacity of the players to raise the standard of their services.

According to the authorities, these reforms seem to be a step in the right direction as they have declared another five-year moratorium until April 2022, for reinsurance premium tax.

Will these reforms develop insurance in the CIMA zone? The future will tell. In the meantime, we need to look at the new configuration of the market by 2021.

Based on the 2015 figures, capital requirements of insurance companies of the CIMA zone can be summarized by country as in table 2.

Table 2
(Amounts in CFAF)

Country	No. of companies	Total share capital	Adjusted shareholders' funds-SHF	5 billion requirement	Reserves	Average Capital	Average Capital/ SHF
Benin	12	19 040 820	24 877 616	40 959 180	9 800 232	34 749 104	140 %
Burkina Faso	15	17 265 180	25 318 259	57 783 994	9 191 203	48 592 791	192%
Cameroon	23	56 428 682	64 088 012	65 449 883	14 627 489	57 233 454	89%
CAR	2	2 000 000	2 687 221	8 000 000	687 221	7 312 779	272%
Congo	6	8 086 910	11 446 819	16 913 090	3 674 268	13 238 822	116%
Côte d'Ivoire	27	53 411 276	95 288 142	88 695 939	56 629 181	46 186 500	48%
Gabon	9	20 828 400	41 007 832	25 101 146	21 108 978	12 558 626	31%
Equatorial Guinea	2	3 200 000	4 144 680	6 800 000	944 680	5 855 320	141%
Mali	10	14 383 898	8 364 202	36 430 315	2 489 538	33 940 777	406%
Niger	8	9 623 004	11 085 748	31 794 653	3 048 658	28 745 995	259%
Senegal	24	29 707 740	47 541 559	60 292 260	20 265 205	45 331 462	95%
Chad	3	3 500 000	3 095 741	12 118 366	452 987	11 665 379	377%
Togo	12	18 150 000	9 997 150	51 362 979	3 118 790	48 244 189	483%
Total	153	255 625 910	348 942 981	501 701 805	146 038 430	355 663 374	102%

As indicated in the table, average capital requirements are estimated at 102% of the present level of shareholders' funds, with more or less pronounced disparities depending on the size of the markets.

Contrary to the widely-held belief, major groups that are active in the CIMA zone will not be spared as they have to make an effort to inject new capital equal to or double the current level of shareholders' funds as shown in table 3.

Table 3
(Amounts in CFAF)

Group	No. of companies	Total share capital	Adjusted shareholders' fund-SHF	5 billion requirement	Reserves	Average Capital	Average Capital/SHF
Group 1	13	14 334 080	31 002 865	51 009 985	17 256 494	36 234 902	117%
Group 2	16	29 025 610	39 175 556	53 444 995	12 934 911	45 209 854	115%
Group 3	15	21 137 100	27 250 675	54 294 332	6 725 165	49 504 610	182%
Group 4	11	17 679 890	40 835 396	37 690 647	23 526 042	25 341 682	62%
Group 5	4	14 213 392	23 157 296	5 786 608	8 943 904	657 587	3%
Total	59	96 390 072	161 421 788	202 226 567	69 386 517	156 948 635	97%

As the underlying objective of the legislator is to consolidate the market, the assumptions in table 4 have been made based on the average profitability of the market.

Table 4
(Amounts in CFAF)

Item	Figures
Minimum share capital	5 000 000 000
Return on equity	12.0%
Minimum expected net results	600 000 000
Profitability - life company	4.75%
Profitability – non Life company	4.81%
Minimum premium income - life company	12 635 043 785
Minimum premium income - non life company	12 466 897 531

The impact of the consolidation scenario on the life and non-life markets is summarized in tables 5 and 6, culled from a study by Mr Mamadou KONE, Managing Director of Allianz Vie Côte d'Ivoire, who predicts the disappearance of 2/3 of life companies in the zone. In some markets, this class will purely and simply disappear.

Table 5
(Amounts in CFAF)

Country	Number of life companies	Expected number after reforms	Life premium
Benin	6	1	12 284 300 115
Burkina	7	1	17 996 529 647
Cameroun	8	4	44 259 693 987
CAR	1	0	
Congo	2	0	4 999 080 977
Côte d'Ivoire	11	9	111 346 197 766
Gabon	3	1	18 099 196 180
Equatorial Guinea	0	0	
Mali	3	1	7 817 112 936
Niger	2	0	5 207 625 872
Senegal	9	2	26 652 269 704
Chad	1	0	910 629 033
Togo	5	2	19 857 899 850
Total	**58**	**21**	**269 430 536 067**

For non-life, though not so extreme, consolidation could halve the number of insurance companies.

Table 6
(Amounts in CFAF)

Country	Number of non-life companies	Expected number after reforms	Non-Life premium
Benin	8	2	29 513 778 143
Burkina	8	3	33 024 538 388
Cameroon	16	9	117 296 322 913
CAR	2	0	2 338 109 847
Congo	5	6	68 848 425 208
Côte d'Ivoire	17	11	140 004 672 426
Gabon	6	8	103 349 613 164
Equatorial Guinea	3	1	16 349 057 866
Mali	8	2	25 657 559 639
Niger	6	2	21 332 820 691
Senegal	18	6	74 309 712 166
Chad	2	1	12 734 658 106
Togo	7	2	26 045 187 361
Total	**106**	**54**	**670 804 455 918**

Issues regarding the size of companies, slow settlement and lack of transparency in communication would be taken care of by the consolidation exercise. This will lead supervisors to ensure the strict respect of provisions that develop the market. This is the expectation of paragraph one of article 308, which provides for obligatory domiciliation of insurance, with no exception, in the countries where the risks are located. This could lead to a substantial increase in premium income that cannot be assessed at this stage.

Finally, it is necessary to anticipate the introduction of new insurance policies, especially, householders' comprehensive insurance, construction insurance and, why not end-of-career allowance, to deepen the market for a better protection of individuals.

The state of aviation insurance in Africa: are our skies safe?

By

Mr Adewale ADEWUSI

Assistant Director African Pools Management, Statistics Research and Development
Africa Re - Lagos

Introduction

Global connectivity is not only critical these days but also acts as a catalyst for economic growth. It is a major stimulus for trade, tourism, and foreign direct investment associated with global supply chains.

Africa, which is home to over 1.2 billion people spread across 54 countries, has road and air connectivity issues. In recent years, the African aviation industry has witnessed a growth in mainly privately owned and funded investments in African airline operations. However, the fact that the Aviation industry across the continent is not fully liberalised, still makes travelling across Africa burdensome.

What is the impact of Africa's aviation market on a local insurance industry that is characterised by limited local capacities and falling premium rates?

State of the african aviation industry

The African aviation industry remains a challenging market for a plethora of reasons, which include: investment, health & safety standards, international standards, training and education.

Furthermore, over 260 Airplanes from 18 African countries are banned from entering the European Union because they fail to meet regulatory requirements. In fact, from 2010 till date, there have been 38 local aircraft crashes involving 1028 fatalities[1].

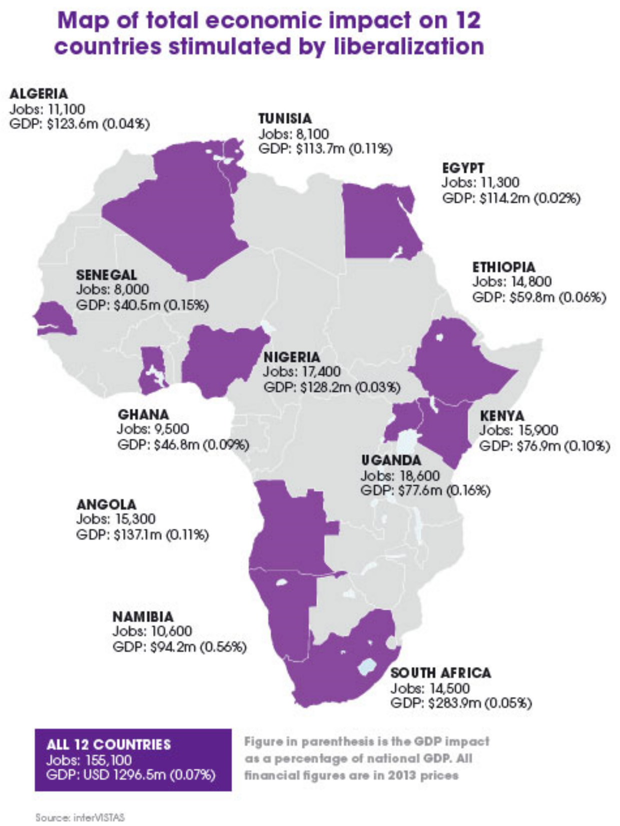
The following statistics further puts the African industry in perspective. Despite representing 15% of the world's population, the 230 airlines present in African airspace operate just 5.5% of the world's commercial passenger and freighter aircraft. Additionally, the average age of the African airlines fleet is the oldest in the world – 17 years as against 13 years for the global average[2]. According to the International Air Transport Association (IATA), 70 million air passengers are transported annually, creating 6.9 million jobs and US$80 million of economic activity in Africa.

The state of the African Aviation industry is intrinsically linked to the growth of its economies. An important effect of the liberalisation of the industry is the increase in intra-African travel, an underserved market. This is evident in a study carried out by IATA using statistical modelling to demonstrate the economic benefits of implementation of the Yamoussoukro Declaration. Its conclusion is that traffic flows between the 12 African countries

1 Africa Re Statistics Division
2 James Collins: Senior Associate Norton Rose fulbright

included in the study are projected to increase from 6 million passenger movements in 2013 to 11 million after liberalisation. Fares would drop by up to 35%, an additional 155,000 new jobs would be created and US$1.3 billion added to the GDP. These are impressive numbers for an industry that currently supports around 7 million jobs and more than US$80 billion in GDP across the continent.

Fig. 1



While open skies pledges – 1988 Yamoussoukro Declaration and 1999 Yamoussoukro Decision – are being signed by most African countries, the problem is with implementation. Governments do not seem to be in a hurry and have in place restrictive policies at odds with liberalisation.

The good news is that the African aviation industry is witnessing growth in mainly privately owned and funded investment in African airline operations. Airlines such as Ethiopian and Kenyan airways have introduced new deliveries to cope with increasing traffic volumes.

As at 2014, there were 332 Airlines from 45 markets actively operating in the continent with over 1700 owned aircrafts and about 100 owned helicopters .
If Governments could reduce taxes paid and focus more on safety and the problem of connectivity, the aviation industry would become a formidable segment of the economy.

Global aviation insurance market

As fresh capital continues to find its way into the aviation insurance market, the industry continues to suffer from low premium rates and high claims costs, making profitability virtually non-existent.
In the airlines market, three of the past five years' written premiums were not able to pay the claims generated. Over a 10-year period, the written premiums were just enough to meet total claims cost across the industry. After discounts and expenses are deducted, the decade old balance is in the red.

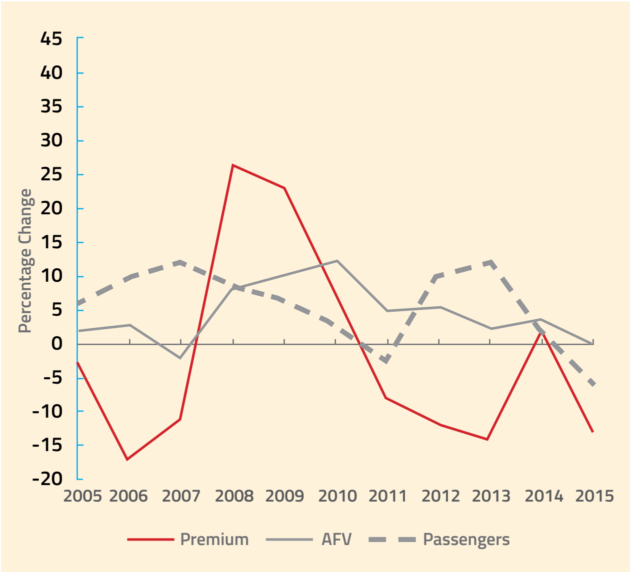
With global premium level falling from a little over US$ 2 billion in 2005 to under US$ 1.3 in 2015 , some analysts believe that prices had fallen too low to be sustainable. To put this in context, premium levels are roughly the same as in 2001 (before 9/11), while the average fleet value and passenger numbers have doubled. This implies significantly increased risk exposures without adequate premium support. And to make matters worse, the total claims for the airline industry in 2015 were in the region of US$1.5 billion with a reasonable estimate for minor losses. A premium level of US$ 1.3 billion means that, for the third consecutive year, claims have been higher than premium.

The unsustainability of premium rates is the reason for the recent migration of capital into other lines of business.

Performance of African aviation risks in the international market

The African airline industry is relatively steady with roughly 5% of the total global lead hull and liability premium. However, the year-on-year movement in total premium written was on a decline from 2008 till 2015 albeit with an increase of about 15% between 2013 and 2014.

Fig 2 Africa: regional premium and exposure movement 2005-2013



The region's exposure in 2016 was flat in terms of average fleet value and -6% in terms of number of passengers as against average global growth of 7% for both metrics. Political instability in North Africa may be having an impact on the airline sector. The region now has the fourth highest average aircraft value, although it lags considerably behind the Middle East, Asia Pacific and, to a lesser extent, Europe.

Table 1

	1995-2014 average	2014	2015	2015/ 2014
Number of Incidents	8	10	4	-60%
Value of claims (US$ millions)	108	306	31	-90%
Number of fatalities	111	110	8	-93%

The total claims for the region in 2015 amounted to US$ 301 million, significantly lower than both 2014 (US$111 million) and the long term average of US$ 108 million. The number of incidents also improved in 2015, highlighting the fact that though it is impossible to eliminate losses, massive safety improvements mean major incidents are less frequent than before.

The African aviation insurance market

The aviation insurance market worldwide is highly specialised and local capacities are limited in the African continent, where there is a strong demand for general aviation risks (with significantly lower exposures in terms of property damage and loss of lives) in addition to airline business. The aviation class of business is small in most countries, and that is the reason for merging it with marine in many markets.

In 2014, the total aviation class (airline, general aviation, aero-space and space) generated a gross written premium in the neighbourhood of US$270 million (2012: US$200 million).

In the largest market, South Africa, there are only five insurance companies writing aviation insurance, concentrating on general aviation risks as opposed to airline business. One of the main reasons is the exposure and the cost of reinsurance protection as aircraft accidents have the tendency to result in large property damage and death claims.

In Botswana, Tanzania and Zambia, in order to comply with local legislation the majority of the business is written as a reinsurance of one of the local insurance companies. The aim is to retain the business within the country. However, in practice, their net retentions are small and in some cases they reinsure 100% of the risk thereby holding no exposure, for fear of a large claim which may unbalance their entire portfolio of business.

Generally speaking, the majority of rates offered by local insurance companies in the continent, are reliant on the terms and conditions that their reinsurers have to offer. In short, over 90% of African aviation insurance premiums are ceded out of the continent.

The African Aviation Pool

The African Aviation Pool (AAP), established in 1983, is the only continental arrangement that offers some form of capacity to local African insurance companies. The Pool is managed by the African Reinsurance Corporation with A rating from A. M. Best and A- rating from Standard & Poors'.

In the past 5 years, the AAP has applied rigorous underwriting principles in the bid to have a balanced portfolio.

For instance, while the number of risks accepted and gross premiums barely changed between 2014 and 2016, the exposures increased by 16% in 2015 and dropped by 7.1% in 2016. It is worthy to note that the 2016 exposure was 7.8% above 2014 levels.

Fig 3(a)

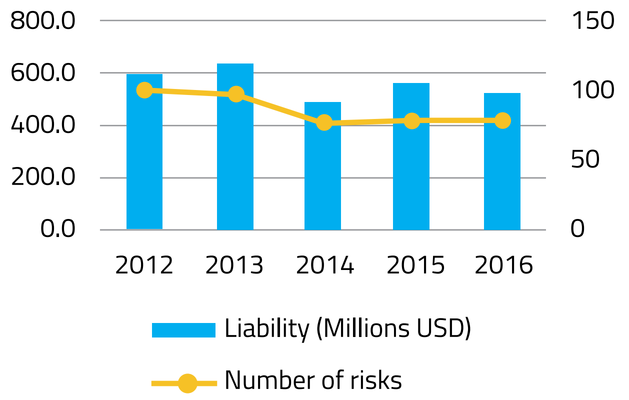
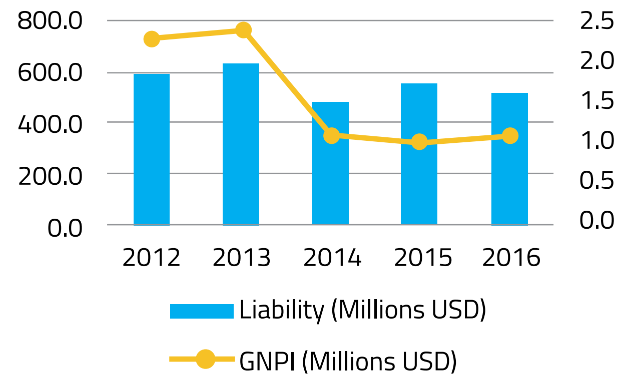


Fig 3(b)



It would be observed from table 2 that due to its strict underwriting philosophy, the AAP was only called upon 2 out of 18 times between 2014 and 1st quarter 2017 to pay aviation claims. The breakdown is as follows:

1. In 2014, out of the 10 crashes involving African aircrafts, the AAP insured only Air Algérie. The crash of 24 July cost US$95 million out of which the AAP's share was US$1.23 million
2. In 2015, there were 4 crashes out of which the AAP was involved in only the Senegal airline crash of 5 September. The total claim was below the Pool's deductible of US$6.5 million.
3. The only aircraft crash in 2016 involved Egypt Air (May 19). The total cost was US$105 million out of which the Pool's share was US$735,000.

Table 2: African aircraft crashes (2014-2017) & AAP involve

2014	No of Incidents		No of Fatalities		Insured claim	
	Total	Insured with AAP	Total	Insured with AAP	Total claim	AAP share
Algeria	3	1	268	116	US$95,000,000	US$1,231,000
Angola	1	0	0	NOT INSURED WITH APP		
Kenya	2	0	5			
Niger	1	0	0			
South Africa	1	0	3			
South Sudan	2	0	1			
Zambia	1	0	0			

2015	No of Incidents		No of Fatalities		Insured claim	
	Total	Insured with AAP	Total	Insured with AAP	Total claim	AAP share
DR Congo	1	0	8	NOT INSURED WITH APP		
South Africa	1	0	3			
South Sudan	1	0	37			
Senegal	1	1	7	1	Nil	

2016	No of Incidents		No of Fatalities		Insured claim	
	Total	Insured with AAP	Total	Insured with AAP	Total claim	AAP share
Egypt	1	1	66	66	US$105,000,000	US$735,000

<table>
<tr><th rowspan="2">2017</th><th colspan="2">No of Incidents</th><th colspan="2">No of Fatalities</th><th colspan="2">Insured claim</th></tr>
<tr><th>Total</th><th>Insured with AAP</th><th>Total</th><th>Insured with AAP</th><th>Total claim</th><th>AAP share</th></tr>
<tr><td>Lesotho</td><td>1</td><td>0</td><td>4</td><td colspan="3" rowspan="2">NOT INSURED WITH APP</td></tr>
<tr><td>South Sudan</td><td>1</td><td>0</td><td>0</td></tr>
</table>

The table below is a five-year summary of the African Aviation Pool which shows that the premium income has been falling since 2012 due to the combined effect of declining premium rates and strict selection of risks. In 2014, there was a large underwriting loss resulting from the Air Algérie crash of 24 July.

Five-Year Summary (US$)

	2015	2014	2013	2012	2011
Subscribed Capacity	7,960,000	7,960,000	8,060,000	8,060,000	7,910,000
Gross Premium	966,610	1,021,177	2,670,621	3,249,244	2,916,746
Profit/(Loss) for the year	160,277	(1,517,317)	371,904	(9,759)	604,506

The above trends and results are a true reflection of the global picture of increased exposures, falling premium rates and occasional large claims.

Conclusion

In the last couple of years, following the Yamoussoukro and Abuja Declarations, there has been a definite move towards liberalisation of the aviation industry, with the emergence of new privately funded airlines and fleets. In spite of this, the African aviation industry still lags behind other regions in terms of key performance indicators such as level of air connectivity, fare costs, government policies and age of fleet.

The global insurance industry which insures at least 90% of African aviation risks, is awash with excess capital which has continued to depress premium rates, thus contributing to the low levels of premium recorded by the industry. This impacts the limited African insurance market as occasional claims, especially from the airline sector, adversely affect the results of the African book.

It is however expected that in the near future, premium rates would firm up if the emerging trend in the global market involving the gradual exit of funds from the aviation sector to more lucrative sectors continues.

Finally, as the aviation industry continues to invest in infrastructure, training, health and safety, it is expected that safer skies will prevail.

The insurance market of Angola

By

Israel MUCHENA

Assistant Director Technical Operations,
Mauritius Regional Office

1.0 Introduction

Angola is part of a community of five countries in Africa that are referred to in Portuguese as *'Países Africanos de Língua Oficial Portuguesa' (PALOP).* With a population of 25 million and a surface area of 1,246,700 sq km, Angola attained independence on 11 November, 1975.

Besides Angola, the other PALOP countries are Cape Verde, Guinea-Bissau, Mozambique and São Tome e Principe. These countries are former colonies of Portugal and have continued to use Portuguese as official language after independence in the 1970s.

Although the Portuguese first arrived in Angola in 1483, they did not show interest in the territory until the commencement of the process for partitioning of Africa at the Berlin Conference of 1884-85.

2.0 Business environment

Angola is the leading African oil producer. In 2016, it produced an average of1.7 million barrels per day. The estimated crude production in 2017 is about 664.68 billion barrels. The economic growth for the period 2016-2020 is estimated at an average of 3.9%.

3.0 Insurance sector

3.1 Historical background

Insurance started in Angola as part of the expansion of business activities of European colonial regimes as was the case in other African insurance markets. Since then, the development of insurance in Angola has been strongly influenced by the key shifts in the national political economy. The history of the development of the Angolan insurance market can be divided into the three epochs as outlined in Table 1 below.

Table 1 - Key stages of development of the structure of the Angolan insurance market

Time Period	Nature of Political-Economy	Insurance Market Structure
1922 - 1975	Colonial capitalist economy	▪ Private insurance companies & agencies ▪ Insurance regulatory body following Portuguese colonial regulatory framework
1975 – 1998	Centrally planned economy	▪ Nationalization of insurance companies ▪ Monopolistic state-owned insurer & reinsurer
1998 to date	Structural reform policies	▪ Liberalization of the insurance market ▪ Admission of insurance broker ▪ Creation of a national insurance regulatory body

3.1.1 Early phase of development – colonial period

The early insurers were general commercial enterprises that operated as insurance agents of insurers in Portugal. The first insurance company was set up in 1922 by Companhia de Seguros Ultramarina from Portugal. Other insurers from mainly Portugal also set up subsidiaries in Angola and the total number of insurers grew to 26 companies during the colonial period.

3.1.2 Transition period

Prior to independence, the Angolan transition government had signed Legal Order number 10/76 on 2 August 1975 to set-up a Coordinating Committee of the Insurance Industry. Following this measure, all the 26 insurers that were operating in Angola were nationalized. Through a Presidential Decree number 17/78 of 1 February 1978, a monopoly state-owned insurance and reinsurance company called Empresa Nacional de Seguros e Resseguros de Angola (ENSA) was established. It assumed the operations of all the insurers that had been nationalized. This measure was in alignment with the economic policy of centralized planning which had been adopted by the post-independence government. The development initiatives of the post-independence government were disrupted by a highly destructive civil war that started soon after independence and only ended in 2002.

On the basis of Resolution number 10/91 of 6 May 1991, there was approval for the Republic of Angola to subscribe to the Establishment Agreement of the African Reinsurance Corporation. From 1998, the government initiated measures to liberalize the insurance market and create an autonomous insurance regulatory body. Then on 3 February 2000, the National Assembly of Angola passed Insurance Law number 1/2000 which provided the legislative framework for the operation of an insurance market based on competition with respect to insurance intermediation services. Towards the end of the same year, Sonangol, the national oil and gas parastatal, initiated the process of registering a second public insurer called AAA Seguros, SARL. Privately owned insurers have also been set up in Angola following the establishment of AAA Seguros in 2001.

3.1.3 Current market structure

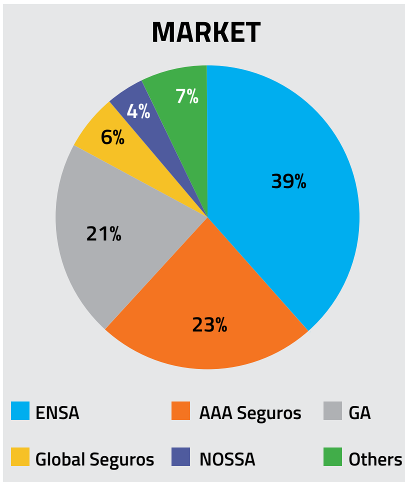
3.1.3.1 Market statistics

As at 1 January 2017, there were 24 registered composite insurance companies in Angola as per Appendix I. ENSA is the largest insurer in Angola. A few of the registered licenses appear to be dormant. The majority of the insurers operating in Angola are new local brands. Given the strong economic base of Angola, most of the capital in the insurance market is from local investors. Portugal is the leading foreign investor in the Angolan financial sector. At this stage, there is one license involving a regional insurance grouping following the recent acquisition of one of the registered licenses by the Saham Group. There are a few other insurers in partnership with Portuguese financial groups.

According to Agência Angolana de Regulação e Supervisão de Seguros (ARSEG), the Angolan insurance regulator, there are 51 registered insurance intermediaries in Angola. There are 6 registered pension fund administration companies as well as 3 insurance companies that are also authorized to administer pension funds.

According to the 2015 market report of ARSEG, only 11 of the 17 licensed operators submitted appropriate financial information as required by the law. From these companies that submitted the required information on their accounts, the total premium income of the top 10 insurers in Angola in 2013 for life and non-life was 97.6 billion Angolan Kwanza, representing US$ 997.45 million as per the exchange rate at the end of 2013. The market shares of the 5 largest insurers in 2013 were as per Figure 1 below:

Figure 1 - Market Share of Top 5 Angolan insurers in 2013



3.1.3.2 Insurance penetration and density

As in most countries in Africa, insurance awareness is quite low in Angola, as evidenced by low insurance penetration and density. The non-Life and life penetrations are 0.98% and 0.02% respectively.

With the recent formation of an insurance association, the market will be more organized and should be able to contribute to efforts aimed at improving the rate of penetration of insurance.

3.1.3.3 Market results

The most recent report on the Angolan insurance market was published in 2015. The report, which was compiled by the insurance regulator in collaboration with PwC Angola, provides comprehensive information on the performance of the top 10 Angolan insurance companies from 2011 to 2013. However, there has been a significant change of the insurance market between 2013 and now.

4.0 Conclusion

In a recent study of key emerging insurance markets worldwide, Angola is ranked as the leading 'frontier insurance market' in Africa (Sigma no. 2/2016). Angola and the other key frontier markets identified in this Sigma study are those countries that currently have low insurance penetration rate but have a potential for significant growth of insurance and other financial services, which are expected to develop due to continued economic growth. Although the Angolan insurance market occupies this top position in Africa, it has not yet experienced the same levels of attention of global investors and intensity of mergers and acquisition as is the case in some of the other key frontier markets that are ranked behind Angola in this classification. It is expected that in the years ahead, the Authorities would provide the necessary enabling environment which would address these concerns.

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Appendix I: List of Insurance Companies as at 31 December 2016

	NAME OF INSURER	TYPE OF LICENSE	ESTABLISHED
1	ENSA Seguros de Angola	Life & Non-Life	1978
2	AAA Seguros	Life & Non-Life	2001
3	NOSSA Seguros	Life & Non-Life	2005
4	G.A. Angola Seguros	Life & Non-Life	2005
5	Mundial Seguros	Life & Non-Life	2006
6	Global Seguros	Life & Non-Life	2006
7	Garantia Seguros	Life & Non-Life	2008
8	Universal Seguros	Life & Non-Life	2010
9	Confiança Seguros	Life & Non-Life	2010
10	Tranquilidade - Corporação Angolana de Seguros	Life & Non-Life	2010
11	Triunfal Seguros	Life & Non-Life	2011
12	Mandume Seguros	Life & Non-Life	2012
13	Protteja Seguros	Life & Non-Life	2012
14	Super Seguros	Life & Non-Life	2012
15	Prudencial Seguros	Life & Non-Life	2013
16	BONWS Seguros	Life & Non-Life	2014
17	BIC Seguros	Life & Non-Life	2014
18	Liberty & Trevo (Angola) Companhia de Seguros	Life & Non-Life	2015
19	Providência Royal Seguros	Life & Non-Life	2016
20	Fortaleza Segura Companhia de Seguros	Life & Non-Life	2016
21	Glinn Seguros	Life & Non-Life	2016
22	STAS Seguros	Life & Non-Life	2016
23	Master Seguros	Life & Non-Life	2016
24	Sol Seguros	Life & Non-Life	2016

NEWS FROM THE REGIONS

East Africa

A. Legislation

Kenya
Marine insurance domestication effective since January 2017

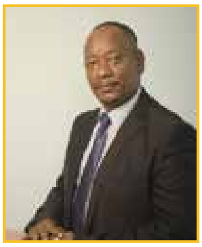
B. New Companies
Ethiopian Reinsurance Share Company became operational as from 1 July 2016.

A new non-life insurance company in Burundi called EGIC commenced operations in March 2017.

Ayo Micro Insurance started operating in Uganda.
BK General Insurance (non-life) started operating in Rwanda in July 2016.

C. Appointments
Managing Directors/CEOs

Malawi



Mr Donbell Mandala
NICO General Insurance Co. Ltd

Mr Eric E. Chapola
NICO Life Insurance Co. Ltd

South Sudan

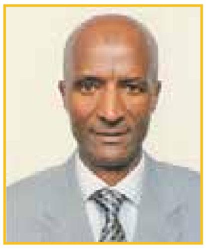
Mr Kris K. Mbaya
UAP Old Mutual

Ethiopia

Mr Netsanet Lemessa
Ethiopian Insurance Corporation

Mr Yewondwossen Eteffa
Ethiopian Reinsurance Share Company

Mrs Zufan Abebe
NIB Insurance Company



Mr Asfaw Benti
Oromia Insurance Company

Mr Hailu Makonnen
Nile Insurance Company

Zambia

Mr Geoffrey Chirwa
NICO

Mr Moses Siame
Professional Ins Co

NEWS FROM THE REGIONS

East Africa

Mrs Irene M. Muyenga
Savenda General Insurance Limited

Mr Hashit Patel
MAYFAIR

Mr David Chakulunta Kandongo
ACACIA Insurance

Kenya

Mr Inderjeet Singh
Kenindia Assurance Co. Ltd.

Mr Ashraf Musbally
Phoenix of EA Co.

Mr James Ngunjiri
PACIS Insurance Co

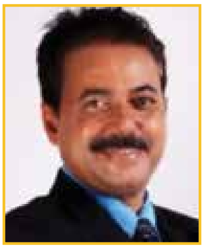
Mr Richard Kihara
Acting CEO, Inta Africa Insurance Kenya

Mr Demba SY
Allianz

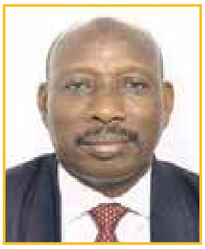
Mrs Milka Kinyuah
Pioneer General Ins Co.

Mr John Kawuma
CIC Life

Tanzania



Mr Suresh Kumar
Metropolitan



Mr Suleiman Khamis
CEO, Sanlam Life

Mr Pradeep Srivastava
Phoenix of Tanzania Assurance

Rwanda

Mr Antoine Uwamungu
Britam

Mr Tony Twahirwa
SONARWA General

Mr Alex Bahizi
BK General Insurance

Burundi

Mr Ndayisaba Willy-Fabrice
EGIC, Burundi

Uganda

Mr Parimal Bhattacharya
Transafrica

Mr David Kuria
UAP

Mr Saul Sseremba
Acting CEO, Insurance Institute of Uganda

NEWS FROM THE REGIONS

African Indian Ocean Islands

A. Economic Environment

Mauritius
The Mauritian economy is expected to grow modestly by 4.0% in 2017.

Angola
Economic growth will remain subdued at a rate of 3.5% in 2017, due to low crude oil prices.

Mozambique
The economy of Mozambique is expected to regain growth momentum at a rate of 7.5% in 2017 subject to the execution of the major gas and coal exploration projects.

B. New companies

Angola
ARSEG, the Angolan insurance regulatory authority granted insurance licenses to the following four new composite insurers:

- Glinn Seguros
- Sociedade Transnacional Angolana de Seguros (STAS Seguros)
- Master Seguros
- SOL Seguros

C. Appointments

Mozambique
Joaquim Maqueto Langa was nominated the new Presidente da Comissao Executiva (Chief Executive) of the state-owned national insurer, EMOSE.

Major Losses

Mozambique
Emodraga lodged a claim of more than US$16 million following a marine accident involving their dredger, Macuti.

NEWS FROM THE REGIONS

Maghreb

A. Legislation and Supervision

Morocco

Insurance: decennial liability and contractors' all risks would be compulsory from 2017.
The following works would be concerned: ground floor plus four storeys and more, residential properties of less than 800 m² and offices and shops below 400 m². The target of the insurers is to cover at least 70% of the dwellings and offices in decennial liability and contractors' all risks.

Natural catastrophes: victims will soon receive compensation
Morocco will soon have its compensation plan against natural catastrophes. The Governing Council in March 2016 adopted bill 110-14 to establish a scheme to cover natural catastrophes, to amend and supplement law 17-99 on the insurance code, a mixed compensation plan.

B. New companies/ Mergers/ Acquisitions / Closures

Algeria

Insurance: 9 new foreign brokers obtain licences
The insurance sector is strengthened with the arrival of 9 new foreign reinsurance brokers. The brokers are, inter alia, Marsh Limited, Market Insurance Brokers Limited, General Reinsurance Services Ltd and Assuraléa.

Increase in the capital of Compagnie centrale de réassurance ('CCR)
The share capital of Compagnie centrale de réassurance (CCR) was recently increased from DZD 19 billion to DZD 22 billion.

This increase is aimed at establishing a solid capital base for CCR to develop its activities.

Change in the capital of Wafa Assurance
Attijariwafa bank and its parent company SNI announced the formation of an alliance by becoming joint shareholders of Wafa Assurance with equal shares. This operation, which will take effect from 2017, will provide Attijariwafa bank with the capital necessary for its international development, in particular in Egypt and in Anglophone African countries.

Saham Assurance obtains a new licence in Burkina Faso
Saham group has obtained a licence to establish a life insurance company in Burkina Faso. With the launching of this new company, dedicated to the life class, the group intends to strengthen its position in a booming market.

Saham Assurance acquires 100% of Mauritian Sun Insurance
Saham Finances SA has announced a 100% acquisition of the Mauritian company Sun Insurance Co Ltd. The entry of Moulay Hafid Elalamy's company into Mauritius, the hub between Africa and Asia, reinforces its network in Africa, especially in East Africa through Kenya, Rwanda and Madagascar.

The Moroccan Atlanta obtains its Ivorian licence
Established in May 2016 in Abidjan, Atlanta Côte d'Ivoire Non-Life on 20 October 2016, was granted the licence required to underwrite all non-life classes. With this investment of CFAF 5 billion (more than DIR 82 million), Atlanta hopes to contribute to the expansion of the Ivorian Non-Life insurance market in which it intends to commence operations shortly, by bringing in expertise of over 70 years and the experience of the Moroccan insurance market, which is ranked 2nd in Africa (after South Africa) in terms of written premium.

Allianz Group finalises the acquisition of Zurich Assurances Morocco
Allianz Group has finalized the 98.9% acquisition of Zurich Assurances Morocco after obtaining the regulatory authorisation. This acquisition is a major milestone in the African strategy of Allianz Group which is already present in 15 African countries. The Group

NEWS FROM THE REGIONS

Maghreb

will be involved in the life and property insurance in Morocco.

The South African group Sanlam increases its participation in the capital of Saham Finances group to 46.6%.

The South African financial group Sanlam which has 30% of the capital of Saham Finances has acquired extra shares, amounting to 16.6% of the capital of the Moroccan insurance group. It will disburse US$ 329 million as part of this transaction, which increases the value of Saham Finances to almost US$ 2 billion.

Tunisia

AMI Assurances has obtained the MSI 20000 certification

AMI Assurances has obtained the MSI 20000 certification, a certification on governance and financial strength.

This certification is issued by the Swiss certifier SGS in collaboration with the Tunisian institution Maghreb Corporate.

Libya

Establishment of two new insurance companies

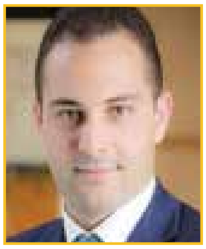
- Libyan Social Security Insurance Company (LSSIC)
- Alawael Insurance Company

C. Appointments/Retirements

Algeria

Mr Baba Ammi HADJI: Chairman of Conseil National des Assurances (CNA) in his capacity as Minister of Finance.

Morocco



Mr Philippe ROCARD: Chief Executive Officer of Axa Assurance.

Mr Ahmed Mehdi TAZI resigns as CEO of Saham Assurances.

Mr Moulay Mhamed ELALAMY: Managing Director Saham Assurances.

Mrs Nadia Fettah ALAOUI: Board Chairperson Saham Assurance.

NEWS FROM THE REGIONS

Maghreb

Tunisia

Mr Kamel CHIBANI: Executive Director of the Federation of Insurance Companies of Tunisia (FTUSA)

Libya

Mr Ramadan Sur ARAFA: Vice-Chairman of the Board of Directors Sahara Assurances.

Mr Faraj Muhammad NASHNOUSH: Managing Director of Sahara Assurances.

Mr Abubakar Ayad ARKAS: Deputy Managing Director of Sahara Assurances.

Fathi R. SASIL: General Manager of Alawael Insurance Company

Mr Nagi BENTALEB: Deputy General Manager of Trust Insurance Company

Major claims in 2016:

Cedant	Cedant	UY	Category	Policyholder	Date of occurrence	100% evaluation in USD	TTY /FAC
Algeria	CAAR & CCR	2016	Fire	NGAOUS	31/03/2016	10 022 967	TTY
Morocco	MAMDA	2016	Agriculture	LA CAMPAGNE AGRICOLE	11/01/2016	92 469 764	TTY
Morocco	ATLANTA & SANAD	2016	Fire	STE TOLBOIS	05/01/2016	5 168 609	TTY
Morocco	RMA & ATLANTA & SANAD & SCR/ARB	2016	Fire	LAPROPHAN	03/04/2016	12 623 532	TTY
Morocco	ATLANTA	2016	Marine	ONE-INTERCONNEXION MAROC-ESPAGNE	14/10/2016	26 088 444	FAC

NEWS FROM THE REGIONS

Anglophone West Africa

A. Economic Environment

Nigeria

The year 2016 will certainly be remembered as one of the most challenging in Nigeria's recent history. Tight monetary liquidity and a slump in oil earnings are the major reasons which led to the country's first economic contraction in over two decades. It was indeed a disappointing year for Africa's most-populous country.

Nigeria recorded four (4) quarters of negative GDP rate. The recession was felt in all segments of the economy.

Ghana

The GDP as at 3rd quarter 2016 stood at 4% against 2.5% as at 2nd quarter of the same year. The performance was supported by the service sector, and a resurgence in oil production from the Jubilee field in 2015.

The insurance industry in Ghana was tagged as one of the fastest growing sectors in Africa. The Insurance sector continues to do well despite the headwinds faced by the overall economy.

Liberia

Liberia's economy was stable with a mere 0.3% growth in 2016. The Ebola crisis has been relatively brought under control, but there are still traces of the negative effect of its outbreak on the Liberian economy.

Sierra Leone

The Sierra Leonean economy is still trying to recover following the effects of the Ebola outbreak which lasted for 18 months. Furthermore, the decline in iron ore prices affected the macro-financial stability of the economy. The GDP of Sierra-Leone dropped by 21.5% in 2016. Meanwhile agriculture, construction and continued public investment will continue to be the engine of growth for the economy.

Insurance premium in the country is still low, but it is expected to pick up slightly.

The currency, Leone, continues to struggle against major world currencies.

The outlook for the economy remains slightly favorable for 2017.

The Gambia

Gambian GDP grew by 4.7% in 2016 mainly due to recovery in agriculture and tourism. Tourism is the major engine of growth for the Gambian economy.

Insurance premium in the country is yet to pick up.
The inflation rate in The Gambia increased to 7.88% in December 2016 from 6.57% in September 2015, while the country's currency, Dalasi, continues to depreciate against world major currencies.
The outlook for the economy is favorable for 2017.

B. Appointments/Retirements/Resignations/Mergers and Acquisitions

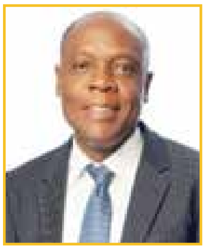
Nigeria

New Managing Directors/CEOs

Mr Alhaji Auwalu MUKTARI: Royal Exchange Plc.

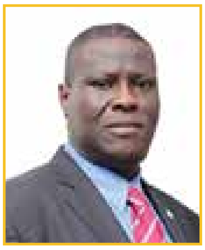
NEWS FROM THE REGIONS

Anglophone West Africa

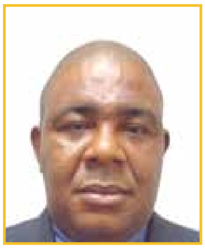


Mr Benjamin AGILI
Royal Exchange General Insurance Company (REGIC).

Mr Rantimi OGUNLEYE
Wapic Life Assurance Limited.



Mr Segun BALOGUN
LASACO Assurance Plc.



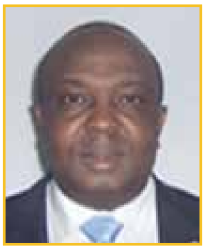
Mr John IJERHEIME
Saham Unitrust Insurance

Mr Polycarp Osee DIDAM
Fin Insurance Company.

Dr Pius O. APERE
Linkage Assurance Plc in February 2017.

Mr Olaotan SOYINKA
Sovereign Trust Insurance Company.

Mr Bode OPADOKUN
FBN General Insurance.



Mr Chukwuemeka IGUMBOR
Zenith Life Insurance.

Mrs Adeyinka ADEKOYA
WAPIC Insurance Plc.

Mr Olatoye ODUNSI
Custodian & Allied Insurance.

OTHER APPOINTMENTS

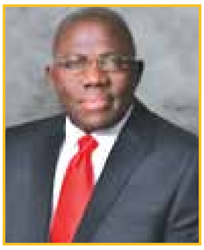
Mr Sunday O. THOMAS was appointed the Deputy Commissioner for Insurance (Technical), National Insurance Commission (NAICOM).

Mr Eddie EFEKOHA of Consolidated Hallmark Insurance was appointed as The Nigerian Insurers Association (NIA)'s 45th Chairman.

Mr Olusegun KAFARU was appointed as the 8th Chairman of Lagos Area Committee (LAC) of the Nigerian Council of Registered Insurance Brokers (NCRIB).

NEWS FROM THE REGIONS

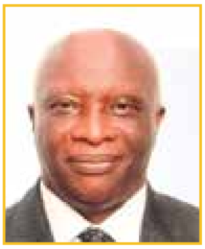
Anglophone West Africa



Mr Aderemi BABALOLA was appointed as Chairman of Law Union & Rock Insurance.

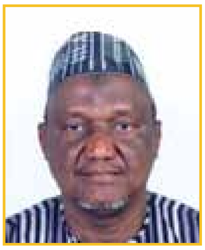
Mrs Mary ADEYANJU was appointed as the Executive Director (Operations) of Consolidated Hallmark Insurance.

Mr Tunde DARAMOLA was appointed as the Executive Director (Finance & Information Technology) of Consolidated Hallmark Insurance



Mr Clem BAIYE

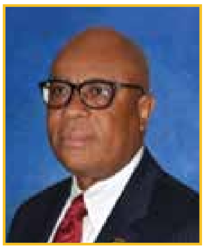
Mr Aikhionbare O. MATT



Col. Aminu I. KONTAGORA

Regency Alliance Insurance appointed Messrs. Clem Baiye, Aikhionbare Osayaba Matt (OON) and Colonel (rtd) Aminu Isa Kontagora as Non-Executive Directors on its board

Retirement



Mr Godwin U. S. WIGGLE retired from Linkage Assurance Plc as the Managing Director.

Mergers & acquisitions

- Swiss Re acquires 25 percent stake in Leadway Insurance
- Standard Alliance Insurance Plc and Standard Alliance Life Assurance Limited have merged
- Liberty Holdco Nigeria, a subsidiary of Liberty Holdings South Africa opens office in Nigeria.
- Unitrust Insurance rebranded to Saham Unitrust Insurance after Saham Finances SA, Morocco, acquired 40% of its total shares.

Ghana

Appointments

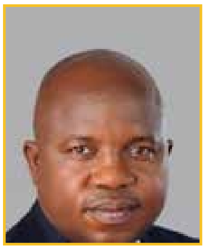
New Managing Directors/CEOs

Mrs Lynda ODRO: Hollard Insurance Company Ltd, Ghana

NEWS FROM THE REGIONS

Anglophone West Africa

Mr Solomon LARTEY: Activa International Insurance, Ghana



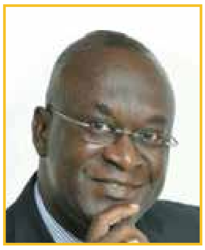
Mr Adedayo AROWOJOLU: Wapic Insurance, Ghana

Other appointment

Mrs Aretha DUKU, MD/CEO of Ghana Union Assurance was appointed as the new President of Ghana Insurers Association (GIA).

Retirement

Mr Kwei Mensah ASHIDAM retires as the Managing Director of SIC Insurance Company Limited, after over 30 years of service to the Company.



Mr Steve KYEREMATEN retires as the Director General of Activa Insurance Limited, Ghana

Mergers & acquisition/rebranding

- Regency Alliance and Nem Insurance merge to become RegencyNem Insurance Ltd
- Hollard acquires Metropolitan Insurance and rebranded as Hollard Insurance Ltd
- International Energy Insurance rebranded after capitalization to Heritage Energy Insurance

C. Major Market Losses

DOL	INSURED	DESCRIPTION	Gross Loss Amount (100% - market)
11/2/2016	Kwame Nkrumah FPSO, Ghana	Damage to Turret Bearing of FPSO	USD1,200,000,000
04/1/2016	Ranona Industries, Nigeria	Fire at the Insured's Premises	USD41,830,065
20/3/2016	Niger Biscuit, Nigeria	Fire at the Insured's Premises	USD2,930,000.00

NEWS FROM THE REGIONS
Francophone West and Central Africa

A. Legislation

New regulations in the CIMA zone

The Council of Ministers in charge of insurance in the CIMA zone adopted a new regulation on share capital and shareholders' equity of insurance companies as well as the domiciliation of the reinsurance of some classes of insurance.

In accordance with the new regulation N° 007 of 8 April 2016, the Council of Ministers amended and supplemented Articles 329-3 and 330-2 of the CIMA Code as follows : the minimum share capital of insurance companies shall be increased from CFA F 1 billion presently to CFA F 3 billion within a 3-year period, and later to CFA F 5 billion within a 5-year period from the date of entry into force of the regulation.

The shareholders' equity of insurance companies should at no time be below 80% of the share capital.

B. New companies

Côte d'Ivoire
Atlanta Assurances

Senegal
Providence: non-life

C. Appointments

Managing Directors

Cameroon
Mr Abanda Abanda Aloys FÉLIX: Chanas Cameroun

Côte d'Ivoire
Mr Ousmane BAH: ATLANTA Assurances

Republic of Congo

Mr Etienne KOUADIO: SAHAM Congo

Gabon
Mr Moussirou STEPHEN: ASSINCO

Senegal

Mr Abderrazak LOUATI: Salama

Mr Awa SY: Providence

Mr Moussa GAYE: WAFA Senegal

Deputy Managing Directors

Mr Dieudonné Magloire EBONGO: Chanas Cameroun

Mr Joseph EYOK: Allianz Cameroun

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, Human Resources & Administration	Assistant Director, Human Resources & Administration	Guy Blaise FOKOU
Corporate Secretariat	Corporate Secretary and Director of Risk Management and Compliance	Séré Mady KABA
	Assistant Director, Corporate Secretariat & Language Services	Roger BONG BEKONDO
Finance & Accounts	Director	Seydou KONE
	Assistant Director, Treasury and Investments	George MENSAH
	Assistant Director, Financial Reporting	Janet KIUNGA
Central Operations	Director	Marie-Agnès SANON
	Assistant Director, Retrocession, Research, Statistics and Development	Adewale ADEWUSI
Information and Communication Technology	Director	Aly SEYDI
Internal Audit	Director	David MUCHAI

MANAGERIAL STAFF

REGIONAL OFFICES

Casablanca	Regional Director	Mohamed L. NALI
	Assistant Director, Finance & Administration	Eshan GAFFAR
	Assistant Director, IT	Mohamed SADRAOUI
Nairobi	Regional Director	Eunice MBOGO
	Deputy Regional Director	Kiiza BICHETERO
	Assistant Director, Fin. & Administration	Jean-Paul TANKEU
	Assistant Director, Internal Audit	Senganda KAYITANA SUDADI
	Assistant Director, Underwriting and Marketing	Phocas NYANDWI
Abidjan	Regional Director	Olivier N'GUESSAN-AMON
Mauritius	Regional Director	Léonidas BARAGUNZWA
	Assistant Director, Finance & Administration	Moussa BAKAYOKO
	Assistant Director, Technical Operations	Israel MUCHENA
Cairo	Regional Director	Omar A. H. GOUDA
	Assistant Director, Finance & Administration	Silifat AKINWALE
West Africa	Regional Director	Sory DIOMANDE
	Deputy Regional Director	Funmi OMOKHODION
South Africa	**SUBSIDIARIES**	
	Managing Director	Daryl De VOS
	General Manager, Finance & Administration	Ibrahim IBISOMI
	General Manager, Operations	John IZEGBU
Africa Retakaful	Managing Director	Omar A. H. GOUDA
	LOCAL OFFICE	
Addis Ababa	Local Representative	Shimelis BELAY