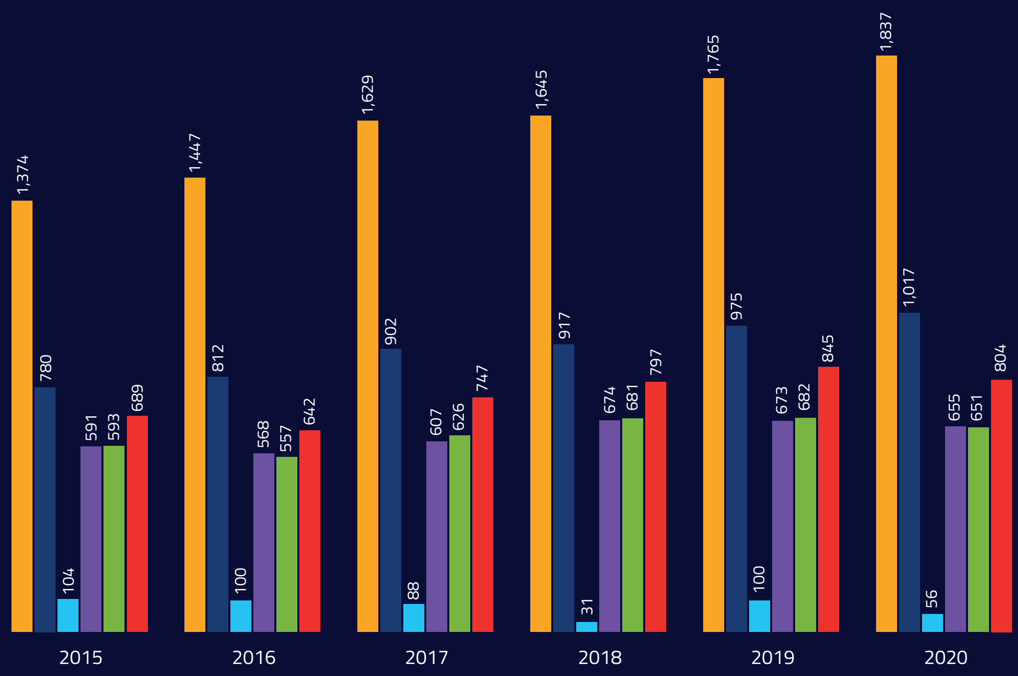
Africa Re News

25th Special Edition March 2022 English

Financial Highlights



A	A-
A.M. Best	**Standard & Poor's**

International Ranking

41st in Top 50 by **AM Best** in 2020	**36th** in Top 40 by **Standards and Poor's** in 2020

Leading Reinsurer in Africa and Middle East

GMD/CEO's Message

Dr. Corneille Karekezi

Dear Clients and Partners in the Middle East,
First of all, I would like to express my sincere gratitude and admiration to the authorities of the Dubai International Financial Center- DIFC for their diligence and pragmatism during the administrative process for the establishment of Africa Re DIFC and also for the mind blowing foresight that they have demonstrated in making DIFC one of the most sophisticated international financial hubs in the world yet with a Middle Eastern flavor.

Dubai, "the destination of all visionary achievers and dreamers" is now hosting the Premier Reinsurer of Africa, Africa Re. This is indeed a visionary move that we are achieving for the satisfaction of our clients in the Middle East and for the extension of the vison of our founding fathers to the sister region, the Middle East.

As we always say, our clients are considered as our priority No.1.
As one of the top 50 global reinsurers, Africa Re considers DIFC as a first step to be followed by further steps for other financial hubs across the world. Africa Re may be new to DIFC but has never been new to the Middle East which it supported for the last 20 years.

> ***Dubai, "the destination of all visionary achievers and dreamers" is now hosting the Premier Reinsurer of Africa, Africa Re.***

We have been indeed closely observing the withdrawal of Reinsurance/ Retakaful capacities from the Middle East. It is now time for us to fill the gap by joining DIFC. This will enable our longstanding clients in the region to enjoy our physical proximity. Please read more about this in the exclusive interview of the Chairman of Africa Re DIFC, Mr. Ken Aghoghovbia on page 5.

We are confident that Africa Re's existence in DIFC would further enhance both Conventional and Takaful markets, and contribute to the development of the Takaful market and Takaful model in the Middle East.

As observed by Arif Amiri, CEO of DIFC Authority, "Africa Re will benefit from the increasing demand for capacity in the market, especially in Islamic finance, and use its expertise to shape the future of the sector". One thing is sure. We have not come to Dubai barehanded. We have come with our 45 years' experience and our A rated international financial credit (A: Excellent by AM Best and A- Strong by S&P) . We have come indeed with enough capacity to support our clients in the region.

The sustained global growth of Takaful has been supported by growing demand for sharia compliant financial services from Muslims and non-Muslims across the GCC, Southeast Asia and Africa.

More so, DIFC is recognized as the leading reinsurance hub in the MEASA region and now home to more than 100 registered insurance, reinsurance, captive firms and insurance-related entities, including four of the top five global insurance companies. This also justifies our decision to get closer to our clients in the Middle East.

Before I round off, I would like to thank Mr. Arif Amiri – CEO of DIFC Authority and Mr. Christopher Calabia – CEO of Dubai Financial Service Authority for the support they extended to Africa Re.

In this special edition of our Newsletter, you will have the opportunity to read about obstacles facing the Takaful business model by Mr. Mohamed Saad Zaghloul, our resident Senior Executive Officer in DIFC, and also about how to revolutionize the penetration of life insurance in Africa and many other insightful articles written by some of our professional staff who keep watch on the trend in the insurance industry worldwide.

> ***We have come to Dubai with our 45 years' experience and our A rated international financial credit (A: Excellent by AM Best and A- Strong by S&P) . We have come indeed with enough capacity to support our clients in the region.***

You will also read about some of our industry engagements including the training sessions that Africa Re offered to its clients in various markets where it operates.

Allow me to also use this opportunity to congratulate some of our meritorious employees namely, Hayley Banks (Johannesburg, South Africa), Mesfin Abebe DAMTEW (Nairobi Regional Office) Chiagozie ANOZIE (Lagos Regional Office) respectively winners of Employee of the year, first and second runner-up.

Wishing you a pleasant reading.

Dr. Corneille Karekezi
Group MD/CEO

Interview with the Chairman of Africa Re DIFC, Mr. Ken Aghoghovbia

What is the main reason behind Africa Re's decision to expand into the DIFC?

Africa Re, through its Cairo Regional Office has been operating in the Middle East since the 1990s and actually witnessed the dramatic developments that occurred in the re/insurance industry within the last decade which resulted in a diminished capacity and restricted reinsurance activities in the market leading to the application of very harsh terms on most re/insurance contracts.

Many of its clients that were adversely affected by the situation reached out to the Corporation for support. To demonstrate its customer centricity, Africa Re yielded to the call by not only filling the gap in capacity but also agreeing to make available the broader support that can only be provided by a local presence . With the DIFC being unarguably the most strategic international business hub in the region, it was therefore not difficult to decide where to locate the office. Africa Re's operations in DIFC are now up and running in close proximity to its clients.

Will Africa Re DIFC offer the full scope of covers provided by the Africa Re Group?

Africa Re DIFC is an underwriting agency authorized by the Africa Re Group to write business in the Middle East in line with the license it has received from the regulators. This broadly includes conventional and Retakaful business.

How involved would Africa Re DIFC be in Retakaful business?

Takaful, i.e. Islamic Insurance is an important component of Africa Re's business. Since it was first introduced in Africa, specifically in Sudan in 1979, Takaful has seen much of its growth in countries with high Muslim populations such as Saudi Arabia, Malaysia, Egypt, Bangladesh, Pakistan and Indonesia

The growth of the Takaful Industry across the globe and the necessity to have highly rated Retakaful operators fill the gap in the Retakaful capacity and decrease the reliance on conventional non-shariaa compliant capacities inspired Africa Re in 2010 to establish its wholly owned subsidiary company named Africa Retakaful Limited, which has turned out to be the largest Retakaful company in Africa.

The Middle East market should therefore be assured that Africa Re DIFC is adequately equipped to serve it.

Apart from the solid reinsurance capacity, how else does Africa Re DIFC plan to support its markets?

In addition to reinsurance capacity, Africa Re usually provides technical support in all the markets where it operates. For the Middle East market, this was being done through the Regional Office in Cairo but now it will be enhanced through Africa Re DIFC.

In some of its markets, the Corporation has provided support in capacity building in such areas as technical pricing of various reinsurance products using different rating approaches that seek to achieve adequate risk pricing .
In line with its capacity building initiatives, Africa Re has through the Young Insurance Professional Program (YIPP) trained 2,250 young professionals from 46 countries in the last three years.

Africa Re is always at hand to support its markets that suffer from substantial natural disasters or pandemics. A recent case in point was where the Corporation through the Africa Re Foundation, approved a donation of US$ 3.32m to various African governments and private institutions at the forefront of the fight against COVID–19. This was directed towards awareness campaigns, preventative measures,

> *The Middle East market should therefore be assured that Africa Re DIFC is adequately equipped to serve it.*

acquisition of medical equipment and personal protective equipment.

In addition, the Corporation readily partners with regulators and other key stakeholders on initiatives targeted at deepening insurance penetration and product development. Africa Re's website is full of articles and reports on these. The specific plans/activities for the Middle East market will be revealed in due course

Takaful Model: Reflexion on the Fundamentals

Part 1

by **Mohamed Saad Zaghloul,**
Senior Executive Officer, Africa Re DIFC

INTRODUCTION

"A man can be married or may be having an affair. The nature of the relationship in both cases could be the same however, what makes such relationship a shariaa(1) compliant or not is THE CONTRACT. Marriage has a clear contract while the other relationship has no or unclear contract"

This was the first statement I got from a shariaa scholar describing the Takaful model from the shariaa compliance perspective.

However, after more than 20 years working in the conventional and Takaful/Retakaful industry, I realized that this statement is not quite adequate and it simply created the perception that the difference between the Takaful and Conventional business models lies in the terminology and the contract. Actually, what makes a relationship shariaa or non-shariaa compliant is the principles, applications and the future impacts of such relationship. The contract is as important as just a legal evidence. Accordingly, this dissertation focuses on the following:-

- The risk/reward mechanism of the conventional insurance business model compared to the Takaful insurance business model describing where the unbalance is coming from.
- The different contractual relationships within the Takaful model and how they create the unbalance.
- Comparison between the features of such relationships from the Islamic finance perspective and the actual applications on the ground.
- Recommendations on the best possible ways to fill such gap between the theory and applications.

The scope of this dissertation reflects the relationships within both the pure Wakala and the mixed (Wakala & Mudharaba) Takaful models which represent the majority of the Takaful business models applied in the Middle East. However, other Takaful models such as Waqf and Islamic insurance models are out of the scope of this dissertation. This dissertation also focuses on the compliance of the Wakala Takaful model and not the investment/ mudharaba model which is a constant factor in Takaful and also to conventional business hence would not be discussed in this dissertation.

1. The risk / reward mechanism of the conventional business model compared to the Takaful business model from the shareholders' perspective

1.1 Common features and the variance between the two business models:

There are common features that have to be apparent in both conventional and Takaful models regardless of the terminology used in the contracts and the differences in definitions. They are basically as follows:-

Conventional business model:

Shareholders' **Capital** → Management → Policyholders' **Fund/Pool**

Takaful business model:

Shareholders' **Fund** → Management **"Wakeel"** → Policyholders' **Fund**

As can be seen from the graphs above, the following are common features for both models:-

1. The starting point should always be the shareholders who form the capital base.

2. The portfolio in both models starts with a "Zero" portfolio of risks protected by the shareholder's capital and then grows until it reaches a certain targeted balance.

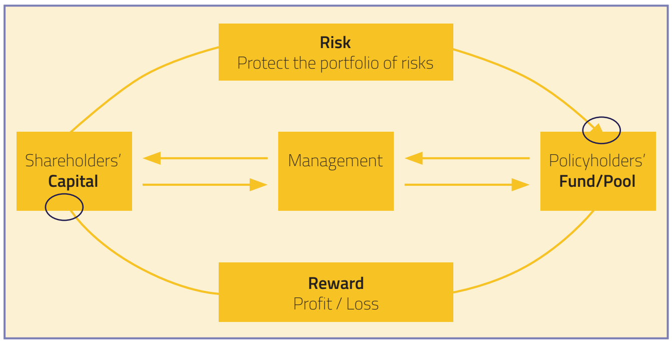
3. The shareholders in both business models assign a management to establish and run the portfolio of risks.

1.2 Risk /Reward analysis – shareholders' identity.
In the light of similar set up of both models, the following facts proved to be inevitable:-

- All Takaful companies are registered within their markets as "For profit organizations" where no cases have been spotted as "Charity organizations" except for very rare cases made for special funds.
- The shareholders forming the capital of both Takaful and conventional companies are either "For profit organizations" or individual investors i.e. "For profit individuals".

1.3 Risk /Reward MECHANISM – Balance in the business model:
From points 1.1 and 1.2, we would realize that Takaful companies are similar to conventional companies working as organizations that aim for profit based on their license and activities in their markets.

1.3.1 Balance under the conventional business model:

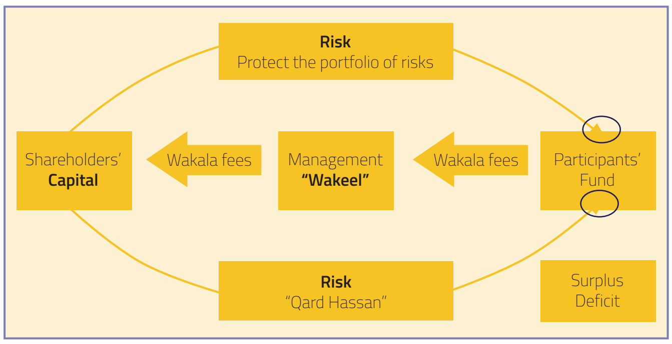


From the graph above, we can conclude the following:-

No.	Details	Risk	Reward
1	Shareholders' capital is formed to carry the risk of protecting the policyholder's portfolio from the "Zero" portfolio stage until it reaches the portfolio balance. So assuming the second policy written by the management had a total loss, the shareholders' capital should be responding to such loss in the light of insufficient funds available in the policyholders' pool of premiums	X	
2	All operational expenses to be incurred by the management and staff are to be also incurred by the shareholders' capital during "Zero" portfolio stage	X	
3	All profits and /or losses resulting from the policyholders' pool of premiums should represent the return for shareholders' capital		X

P.S: The definition of "Risk" in this analysis involves all what cannot be considered within the definition of "Reward".

1.3.2 Balance/unbalance under the Takaful business model:



From the graph above, we can conclude the following:-

No.	Details	Risk	Reward
1	Shareholders' capital known as Shareholders' Fund is again formed to carry the risk of protecting the participants' fund from the "Zero" portfolio stage until it reaches the right portfolio balance. So if the second policy written by the management had a total loss, the shareholders' fund should be responding to such loss in the light of insufficient funds available in the participants' fund.	X	
2	All operational expenses to be incurred by the management and staff is to be also incurred by the Shareholders' capital known as Shareholders' Fund during "Zero" portfolio stage.	X	
3	Any Surplus would be distributed to the participants' fund and not the shareholders' fund.	X	
4	Any Deficit would be funded by the shareholders' fund as "Qard Hassan" which will be deducted from any future surplus by the participants' fund. In case of no surplus made in the forthcoming financial periods, no guarantee is given by the participants' fund to such "Qard Hassan" paid by the shareholders' fund.	X	
5	Participants' fund pays to the management/ shareholders' funds a Wakala fee. In theory, Wakala fees are designed to cover the expenses incurred by the shareholders in the management of the participants' fund, and to provide a reasonable margin for profit to cover the shareholder's cost of capital (2)	X	

P.S: The definition of "Risk" in this analysis involves all what cannot be considered within the definition of "Reward".

1.3.2.1 Wakala fee and profit sharing element:
A counter argumentation may classify point no. 5 as a reward and not a risk however, the lack of profit sharing element has eliminated such argumentation due to the following:

- The margin for profit that is built in the wakala fees represents the shareholders' minimum cost of capital to be charged (opportunity cost) and is not related to the profit/loss status of the participants' fund i.e. it would be paid whether the participants' fund is showing a profit or a loss. Accordingly, it's a CHARGE of profit and not an APPROPRIATION of profit (3).

- The wakala fees are determined at the beginning of participants' fund financial period while the profits/ loss are earned after the end of the financial period.
- The pure profit/loss is always an "uncertain" percentage while the wakala fee is a "certain" percentage.

- The remaining elements of the Wakala fees are to cover the expenses incurred by the shareholders in the management of the participants' fund.

1.4 Conclusions and Questions

- From the above points, we can conclude the following:-

1. The Takaful model from the shareholders' perspective represents a RISK all the time and has no element of REWARD.

2. There is a confusion between the "Charge of Profit" and the "Appropriation of profit" in the Middle East Insurance / Takaful industry.(2)

- The unbalance in the mechanism of the Takaful model compared to the conventional has led to the following questions:-

- What is the consideration (interest/incentive) for the shareholders against carrying the risk of establishing the participant's fund especially as it's now confirmed that they are "for profit organizations/individuals"?
- What is the consideration (interest/incentive) for the shareholders to pay "Qard Hassan" for the participants' fund in case of deficit where there is no guarantee for settlement of such loan from the participants' fund side and again it's now confirmed that the shareholders are "for profit organizations/ individuals"?

- Why should Surplus be distributed to the participants' fund while deficit is to be funded by the shareholders' fund and later on be settled from any future surplus and why can the management not simply go back to the participants' fund and ask for more contributions to cover the deficit?

- If participant's fund is viewed as almost the owner of the fund (portfolio of risks) and give the shareholders "represented by the management" Wakala fees for managing the fund, why do they need a capital to be formed by the shareholders? Logically, the owners are the ones who provide the capital.

- Why should the shareholders assign the management if they are not considered as the owners and why does the participants' fund have no representation in the board and cannot assign the management?

- Who actually owns the Takaful organizations?

- Is this mechanism actually following AAOIFI standards as well as other Islamic finance parameters/measurements?

In order to answer the above questions, we have to describe the different contractual relationships within the Takaful model and spot the light on why there is an unbalance?

" Life Assurance plays crucial financial roles in the life of individuals and the economy of countries. It enables individuals to realize personal financial planning goals regarding financial protection and savings. It drives a country's economic growth"

LIFE ASSURANCE:
Revolutionizing The penetration Agenda in Africa

Part 1

By **Africa Re**

Life Assurance is an agreement between a life assurance company and a policyholder; in return for a payment (premium) from the policyholder, the company commits to pay the nominated beneficiaries a benefit upon the death of the person whose life is being covered and if applicable a cash value when the policy matures.

Life Assurance plays crucial financial roles in the life of individuals and the economy of countries. It enables individuals to realize personal financial planning goals regarding financial protection and savings. It drives a country's economic growth. Individuals can protect their dependents against financial strain arising from premature death, and their income when disabled. They can protect investments in the event of premature death, protect income against tax as well as provide a source of funds for estate tax. They can also save for short and long-term financial needs to fund children's education and to own family house, start a business, and guarantee regular income at old age.

The economy benefits immensely as citizens use life assurance to save for their financial needs. Life assurance accumulates substantial funds from the savings and lends them to governments to develop infrastructure that makes the economy attractive to investors. Investors access part of the funds to build industries and businesses that enhance gross domestic product. A combination of infrastructural and industrial developments generates multiplier effects through job creation for the citizens, and need for more industries when demand for more goods and services increases as employment rises.

The extent to which life assurance fund is available for developing an economy depends on life assurance penetration rate. High life assurance penetration rate helps the economy grow fast.

What is Insurance Penetration Rate?

Insurance penetration is "the ratio between the value of premiums written in a particular year in a particular country to the Gross Domestic Product (GDP) of the respective country"1. From the point of view of contribution to national economy, the penetration rate is "a country's insurance premium as a percentage of its gross domestic product, and indicates how much the insurance sector contributes to the national economy"2. Penetration rate also indicates the level of development of the insurance sector in the country and a measurement of the ratio of premium underwritten in a particular year to the gross domestic product3.

Nature of Life Assurance and Effects on Penetration Rate

The nature of life assurance is a major factor in its penetration rate. The premium components on life policies contribute significantly to the penetration rate. Unlike non-life insurance, life assurance addresses both risk and savings. Life assurance can be risk protection business only. It can be savings business only. It can combine both.

Risk protection products generate very low premium for very high benefits. This is peculiar to all kinds of term assurance, and income protection insurance/disability income insurance. Whole life assurance is essentially a protection product with very long-term assumption in premium calculation. The assumption on the premium makes it higher than the initial protection risk to generate some reserve in the initial years. Savings products attract higher premium. The bulk of it goes into the life fund as reserve, payable on maturity. Such products include Children's Education Products and Home Ownership Products based on Investment Plans; Others are Deferred Annuities, Deposit Administration Fund, Investment-Linked or Unit-Linked Plans. Besides being long-term sources of investment funds, they contribute more to the premium volume that determines the penetration rate.

" The extent to which life assurance fund is available for developing an economy depends on life assurance penetration rate. High life assurance penetration rate helps the economy grow fast.

" the predominant life assurance component (whether risk protection or savings) is a significant factor in penetration rate in African countries."

Data on global life assurance portfolio puts the contribution by savings products to gross written premium at 81%. **In effect, the predominant life assurance component (whether risk protection or savings) is a significant factor in penetration rate in African countries.** If life insurers in African countries put more emphasis on risk protection business like employee group life term assurance, penetration rate will be low. On the other hand, more focus on savings products will produce higher penetration rate with positive effect on national economic growth.

Life Assurance Penetration Rate in African Countries

The performance of African life assurance business in monetary value and penetration rate is very low. Data from various sources point to the fact that life assurance contribution to economic development in African countries is rather low. South Africa is a unique exception in volume, share of insurance business premium, and penetration rate.

Tables 1 and 2 are extracts from the statistical data for year 2020 from Swiss Re Institute: Sigma No. 3/2021 on global performance of life assurance. The data analyzed life assurance performance for 147 countries. It ranked 88 of them in terms of Gross Written Premium (GWP) in US$ and Penetration Rate. Table 1 shows the performance of the Nine (9) African countries that made the list of 88 countries in premium volume, share of insurance business, share of world market, and their ranking. The share of life assurance premium in South Africa stands out clear. It accounted for 81.80% of the insurance business in the country, which also translated to a high penetration rate.

All the African countries had gross written premium of US$45,911 million and US$41,097 million in years 2019 and 2020. They represent 1.59% and 1.47% of the World life assurance market. South Africa contributed US$37,754 million and US$33,258 million of the gross premium by all the African countries, an indication that other African countries have a lot to learn from its business model.

Table 1

Ranking of African Countries Life Assurance Gross Premium Volume for 2019 and 2020

Country	Premium Volume (in Million USD)		Share of 2020 Total Business (%)	Share of 2020 Total World Market %)	Ranking	
	2019	2020			2019	2020
South Africa	37,754	33,258	81.80	1.19	16	14
Morocco	2,128	2,239	44.10	0.08	46	45
Egypt	870	1,094	45.80	0.04	57	54
Kenya	955	976	44.40	0.03	56	55
Nigeria	725	642	52.90	0.02	59	60
Ghana	322	369	48.60	0.01	71	70
Ivory Coast	287	297	43.30	0.01	73	73
Tunisia	191	213	23.70	0.01	79	76
Algeria	120	96	9.00	0.00	85	86
Other African Countries	2,559	1,193				
Africa Total	**45,911**	**41,097**				
World Total	**2,888,248**	**2,797,436**				
Africa as % of World Total	**1.59**	**1.47**				

Source: Swiss Re Institute: Sigma No. 3/2021

Table 2 shows the Penetration Rate of the nine countries and their Ranking among the 88 countries. South Africa has significant penetration rate of 11.2% in 2020, ranking 4th among the group of 88. Perhaps, focus on savings life assurance products made this possible. The nearest African country (Morocco) has 2% penetration rate, ranked 34; while Kenya's penetration rate is 1% occupying the 57th position. Nigeria ranked 88 among the countries with a penetration rate of just 0.2%. It reflects the country's over-emphasis on group life term assurance business.

Table 2

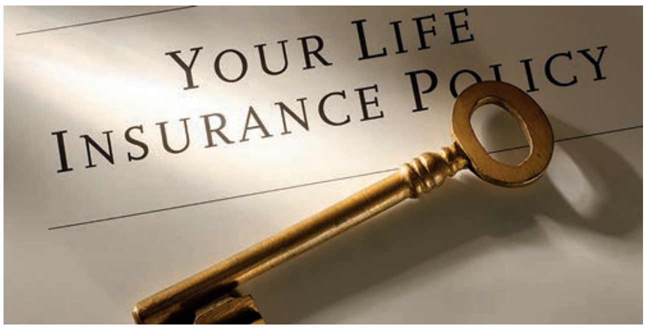
Ranking of African Countries Life Assurance Penetration Rate for 2020

Country	Penetration Rate: 2020 (%)	Ranking
South Africa	11.2	16
Morocco	2.0	46
Tunisia*	0.5	57
Kenya	1.0	56
Ivory Coast	0.7	59
Ghana	0.5	71
Algeria*	0.1	73
Egypt	0.3	79
Nigeria	0.2	85

Source: Swiss Re Institute: Sigma No. 3/2021

Note*: Ranking takes into account Total Insurance Business (Life and Non- Life Business)

Part 2 of this article will consider the likely causes of low penetration and the way forward for Africa life insurance market.



" The performance of African life assurance business in monetary value and penetration rate is very low "

Part 2 of this article will consider the likely causes of low penetration and the way forward for Africa life insurance market.

Nairobi Regional Office

Insurance Retreat For Africa – 26 to 28 January 2022

by **Lucy Nganga,**
Manager - Underwriting and Marketingr)

African Reinsurance Corporation (Africa Re) has continued to live up to its mandate of promoting the development of the insurance industry in Africa, as evidenced by the recently concluded Insurance Retreat that took place in Zanzibar in January 2022. The retreat was organized by Africa College of Insurance & Social Protection in partnership with Insurance Companies Forum of Tanzania and Association of Tanzania Insurers and was themed: Increase Insurance Penetration & Growth. The participants were top executives of the insurance industry in Africa and other stakeholders.

The choice of the theme was timely in view of the declining insurance penetration in Africa. Swiss Re's Sigma No.3/2021 report indicates that as of 2020, the average penetration rate stood at 7.4% and 2.6% globally and in Africa respectively. Insurance penetration in Africa declined from 2.78% in 2019 to 2.6% in 2020 and renewed conversations on this topic would not have come at a better time.

Dr. Corneille Karekezi during his presentation

As the pan-African Reinsurer, Africa Re played a major role as a premium sponsor of the event. The Group Managing Director Dr Corneille Karekezi was one of the main speakers presenting a paper on Life Insurance - Revolutionizing the penetration agenda in Africa. The event also presented an excellent opportunity for high-level client engagement by Africa Re's Nairobi Regional Office management.

Africa Re's participation at this forum, collaboration with local authorities, insurance regulators and other stakeholders not only endorsed proximity to the market but also reaffirmed its commitment towards championing growth and development of the insurance industry in Africa.

This gesture was favorably received by the market.

A word from the Regional Director, North-East Africa and Middle East

Gamal Sakr,
Regional Director, North-East Africa and Middle East

I am proud to announce that Africa Re is increasing its footprint by opening another office location in Dubai. The new office located at DIFC signifies Africa Re's continued growth and development and also signifies the importance of Middle East markets to us.

We are bringing our expertise, strong solvency & financial strength and our ranking as one of the top largest 50 global reinsurers in the world to support the Middle East insurance industry and to grow our business relationship with our cedants through local presence instead of overseas operating model.

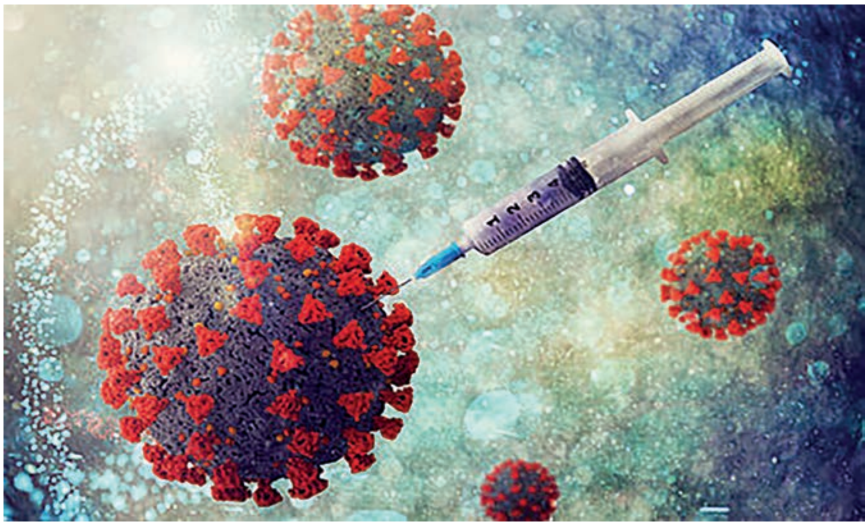
DIFC is an excellent location for our growth in the region. We are proud to be part of the highly respected financial hub and pleased that our new office is the only Retakaful reinsurer in DIFC beside provision of Conventional reinsurance solutions to our clients.

Nairobi Regional Office

Vaccines:

Covid -19 Silver Bullet?

by **Dr. Moses Koinange,**
Life Medical Manager
Nairobi Regional Office



The ongoing coronavirus pandemic has had an enormous toll on the health, social and economic wellbeing of people around the world. Several measures have been introduced by public health authorities to reduce the impact of the pandemic on our social and economic order and to maintain functioning health systems for the public good. Recommendations including limitations on the freedom of movement, use of masks and respiratory and hand hygiene aided in this effort and continue to be used around the world. These multiple approaches and interventions in the public health response have resulted in positive outcomes as a whole but vaccines have remained one of our greatest controversial successes.

[1] A recent study conducted in Brazil by Cerqueira-Silva et al, involving 14 million people confirmed booster shots improved overall outcomes of Covid infections. When compared with unvaccinated individuals, people with the booster doses had improved outcomes of severe diseases of 97.3% 14-30 days after the booster. It is of interest to note that this study further confirmed that compared with younger age groups, individuals 80 years of age or older had lower protection after the second dose but similar protection after the booster.

" 14 million people confirmed booster shots improved overall outcomes of Covid infections"

[2]A further study done by Wiecek, W. et al. confirmed that half or even quarter doses of some vaccines could generate high levels of protection and reduce the risk of severe disease.

[3]The Sadoff et al. study has shown despite the new variants, the different vaccines were severally proven effective against severe to critical coronavirus disease. This evidence continually points to the fact that the introduction and widespread availability of safe and efficacious vaccines will reduce the overall burden of disease at a population level; vaccinating more people, faster, could substantially reduce total infections and deaths within a reasonable time period and result in removal of restrictions that could have an impact on national economies and the social wellbeing of individuals.

1 Cerqueira-Silva, T., S. V. Katikireddi, V. de Araujo Oliveira, R. Flores-Ortiz, J. B. Júnior, E. S. Paixão, . . . V. S. Boaventura (2022). "Vaccine effectiveness of heterologous CoronaVac plus BNT162b2 in Brazil." Nature Medicine.

2 Wiecek, W., A. Ahuja, E. Chaudhuri, M. Kremer, A. Simoes Gomes, C. M. Snyder, . B. J. Tan (2022). "Testing fractional doses of COVID-19 vaccines." Proc Natl Acad Sci U S A 119(8). https://www.ncbi.nlm.nih.gov/pubmed/3513189

3 Sadoff, J., G. Gray, A. Vandebosch, V. Cardenas, G. Shukarev, B. Grinsztejn, . . . E. S. Group (2022). "Final Analysis of Efficacy and Safety of Single-Dose Ad26.COV2.S." N Engl J Med. https://www.ncbi.nlm.nih.gov/pubmed/35139271

Nairobi Regional Office

Insurance Fraud.

Why think-like-a-criminal helps?

By **Omar Zarai,**
Senior Manager, Underwriting and Marketing, Nairobi Regional office

One of the major concerns of the insurance industry nowadays, is the payment of fraudulent claims as the trend is increasing year after year which heavily impacts the revenue accounts of insurance companies. Fraudsters have been motivated to do so by several factors including economic regression, stiffening of competition environment, advancement of technologies opening a lot of possibilities for scams, the general perception that insurance companies are rich thus worth pursuing even illicitly… and other motives that make insurance an easy target to exploit. Hence, more than before, insurance companies are facing the necessity to invest in training of claims teams, mitigation measures for early detection of fraud, investigation services… in order to reduce to maximum the outflow due to fraudulent claims payments.

Insurance Fraud is the deliberate act of deception with the objective of obtaining financial gains out of an insurance contract or policy. It can be perpetrated by the insured as well as the insurer, agents, or brokers. For example, a broker might deceive the insured that he has a policy in force when in effect, he collected the premium with the intention of keeping it and not declaring it to the insurance company.

The act of defrauding insurance is illegal and thus punishable by penal law. It is as well one of the conducts that voids an insurance contract and is estimated to be causing billions of dollars in insurance losses every year and professionals estimate that about 30% of losses paid by Insurers are fraudulent. For example, according to the FBI, the total cost of insurance fraud in America (non-health insurance) is estimated to be more than US$40 billion per year! That means Insurance Fraud costs the average U.S. family between $400 and $700 per year in the form of increased premiums!

Fraud can happen any time between the declaration of insurance (proposal) all the way to the claims stage. When submitting a declaration, insureds may be tempted to misrepresent information intentionally in order to benefit from lower premiums. In some instances, insureds declare that they have never suffered a loss when in reality they have, leading to the insurer charging a lower premium for a higher risk. There are various other ways of defrauding insurance and some individuals with bad intentions have really showed creativity in this field

> ***", more than before, insurance companies are facing the necessity to invest in training of claims teams, mitigation measures for early detection of fraud "***

- Inflating claims,
- Declare phantom claims. Claims that never actually happened.
- Submitting claims for injuries or damage that never occurred.
- Staging accidents or thefts, voluntary arson…
- Falsifying medical history,
- Post-date policies.
- Faked death or kidnapping,
- The list goes very long as ingenious fraudsters can be…

" The act of defrauding insurance is illegal and thus punishable by penal law. It is as well one of the conducts that voids an insurance contract and is estimated to be causing billions of dollars in insurance losses every year"

The following details some types of frauds that affect Motor and Personal Accident policies which by experience constitute the highest frequency in fraudulent losses though not necessarily presenting high intensity claims. However, when aggregated, they sum up to considerable number of claims paid as well as an increased administrative cost in handling claims:

- **Phantom Cars**

With a phantom fraud scam, a person will arrange insurance for a fake vehicle (a vehicle that does not really exist, or it exists but is not in any use condition, or a vehicle that does not have genuine papers...). This type of trafficking happens a lot across boarders for example between USA and CANADA or Between DRC and Kenya... where vehicle parts are dismantled and assembled using other registration/ chassis numbers. After a short amount of time from the date of buying the insurance, the person will report that the vehicle was stolen and collect the claim money from the insurer.

- **Paper Collision**

The most known method of paper collision is when two (or more) parties agree to fake an accident case by declaring a collision that actually never happened between two vehicles that had already suffered damages. Only an experienced loss investigator will notice and suspect a fraud if for example paint on one vehicle in the hit part does not match the colour of the other vehicle involved in the "accident".

- **Staged Collision**

Staged collision happens when two (or more) parties agree to act a collision (just like acting a movie) in order to recover insurance money. This type of collision usually requires the services of criminal rings that will stunt the collision on behalf of the owners. Sometimes fraud owners are bold enough to attempt the collision themselves for better credibility and also to unlawful compensations under the Personal Accident Schemes. It is more common with certain types of vehicles:

- Vehicles too used and repair costs exceed the actual value.
- Vehicles that have low resell value because there is no demand on them. When the owners are not able to find a buyer.

Staged collision is continuing to cost insurers a lot of fraudulent claim because even when the insurer suspects a case of stage collision it is usually very difficult to prove and the insurer ends up paying the claim. Costs are then transferred to the pool of insureds in form of increased premiums for next renewals.

" Motor and Personal Accident policies which by experience constitute the highest frequency in fraudulent losses though not necessarily presenting high intensity claims"

- **Theft rings**

Auto-theft is a lucrative business for gangs and organised crime bands. Vehicles are stolen for spare parts that can either be sold in the black market locally or exported under different facades. In some cases, leasees work with theft rings in order to benefit from the insurance indemnity. Certain vehicles are more exposed to theft rings because there is a big demand market for the spare parts that sometimes are too expensive or not available (Luxurious vehicles).
Theft rings are a type of organised crime, so they usually plan and act in a very organised manner which makes it difficult for third parties to notice. For example, they usually have connections in many administration departments that help forge papers, they target models of same colour, make, year... and forge duplicated vehicle registration number (VIN) which can be later sold to unsuspecting buyers for cash...

Last July 2021, 17 defendants were arraigned in California USA for their alleged involvement in an organized auto insurance fraud ring in which dealers reportedly purchased damaged vehicles and then filed inflated claims and even staged thefts, costing insurers a roughly $822,000 loss.

You can read the full story and have an insight of how these rings operate under https:// www.insurancejournal.com/

Insurance Association of Zambia : 8th Annual Confernece

Nairobi Regional Office

By **Omar Zarai,**
Senior Manager, Underwriting and Marketing, Nairobi Regional office

Insurance Conference 2021: From left to right - Mrs N Ntini, Acting Deputy Registrar for Insurance at PIA, Mr H Kabwe President of IBAZ, Ms C Banda President of IAZ, Mr D K Chisenda Permanent Secretary for Economic Management and Finance at Ministry of Finance, Mrs Mbao PIA Board Chairperson, Mr J Kasanga DOP, Mrs K Ngwira Acting Registrar for PIA and Dr N Mwahsika, IAZ Executive Director.

The Insurers Association of Zambia (IAZ) held the 8th Annual Insurance Conference at the Bonanza Resort in Lusaka from 17 to 19 November 2021, under the theme "Enhancing public perception of insurance to support economic growth". The theme highlighted the importance of perception for uptake of financial services, and in particular insurance.

Perception is shaped by a number of factors such as financial education, reputation, product design, service delivery and wise handling of concerns and complaints, among others.

On the first day, the conference was officially opened by the Guest of Honour: Mr D K Chisenda Permanent Secretary for Economic Management and Finance at the Ministry of Finance. The conference was sponsored by various players including Africa Re (Gold Sponsor), and was a great opportunity for Re/insurers, Brokers, Actuaries and regulators to exchange ideas, learn from different experiences, and review a wide range of strategies for enhancing public perception of this vital risk management tool known as insurance. The key themes presented during this major country event were:

- Economic outlook and the Zambian insurance landscape,
- Effective Corporate Governance and the respective roles of Board and Management members, for effective management of institutions. By Ambassador Dr Mumba KAPUMPA a university lecturer.
- Mental health and workplace dynamics especially during COVID-19 times. Dr Maria Akani spoke about mental health, insurance and the workplace. She emphasized that the mental health of employees should be a great concern, and their well-being is in the best interests of employers and organisations as a whole. Dr Akani is a qualified Clinical Neuropsychologist, Psychiatrist and life coach.
- Implementation of the Insurance Act no 38 – 2021 presented by Mrs Namakau Ntini Ag Deputy Registrar at the Pension and Insurance Authority (PIA). According to Ms Christabel M. Banda, IAZ President, the new Insurance Act is expected to have a positive impact on the insurance sector, to help boost uptake of insurance, make room for enhanced service delivery and allow for the formation of specialised microinsurance entities.
- Public perception, public relations and complaints handling.
- COVID-19: Reshaping how we do business

Mr. Omar Zarai (Senior Manager Underwriting and Marketing) represented Africa Re Nairobi Office in the event and seized the opportunity to meet our Zambian partners during the conference and in their offices to discuss matters of mutual interest in particular : 2022 treaty renewal, major market opportunities and challenges, technical support and trainings… He also courteously met with a team of officials from the Ministry of Finance headed by Mr. Maketo Mulele Director, Economic Management as well as with Mrs. Namakau Ntini from the Pension and Insurance Authority to discuss major market changes and reiterate the support of Africa Re to the insurance industry in Zambia.

Lagos Regional Office

Bankers Blanket Bond & Professional Indemnity Webinar: 19th – 20th May, 2021

Lead Facilitator:

Yinka Dawodu,
Assistant Director Underwriting & Marketing

This webinar was organized by the West Africa Regional Office in collaboration with the Sierra Leone Insurance Association (SLIA) in order to bridge the knowledge gap on the subjects. It was designed for Heads of Technical, Underwriting Managers, Senior Underwriters to further enhance their skills in the underwriting of these classes of insurance.

The two-day training covered underwriting of Bankers Blanket Bond, Professional Indemnity, Asset All Risk and Fidelity Guarantee. Sixty-eight (68) participants attended the training, from all insurance companies in the market including staff of Sierra Leone Insurance Commission (SLICOM) and the insurance broking sub-sector.

Mr Raymond Macaulay, the President of Sierra Leone Insurance Association, in his closing remarks expressed satisfaction and thanked Africa Re for agreeing to support the market with this webinar. He stated that the market would appreciate more of such trainings in future.

WINNERS OF THE 2021 GROUP EMPLOYEE OF THE YEAR AWARD

GROUP EMPLOYEE OF THE YEAR AWARD 2021

By - **Human Resource Department**

Winner

Hayley BANKS

Senior Manager, Technical Accounting
Africa Re South Africa Ltd(ARCSA)

Played (and continues to play) a key role both for ARCSA and the Group in the implementation of SICS.

- Originally selected as one of the SICS Champions for ARCSA, her work ethics and ability to comprehend the requirements of the system have seen her play a significant role across the entire project.
- She is the "go – to" person regarding any issues concerning SICS and has played an anchor role in this respect across the Group.

Presentation of the employee of the year 2021 Award to Ms. Harley Banks by the Managing Director of ARCSA on behalf of Management.

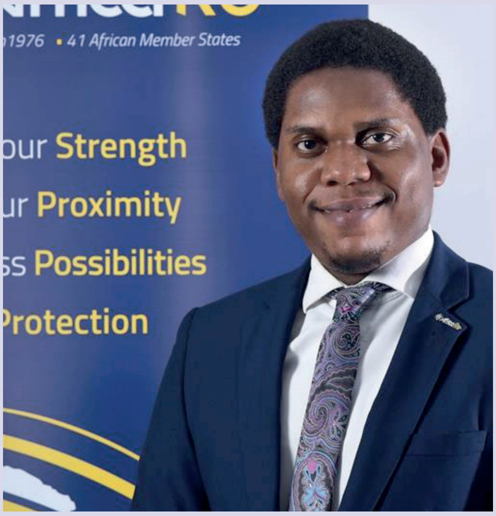
First Runner-UP

Mesfin Abebe DAMTEW

(Nairobi Regional Office)

Demonstrated exemplary leadership as one of the leading champions for the SICS project implementation;

Outstanding dedication, hard work and disciplined effort which has greatly contributed to the apparently successful implementation of the SICS project as testified by emails from Consultant/Project Manager;
Exemplary behaviour coupled with a very positive work attitude which is an asset well deployed to the full benefit of the Corporation.



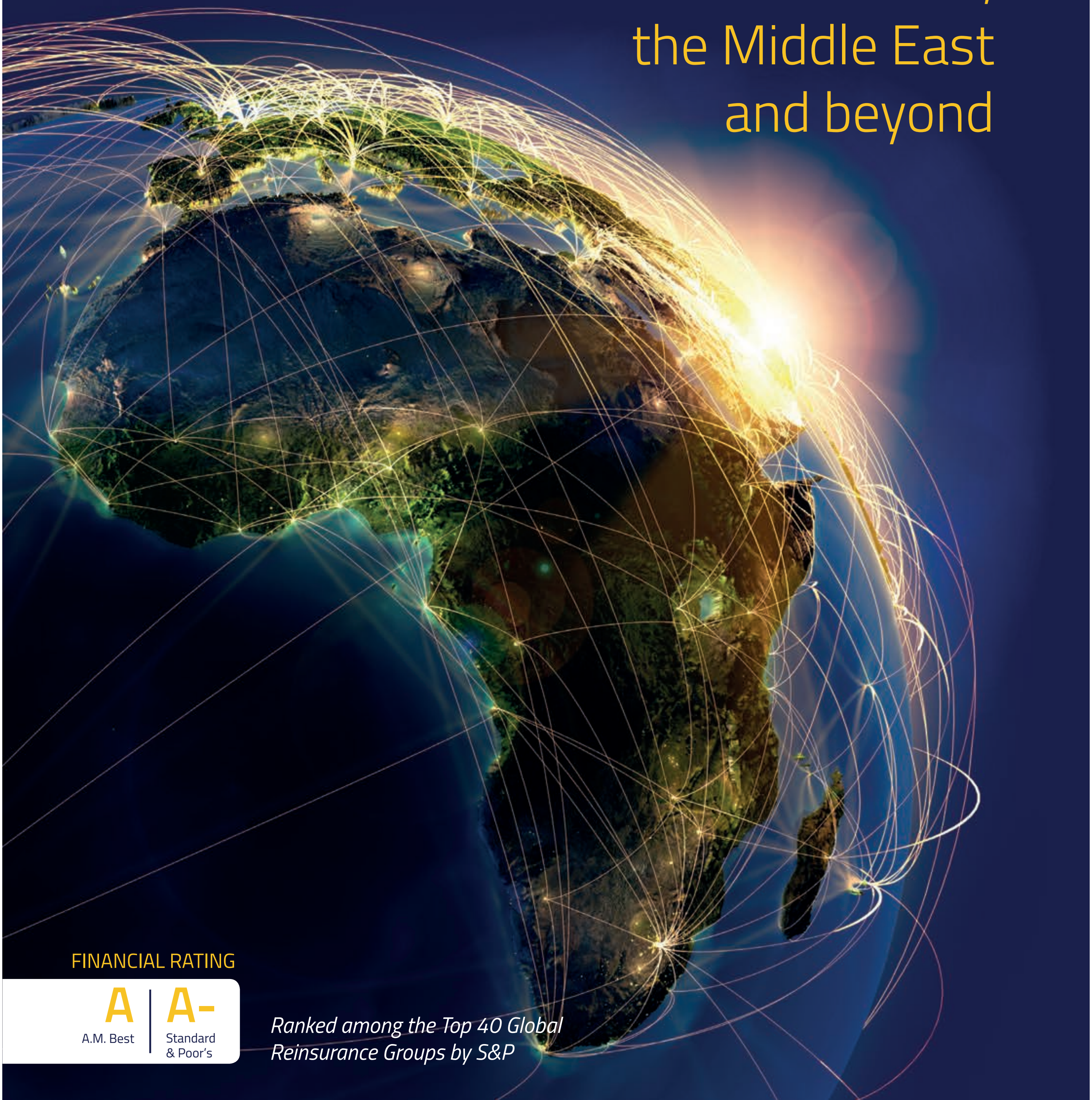
Second Runner-up

Chiagozie ANOZIE

Underwriting Officer, (Lagos Regional Office)

Exceptional support and contribution to the successful implementation of the SICS software
Handling of a claim that saved the Corporation money

Mr. Chiagozie also played a role in handling some claims in WARO. In this case, he was able to save N10,104,570 (USD25,000) on a facultative fire claim;
Identification of a non-compliance issue from a cedant on premium payment remittance which could have created a reputation issue for Africa Re. Specifically, Mr. Chiagozie helped to identify some US Dollar inflows into WARO account made by unknown third parties which later happened to be some Bureau de Change paying on behalf of a cedant.



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