# Africa Re News

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## Together with our communities in the fight against COVID-19

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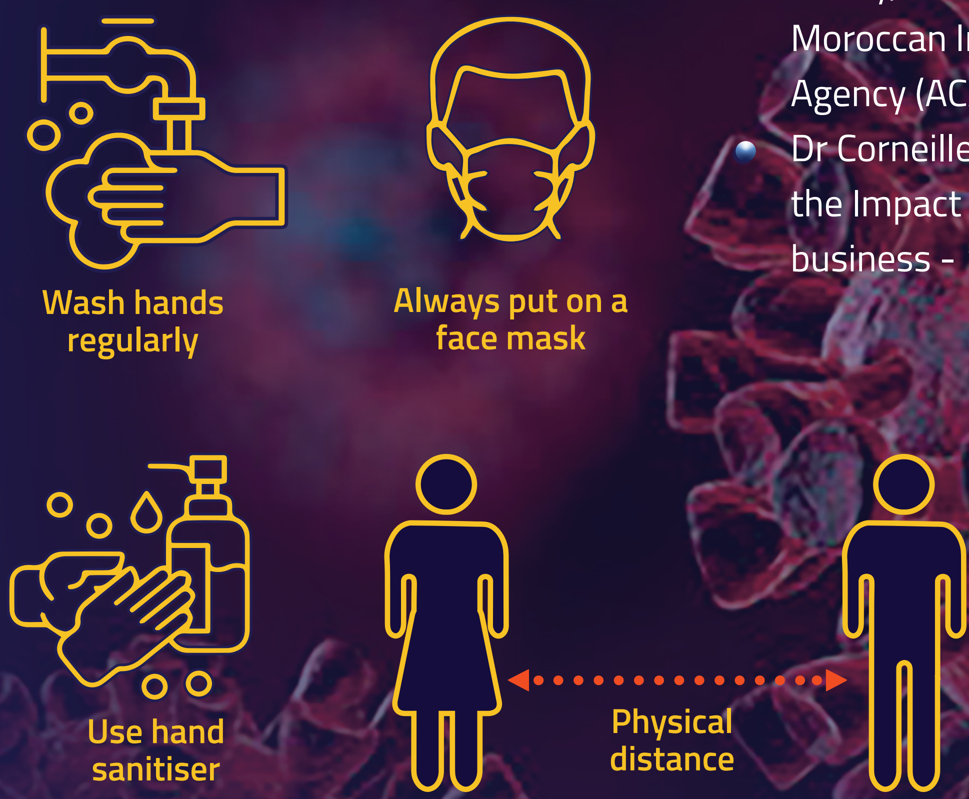
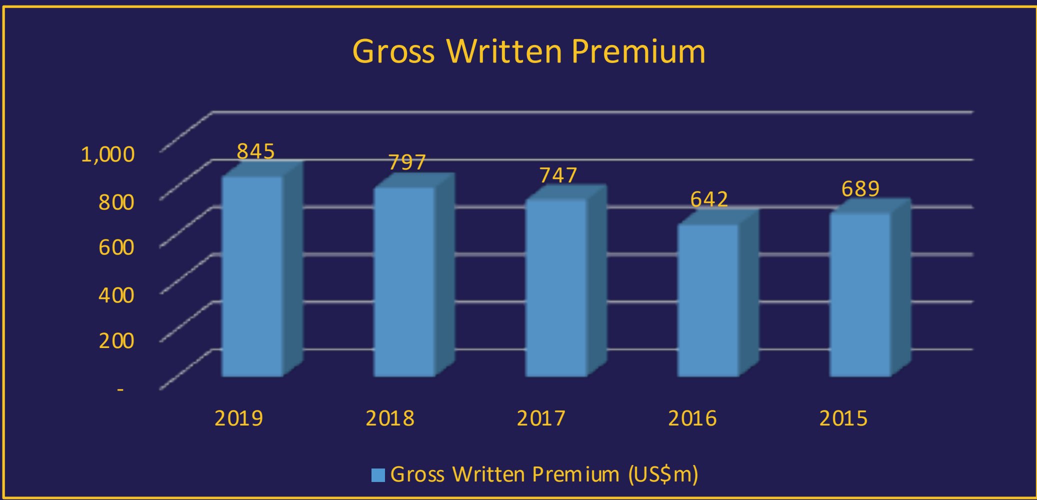
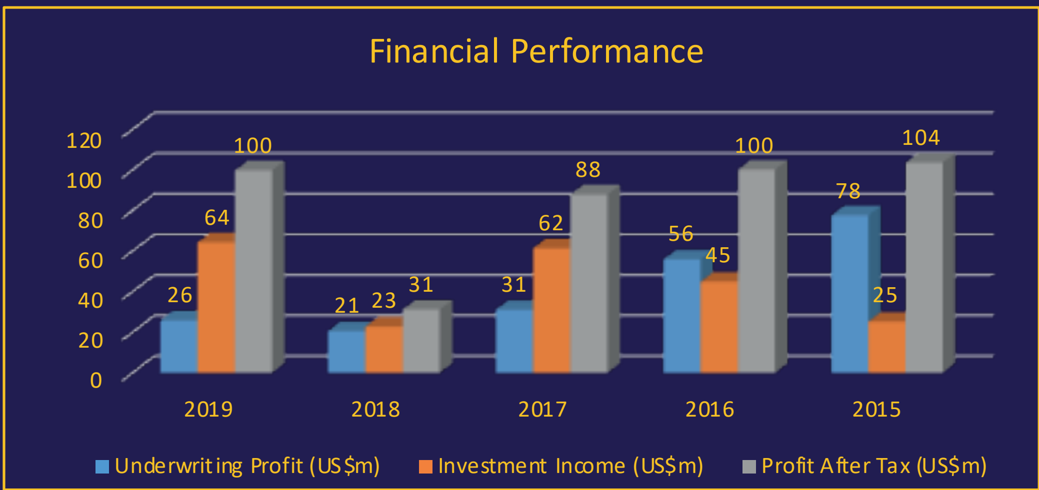
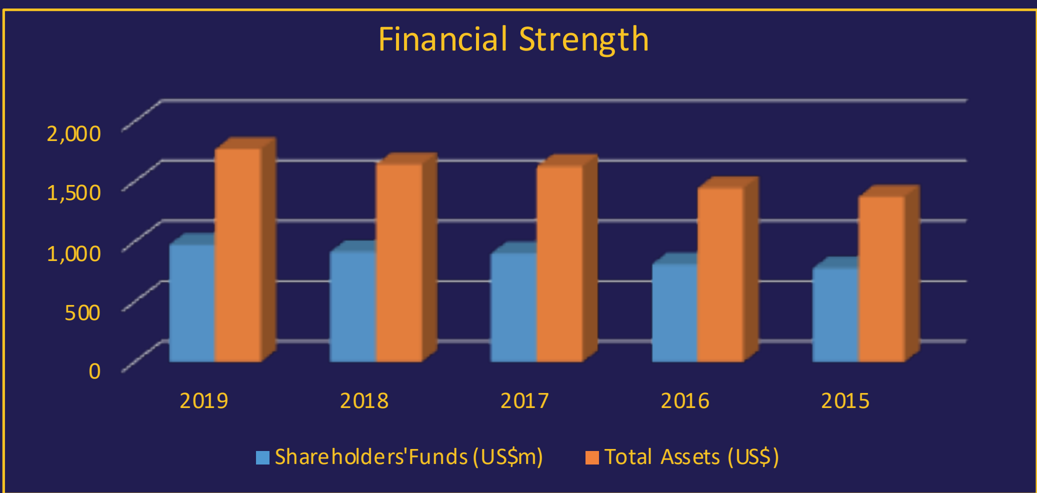


# Africa Re in Figures



# GMD/CEO's Message

**Dr. Corneille Karekezi**

Dear Readers

**Solidarity, unity** and **innovation** are the essential values we need today in order to face the ever challenging Covid-19 pandemic that is exposing our vulnerability as human beings. Governments, businesses, the scientific community and ordinary people are involved in the battle against Covid-19.

For us in Africa Re, we cannot fold our hands and watch this pandemic spread in the communities that we pledge to support and develop. Africa Re therefore joins hands with those at the forefront of the fight against the pandemic, at the national and continental levels.

Nobody can predict the state of the market after the pandemic. But one thing is sure: innovation is the key to survival.

Africa Re still remains your partner of choice. Covid-19 will not change our vision, mission and values. Our capacity and market experience remain intact. So rest assured that Africa Re will initiate and welcome innovative ways to relate with all stakeholders, during and after these challenging times.

The 22nd edition of our Newsletter includes an insightful article from our Director of Life Operations, Mr. Chris Saigbe, on the impact of Covid-19 on the industry. You will also read, in our new column, Tribute to African Insurance Icons, an article on our beloved former MD/CEO late Mr. Edward Mensah and his contribution to the African insurance industry.

Special thanks go to Mr. Othman El Alamy, Secretary General of ACAPS, the insurance regulatory body of the Kingdom of Morocco, for accepting to shed light on relevant issues of the Moroccan market.

You will also read about my humble opinion on some relevant industry issues.
Permit me to conclude with a unity advice from a great son of Africa and erstwhile UN Secretary General, the late Mr Koffi Anann : "From terrorism to poverty, drugs and crime, disease to trade, no State can settle matters alone"[1]. This is a call for unity and solidarity in these challenging times.
Let us unite and show solidarity in the face of this pandemic.

Hope you enjoy this edition.

1 UN's Moment of Truth, by Koffi Anann, 2006

# Lessons from COVID-19 for Life Insurers in Africa

By **Chris SAIGBE,**
Director of Life Operations ,
Africa Re

It initially looked like a localized and distant disease to the rest of the world, and specifically to Africa when the Coronavirus disease started in Wuhan China in December 2019. The reaction from the rest of the world was that it was not something to worry about. However, reality began to dawn in March 2020 that it was a serious and dangerous threat to human existence and the global economy as the virus spread to Europe, the Americas, Asia, Middle East, and Africa.

Suddenly, there arose panic and apprehension among stakeholders of the Life Insurance industry in Africa. The apprehension mainly revolved around how Life Insurers will respond to the pandemic in terms of claims. Life Insurers became anxious given the fact that the pandemic directly affects the main events Life Insurance policies coveres – death, critical illness, and disability.

### *What is a pandemic?*

The World Health Organisation (WHO) defines a pandemic as the worldwide spread of a new disease of which most people do not have immunity. The WHO declared coronavirus a global pandemic on 11 March 2020.

### *Why is Life Insurance vulnerable to coronavirus?*

Life Insurance provides financial succour to the bereaved in case of death, or to a person who contracts a serious disease or becomes disabled from the disease. Coronavirus requires medical treatment and it may lead to disability and/ or death of the victim. In any case, policyholders look unto Life Insurers for financial intervention based on the terms and conditions of their Life Insurance contracts.

The terms and conditions of a Life Insurance policy spell out the general claims administration of the policy. The circumstances that warrant admission or rejection of a claim under the policy are also stated. Exclusions are part of the terms and conditions of a Life policy. Exclusions restrict the payments of benefits under the policy.

### *Pandemic Exclusion Clause in a Life Insurance Policy*

Although the Pandemic exclusion Clause exists, life offices rarely insert it in Life policies. Findings in sub-Saharan Africa reveal that very few Life insurance companies include the clause in their policies. The situation is not different with Reinsurance companies in Africa.

The Pandemic Exclusion Clause is inserted in a few Catastrophe Excess of Loss reinsurance treaties and not in Group Life or Individual Life treaties. The non-inclusion of the exclusion clause in Life policies in Africa may be an oversight or due to the belief that such outbreaks are a rare occurrence.

A school of thought believes that Life Insurance policies should exclude losses arising from pandemic for the following reasons:

a. The events that go into the calculation of Life Insurance premium rates are the normal day-to-day life occurrences;
b. There is no provision for a single event that affects many people capable of resulting in catastrophe claims on Life Insurance companies in computing life premium rates.

From this argument, it may be necessary to insert a pandemic/ epidemic clause in Life policies. The clause will protect the industry from collapsing under the weight of claims that may arise from the event. A typical pandemic clause in a Life Insurance policy reads as follows:

*"This policy does not cover any Death or disability arising out of, resulting from, caused or contributed to by any medical condition that is declared to be an out- break or epidemic by the World Health Organization, or any Government or ruling body of a country that the outbreak or epidemic has occurred in".*

Another school of thought is of the opinion that since Life Insurance premium rates are determined based on the mortality of insured lives over a long period (up to 100 years), the mortality experience would include any pandemic outbreak during the 100 years mortality study period. This school of thought, therefore, believes that a pandemic exclusion clause is not justified in a Life Insurance Policy. This is the position of most Life Insurers in Europe. It explains why most Life policies in Europe do not have the exclusion clause. This position may not necessarily be valid because the computation of mortality tables does not necessarily make provision for events that cannot be predicted. For example, no one can predict the number of deaths that may occur from a war or pandemic outbreak.

### *Reasons for Anxiety in the African Life Insurance Industry*

The outbreak of coronavirus caused great anxiety in the Life insurance industry in Africa. The reason for anxiety is attributable to the following:

i. A coronavirus infected person will need medical care, hospitalization and, in some cases, it may lead to death;

ii. As at 22 August2020, the fatality rate in the world stood at 3.5% or 35 deaths in 1,000 infected persons. The fatality rate in Africa stood at 2.3% or 23 deaths in 1,000 infected persons. There are 9 African countries with rates comparable with or higher than the global average rate;;

iii. Fatality occurs mostly among victims whose ages are above 55 years;

iv. Infected persons with underlying medical conditions have a higher fatality rate;

v. The medics are among the group most exposed to the virus. This will further increase the fatality rate, as both the caregiver and care receiver require help;

vi. African life offices borrowed Life mortality tables from Europe. They have discounted the tables heavily over the years due to stiff market competition;

vii. Life Insurance policies have no pandemic exclusion clause that could reduce the impact of the pandemic on Life insurance claims;

viii. Life Insurance claims are likely to increase, as most of the people affected by covid-19 are the elites with high sum assureds. There will also be a spike in retrenchment, loss of income and disability income benefits as employees lose their jobs or are hospitalised due to the pandemic;

ix. Despite measures put in place by Insurance Regulators to ensure that life offices maintain strong reserves, some companies still have inadequate reserves to support a likely surge of claims during the period. A life insurer needs strong reserves for its Life policies in order to meet future liabilities. Some Life companies have very weak reserves that may not support the upsurge of claims that characterize a pandemic event.

### *How Insurers have responded to the challenges of COVID-19*

It is heartwarming to see how the Life Insurance industry in Africa rose to the challenge to ensure that it continues to play its traditional role of providing financial succour to the people in crisis and uncertain periods. Amidst the anxiety and uncertainty that engulfed the industry, many Life Insurers responded in various ways. These include:

i. *Life Cover for Medics* - The industry collaborated with various levels of government in some countries to provide Life insurance cover to the medics and healthcare volunteers involved in delivering medical care to infected persons. They provide benefits in form of payment of daily hospitalization cash to any medic infected and hospitalized. Benefits also include payment of capital sum to the families of deceased medical personnel;

A Life Insurer must compute its actuarial reserves periodically. The actuarial reserve represents total liability of the Life Insurer under the insured policies.

ii. *Suspension of Lapse Clause -* The industry, in collaboration with the insurance regulators in some countries, suspended lapse clauses in Life Policies for periods up to 12 months. This means an Insured can request postponement of premium on the life policy for a period up to 12 months without the policy becoming inactive. This ensures that life insurers will honor losses occurring during the period irrespective of the premium position of the policy;

iii. *Commitment to pay COVID-19 related death claims:* With the support of some Reinsurers, the industry committed to paying all claims that may arise from COVID-19. This singular humane display of concern and sensitivity has endeared the insurance industry to the public;

iv. *Introduction of New Life Products -* Some Life Insurance companies introduced new Individual Life products that provide varied benefits to a life assured who may contract covid-19 or any other infectious disease during the term of the policy. This is a proactive move to give peace of mind to the public that they can access financial support through a Life policy in the event they become a victim of any infectious disease;

v. *Expansion of Benefits of existing Life Products -* Some companies expanded the scope of benefits under their existing products to include limited additional payout to an existing policyholder who becomes a victim of covid-19 at no extra cost. The additional benefits include hospital daily cash for the period of hospitalization and burial expenses in the event of death. It rewards existing policyholders who will not have to worry about the limitation of their cover.

vi. *Extension of terms for single premium mortgage products –* In some countries, Life Insurers have agreed to extend the term of existing mortgage protection policies for the period of moratorium that banks extended to borrowers due to covid-19, at no extra premium subject to a maximum moratorium period of 12 months.

***Lessons for the insurance Industry***

Novel events like Covid-19 may inflict pain and losses to the world and the Insurance industry. However, there are some lessons to learn from the event. The lessons learnt will lead to a stronger, more experienced and well-prepared industry against such future occurrence. Below are some of the lessons for the future.

i. *Adequacy of Life Insurance Premium Rates –* Insurance practically thrives on the principle of risk pooling accompanied by adequate premium pools. In other words, the insurance premium must be enough to meet claims as they occur. The dangerous competition at play amongst Life Insurers in many African countries has resulted in unreasonable gross discounting of group life premium rates. The state of our group life premium rates is inadequate to support the flurry of expected claims from an event like covid-19. The industry must abandon its reckless practice of premium rate undercutting in order to live up to its expectations in times of pandemic outbreaks in Africa;

ii. *Proper Reserving Policy –* A Life Insurer must compute its actuarial reserves periodically. The actuarial reserve represents total liability of the Life Insurer under the insured policies. The Reserve computation considers, among other parameters, expected future claims of the underlying policies. A safe reserving policy must therefore recognize future spikes in claims that may result from pandemic outbreaks. Life insurers should have this in mind in their post covid-19 reserving policy to avoid surprises by such similar occurrences in future;

iii. *Disciplined Application of Maximum Insurable Age for Group Life Products –* A marked difference between European and African Life Insurers is the strict application of maximum cover age in group life product. In Europe, group life policies grant cover up to age 60 years or at most 65 years compared to Africa where some Insurers give group life cover up to age of 80 years. From the statistics gathered on covid-19, the infection rate is higher among elderly people than it is for younger people. It is not surprising that Insurers who have been casual in their offering of maximum cover age for their group life products became very jittery when the virus broke out;

iv. *Proper Risk Assessment of Life Proposed –* Covid-19 is not likely to go away soon. It will expose Life Insurers who have been careless with their underwriting procedures and decisions. This is because covid-19 fatality rate is higher among victims with underlying medical conditions. Life underwriters should properly assess lives and impose a commensurate underwriting decision on the life. A proper underwriting approach reveals existing medical conditions of the proposed life. It ensures that the underwriter takes the correct decision on risk classification and rating.;

v. *Exclusion Clauses are not Safety Nets for Life* Insurers – Life insurance traditionally covers events relating to the duration of human life. The main event a Life Policy covers is death. The causes of death are mainly accident and natural. An insurer should not rely on exclusions to manage its exposure because the occurrence of such event is the reason why the owner subscribed to the policy. Hence, Life Insurance is a financial safety net to the policy owner and not the Insurer. Therefore, the Insurer must ensure that its assets are enough to support its exposures over a long period.

***It is heartwarming to see how the Life Insurance industry in Africa rose to the challenge to ensure that it continues to play its traditional role of providing financial succour to the people in crisis and uncertain periods.***

***Conclusion***

The uncertainty that followed the outbreak of Covid-19 in the insurance industry produced innovative and proactive measures to combat the situation. These measures have broadened the scope of benefits of Life policies and have increased the consciousness of the public on the need to make provision for the financial protection of their immediate family in case of the unexpected death of the breadwinner. The industry has also learnt some positive lessons that will affect how professionals practice Life Insurance in future.

Africa Re

Mr Othman El Alamy

# Interview with Mr Othman El Alamy, Secretary General of The Moroccan Insurance Regulatory Agency

Interview by **Adogbo Alfred**

***As a regulator of one of the leading markets in Africa, how do you assess the impact of Covid-19 on the insurance sector and what lessons can be drawn from this unprecedented situation?***

The health crisis caused by Covid -19 has social and economic consequences in our country and almost all sectors have been affected. The insurance sector, which is closely linked to economic activity as a whole, has been equally impacted by this health crisis.

For insurers, the first sign of the crisis was the significant decline in stock prices observed from the start of the pandemic, considering the investment mix of insurance companies, which are very exposed to market risk.

This crisis has also negatively impacted the receipts of insurance companies due to the lockdown decided by governments and the resultant decline in activity. With regard to life insurance, it has been necessary to monitor the ensuing drop in premium collection, due to the strain on households, in order to anticipate possible liquidity problems that insurers and reinsurers could face.

Nonetheless, though impacted, the insurance sector has been very much in demand to participate in the national solidarity - via a fund set up to that effect - and to support the sectors in difficulty and Moroccan citizens in general.

The regulator also demonstrated similar agility and spirit of innovation to ensure that the different players of the insurance sector rapidly take the actions necessary to immediately respond to all requests. We deemed it necessary to provisionally ease the rules related to provisioning of receivables, outstanding premium and investments to enable insurance companies to sail through this period hitch free.

Considering this unprecedented situation, if the crisis has taught me any lesson, it is that financial strength and solvency of insurance companies are an inevitable prerequisite to have the necessary flexibility and latitude to deal with any unforeseen situation; which justifies the need to speed up the implementation of risk-based solvency, though this may not be the right moment because of the crisis we are facing.

***In the case of Morocco, what are the key measures taken by the regulatory authority and the players to ensure business continuity during this exceptional period and support the people and companies that are most impacted by Covid-19?***

First of all, when the situation started getting worse in Europe, the regulatory authority raised the awareness of insurance and reinsurance companies to activate operational and effective business continuity plans to ensure continuous services under the best possible conditions.

ACAPS Building, Rabat, Kingdom of Morocco.

As the supervisory authority of the insurance sector, the regulatory authority took a series of mainly prudential measures, to mitigate the impact of the crises and ensure the proper functioning of the market.

Considering the significant decline in stock prices from the start of the pandemic, it was deemed necessary to ease, for some time, the rules related to provisioning of investments, especially allowance for impairment and liquidity risk reserve. As such, the trigger point of the provision for permanent impairment was increased from 25% to 30% and the benchmark for calculation was increased from the average prices of the past three months to the average prices of the past six months. The liquidity risk reserve for 2020 could be spread over a two-year period.

Also, the negative impact of this crisis on insurance companies led us to provisionally reduce the provisioning of receivables and outstanding premium. Therefore, provisioning for receivables from intermediaries provided for in the general circular of the regulatory authority will henceforth stand at 60% in 2021 and 100% in 2022, with no additional reserve in 2020 (whereas initially, the provisioning was supposed to be 60% in 2020 and 100% in 2021).

For premium written between 1 October and 31 December 2020, the decision was taken to cancel the obligation to provision for premium that is unpaid for a period of less than one year and limit the provision to 50% only, for written premium that remained unpaid 12 or 18 months after. For other unpaid premium, the provisioning stated in the above-mentioned circular for 2020 and 2021 has been shifted to 2021 and 2022 respectively.

Insurance companies, on their part, first of all contributed to the Covid Fund set up at the initiative of His Majesty the King to help citizens and companies that were severely impacted by the crisis. Several initiatives were also taken by the insurance companies to support the Government and policyholders.

As such, the companies will pay the interests of bank loans to the self-employed, who will only repay the principal, as part of an agreement signed with the Central Guarantee Fund - Caisse Centrale de Garantie (CCG – a government body). In addition to paying the interest of bank loans, insurance companies contributed 100 million dirhams to this scheme to cover default risks.

Premium for all motor insurance contracts renewed between 1 June 2020 and 31 May 2021 were reduced, so that policyholders can benefit from the low claims recorded during the period of lockdown.

Another measure worth mentioning is the financial support, in the form of loans with favourable terms given by insurance companies to insurance intermediaries, agents and brokers whose incomes dropped significantly due to a decline in premium income.

***What are the key actions and urgent projects to be carried out now by the insurance industry to overcome the crisis and adapt to this new context that is likely to continue for the next couple of months?***

In Morocco, the insurance industry was one of the sectors that was most sought after during this crisis, especially by participating in the national solidarity (contribution to the Covid Fund) and reviewing insurance coverage, which in some cases was adapted (extension of workmen's compensation to

teleworking, cancellation of contract or premium refund even when it is not stated in the general terms of the contract etc.)

In view of the first lessons drawn from this unprecedented crisis affecting our countries, I think we should not only focus on short term actions. Therefore, the Government, the regulator and insurers are supposed to carry out actions on multiple fronts.

The immediate priority was to ensure that the insurance sector has a business continuity to benefit economic operators and consumers in general for a rapid and serene economic recovery, in compliance with the measures taken by the Government to limit the spread of the virus. Insurers therefore needed to build their capacities to meet the demands of the clients while streamlining the procedures and increasing the channels of communication with clients. Considering the issue of premium collection from clients during lockdown and the handling of claims, we encouraged insurers to be flexible and purposefully delay the procedure applicable in the event of non-payment of premium, especially clients affected by the crisis and extend the deadline for producing a loss report especially health insurance contracts.

Using and building on digital solutions as well as resorting to teleworking, at least partially, should be consolidated within insurance companies, but also in their distribution networks and relationship with clients.

For clients, digitalization will bring benefits in terms of streamlining the underwriting process, enforcing contracts and improving the quality of services which, at the same time, can significantly boost the development of inclusive insurance which, partly, depends on this streamlining.

In the medium term, the insurance sector should design new covers linked for example to loss of employment, cyberattacks, teleworking and even the consequences of pandemics, with of course the assistance of the Government regarding the last product.

The last area I would like to mention is the financial strength and solvency of insurance companies. The current crisis has

Nonetheless, though impacted, the insurance sector has been very much in demand to participate in the national solidarity - via a fund set up to that effect - and to support the sectors in difficulty and Moroccan citizens in general.

shown the vulnerability of the assets of the sector, which implies the urgent need for a lasting policy to strengthen shareholders' equity using different instruments and drivers (capital increase, dividend distribution policy, less exposure to market risks,...). Hence, the need to seriously embark on risk-based solvency.

***In this connection, what changes do you think should be made to the prudential rules and regulations in the short, medium and long term, to strengthen the solvency and sustainability of insurance companies on the one hand and on the other, give these operators some advantages and flexibility to provide citizen***

***and socially oriented services to policyholders?***

Exactly, we think that it is necessary for the regulator to strengthen the resilience of insurance companies to enable them to deal with crises similar to the one we are facing and give them the means to meet the needs of all citizens. Even if we need to provide temporary flexibility and support to the insurance sector during this difficult period, we must not lose sight of this objective.

In Morocco, risk-based solvency started more than three years ago and its implementation will gradually commence at the beginning of next year, specifically with regard to the requirements of Pillar II relating to governance and all its components (risk management, data quality, key functions, outsourcing...).

Regarding quantitative requirements (Pillar I), the ACAPS draft circular on enhancing prudential balance sheet is almost set. The first quantitative impact study produced prudential balance sheets and much of the data needed to calibrate the parameters of the standard formula to be used to calculate the solvency capital requirement. Furthermore, the Authority is about to start the second quantitative impact study, which deals with the computation of CSR.

Needless to say that the implementation of this new framework will be in a gradual and concerted manner with the players, taking into account the specific features of the Moroccan financial system as a whole.

Though the solvency of insurance companies is, in fine, of interest to the policyholders, other schemes and measures are needed, as you said, to provide citizen and socially-oriented services.

This includes the protection of policyholders especially, equitable treatment (during marketing of products and settlement of claims) and information under the best possible conditions.

At the same time, the development of inclusive insurance should be encouraged, as there is the need. The concept of inclusive insurance, which includes all insurance products that target the population that is poorly served or not served at all, comprises micro-insurance products that target low-income population, bulk insurance products as well as inclusive approaches based on innovations such as distribution via mobile telephone.

In Morocco, a study initiated by our regulatory authority with other public and private entities revealed that there is still a huge growth potential, though Morocco has the highest insurance penetration rate in Africa and in the Arab world. Indeed, demand for inclusive insurance is high and concerns several target groups mostly in the informal sector, people aged above 65, housewives, low income households, the rural population (including farmers) as well as very small businesses.

Our aim is to unleash energies i) by streamlining the regulations applicable to this type of covers to remove barriers faced by the population with insufficient access to insurance services, ii) by encouraging insurance companies to develop inclusive insurance that brings real added value to target clients and iii) by encouraging the training of stakeholders and education of target groups.

***At the continental level, do you think that an insurance fund for pandemic risks, such as Covid 19, is a solution and a good idea (easy to implement) to tackle health crises of such magnitude and better network with the different markets and players?***

The Covid-19 health crisis has shown that in general, the industrial and productive sectors of emerging and developing countries are exposed to significant vulnerability in the event of a protracted stoppage of activities. Innovative insurance covers in areas like cyber security and teleworking are needed to enable these sectors to continue operating or to resume their activities when possible, while ensuring the security and safety of staff, suppliers and clients under the best possible conditions. African insurers can prepare this type of covers with the support of their reinsurers.

However, a system of insurance coverage of the consequences of a pandemic is much more complex to quantify as it is rather a catastrophe risk that can affect the entire economy at the same time. And although insurers are able to design guarantees that are intended to be simple, fast and on a flat rate basis to help insured companies cope with the cancellations or significant reductions in activities due to this type of exceptional event, the insurability ofthis risk is almost impossible without the strong involvement of the government authorities.

Hence the need, to seriously examine the possibility of setting up an insurance fund at the continental level for African operators, by providing additional underwriting capacity and increased bargaining power to face a possible scarcity of supply on the international market.


# PANDEMIC AND THE RESPONSE OF THE NIGERIAN ECONOMY

by **Adewale Adewusi,**
Assist Director (rtd) Statistics, Research and Business Development, Africa Re

## THE NIGERIAN ECONOMY

Nigeria is Africa's leading economy and the 27th largest economy in the world in terms of nominal GDP and the 24th largest in terms of purchasing power parity[1]. The country with a population of 206 million has an economy that is highly dependent on oil and therefore very vulnerable to fluctuations in crude oil prices and production.

In 2019, Nigeria recorded a growth of 2.2% according to the International Monetary Fund. Due to the outbreak of the COVID-19, the updated IMF forecast[2] puts expected GDP growth at -3.4% in 2020 and +2.4% in 2021, if the global economy recovers, post-pandemic.

## Main Sectors of Industry

The largest industries in Nigeria are the petroleum industry, tourism, agriculture, and mining. The economy is dominated by crude oil, which accounts for about 10% of the country's GDP, 70% of government revenue, and more than 83% of the country's total export earnings. The country is the world's 8th oil exporter and one of the lead exporters of liquefied natural gas. Other natural resources in Nigeria include tin ore, coal, iron ore, limestone, niobium, lead, zinc and arable land.

The **agricultural sector** contributed about 21.1% of 2017 GDP. The country produces yam, rice, maize, beans, sesame, cashew nuts, cassava, cocoa beans, rubber, soybeans, bananas, sorghum, millet, and livestock farming.

**The industrial sector** (crude petroleum & natural gas, manufacturing, solid minerals, and construction) which makes up 21.8% of the 2017 GDP is handicapped by power shortage.

**Services** (including ICT, Finance and Trade) contributed 57.1% of 2017 GDP and employs over half of the working population.

1 IMF: World Economic Outlook Database (October 2019)
2 IMF: World Economic Outlook Database (April 2020)

## IMPACT OF COVID -19 ON THE NIGERIAN ECONOMY

The COVID-19 crisis has exposed shortcomings in the response of governments to healthcare, social security, and other key sectors all over the world.
In Nigeria, the sectors that are hardest hit by this pandemic are banking, real estate & construction, travel & leisure, hospitality, entertainment, automotive, luxury goods, oil & gas, manufacturing & trade, and transportation. Since these sectors also employ the majority of labour in the country, the workforce has been left seriously depleted untill at least the end of the pandemic.

Sectors with moderate exposure include catering & restaurant, clothing & textile, cement & building materials, consumer electronics, education, electricity, farming, hospitals & clinics. Sectors with possibly low exposure include bakery, beverage, chemicals, health care products, personal care products, pharmaceuticals, packaging, telecommunications and professional & consulting services.
We shall consider in more detail, certain sectors vital to the Nigerian economy.

## Nigerian Stock Exchange

The impact of COVID-19 and the crash in global oil prices has led to a massive decline in stock prices, as the Nigerian Stock Exchange records its worst performance since the 2008 financial crisis. The crisis which has eroded the wealth of investors is responsible for the contraction of the market capitalisation of the Nigerian Stock Exchange (NSE) from N12.97 trillion to N11.1 trillion (loss of N1.87 trillion) in the first quarter of 2020. The Nigerian All-Share Index (ASI) also dropped by 20.73% to close Q1 2020 at 26,867.79 points. Furthermore, Nigerian equities suffered high price volatility during the period under review.

Performance by sectors: The NSE's sectorial performances were also negative. The Consumer Goods Index declined the most (44.84%) followed by the Banking Index (30.64%). Also, the NSE 30 index (30 biggest stocks by market capitalisation) lost 23.03% in value.

To minimise the impact of Covid-19, the Nigerian Stock Exchange activated a Business Continuity Plan followed by a smooth transition to remote working and trading commenced. Several listings were achieved on the floor of The Exchange including the N20Bn Flour Mills Bond; N16.5Bn Primero BRT SPV Bond; N1.2Bn supplementary listing of Golden Guinea Breweries Plc shares; and several Government Bonds worth over N160Bn. However, taking into consideration the uncertainty that is associated with the pandemic and the negative profit outlook on possible investment projects, firms are likely to hold off on long-term investment decisions.

## Oil & Gas

The impact of COVID -19 has been most felt in the global oil and gas market evidenced by the steep decline in the demand for crude oil by countries around the world resulting from restrictions on vehicular movement, air travel and economic activities. The fall in demand for crude oil led to a slump in crude oil prices (April 2020: USD25/barrel) and an oversupply of crude oil as several producers and market participants ran out of storage capacity.

**Upstream sub-sector:** If demand for crude oil fails to pick up in 2021, then we may witness an abrupt shutdown of offshore operations by crude oil producers because of limited storage options. The sudden cessation of operations would delay key off-shore projects in Nigeria and the Gulf of Guinea, an action that would resonate badly with other sectors of the economy.

**Downstream oil and gas sub-sector:** In more developed countries, the sector would normally benefit from a low crude oil price regime. Unfortunately, Nigeria's reliance on imported refined petroleum products hinders growth in this sub-sector. As the pandemic lingers, current restriction in global logistics and transport movements further limits the downstream sector's ability to sustain gains from the low crude-oil price.

There will be a negative trade balance for the oil sector in 2020, as the export of crude oil significantly dips and the country pays more for import of refined petroleum products due to poor refining capacity.

Nigeria urgently needs to diversify and build a more durable economy, as the West moves away from fossil fuels through investment in cleaner sources of energy supply.

**Small and medium-sized enterprises**
Small and Medium-sized Enterprises (SMEs) are a crucial sector in Nigeria's economy. According to PricewaterhouseCoopers (PwC) Nigeria, they account for 96% of businesses, 84% of employment, and contribute 48% of national GDP.

To contain the spread of COVID-19, the Federal Government set up a fund consisting of interventions from the Central Bank of Nigeria (CBN), fiscal authorities and donations. Currently, the contributions total N4.5 trillion (USD11.2 billion). The fund aims to keep the economy going, stabilize financial services and cushion the impact of the pandemic on households.

The total announced contribution represents 3.1 per cent of Nigeria's GDP. The steps taken by the Federal Government are quite aggressive and laudable. It remains to be seen whether they are enough to successfully mitigate the effects of the crisis.

**Banking sector**
Nigeria's banking sector is the second-largest in sub-Saharan Africa (2018 total assets: USD107.5 billion) behind South Africa (2018 total assets: USD385.5 billion). Due to the impact of COVID-19, Augusto & Co.[3] predicts that earnings from the core business of the banking industry will decline in the short term on account of three factors, namely : an expected rise in impairment charges; lower yields on the loan book; and a somewhat conflicting monetary policy stance.

The Central Bank directive on interest rate on Federal Government's intervention funds (granted through CBN and Bank of Industry) to targeted sectors which account for about 10% of the loan portfolio, reduced the rate by 400 basis points to 5%. The impact of the directive also translates to a 300 basis point decline in yields on such loans to banks.

Banks had limited operations during the lockdown thus pushing most banking transactions to electronic banking platforms to protect income. The gain, however, is at a cost, as minimal trade activities will reduce credit-related fees, which in turn will cause some correspondent banks to pull back on their lines of credit and reprice their rates to reflect the elevated credit risks emanating from lower liquidity in the foreign exchange market.

A directive from the regulator, effective January 2020, reduced bank charges on outstanding obligations to foreign portfolio investors seeking to exit Nigeria. As of April 2020, the figure stood between $700 million and $900 million. The effect of the directive is a reduction in non-interest income. However, on a further devaluation of the domestic currency, banks with net foreign currency asset positions are expected to make revaluation gains which will shore up the earnings of banks.

Inflation and growth in foreign currency dominated costs will push up the industry's operating costs, which with pressure on revenue generation would adversely impact banks' ability to sustain profitability.

Thus, managing the cost of doing business will be the top priority of Bank executives, going forward.

**Insurance sector**
The total asset of the industry was N1.128.5 trillion (general: 709.4 billion, life: 419.1 billion) in 2017. The general insurance market is the 9th largest by premium income in Africa (2017 GWP: USD662.98 million) while its life sector is the 6th largest (2017 GWP: USD498.90 million).

Despite Nigeria's oil-rich status, almost half of its population is living below the international poverty line

3 Agusto Consulting, COVID-19 in Nigeria: Economic Perspectives and Mitigating the Risks

($2 per day)[4] . Thus, its insurance penetration is very low at 0.3% due to weak consumer purchasing power, low awareness, ineffective/inappropriate marketing strategy and a lack of innovative insurance products.

The management expense ratio of the Nigerian general insurance industry is ridiculously high, over 50% and puts tremendous pressure on underwriting results despite traditionally low net incurred commission ratios. The combined ratio[5] in 2017 was 121.9% (2016: 123.5%) implying an underwriting loss of 21.9% (2016: 23.5%).

This implies that the industry can only make an underwriting profit if the net incurred claims ratio is under 30% which is untenable anywhere in the world. The non-life net incurred claims ratio was 47.0% in 2017 (2016: 45.2%).

With regard to present operations, the Covid-19 outbreak will definitely impact the following insurance technical items, exerting additional pressure on incurred claims ratio:

- Reduced production income, which will rub-off adversely on insurers' 2020 and possibly 2021 production income. The reduction in activity is evidenced mainly in oil & gas (exploration not feasible due to the high cost of production), marine cargo & aviation (import constraints due to lockdown) and personal lines (a constraint on face-to-face channels).
- Increased claims experience, which should adversely impact the bottom-line of most insurers as claims are expected to rise in the following lines: health, travel, business interruption and possibly workmen compensation claims. Business interruption policies usually pay out if only physical damage occurs to an organisation's assets or operations. Thus, coronavirus- related claims may not be covered, but this assertion may be disputed in the courts. Travel insurance wordings may offer cover if a customer is diagnosed with the virus before or during his trip but, not for travel that is cancelled because of the pandemic, unless a customer has taken out premium `any cause' cover. With regard to workmen compensation, workers may claim they were not adequately protected by their employers against exposure to the virus brought about by their normal working duties-only time will tell.

  The risk of businesses facing default would also increase claims arising from credit insurance. The impact on life insurance, if any, would be insignificant based on the small number of deaths so far (22 August 2020: 996) and much fewer insured persons dying. New insurance contract wordings limiting or eliminating coverage will start to show up post COVID-19 pandemic. Furthermore, the snowballing effect of the economic slowdown will drive interest rates even lower, creating a harsher investment climate going forward.

The regulator has shifted the recapitalisation deadline which hitherto was 31 December 2020 recapitalization to a 2- phase segmented deadline as follows:

| S/N | Class of Business | Existing Minimum Paid-Up Capital | Minimum Paid-Up Capital by 31December 2020 (1st phase) | Minimum Paid-Up Capital by 30 September 2021 (2nd phase) |
|---|---|---|---|---|
| i | Life | N2 Billion | N4 billion | N8 billion |
| ii | General | N3 Billion | N5 billion | N10 billion |
| iii | Composite | N5 Billion | N9 billion | N18 billion |
| iv | Reinsurance | N10 Billion | N12 billion | N20 billion |

If not for the proposed spike in the minimum capital requirement, the regulator may have had to introduce rigorous solvency tests to ensure that insurers can withstand the various impacts the pandemic could have on its business lines.

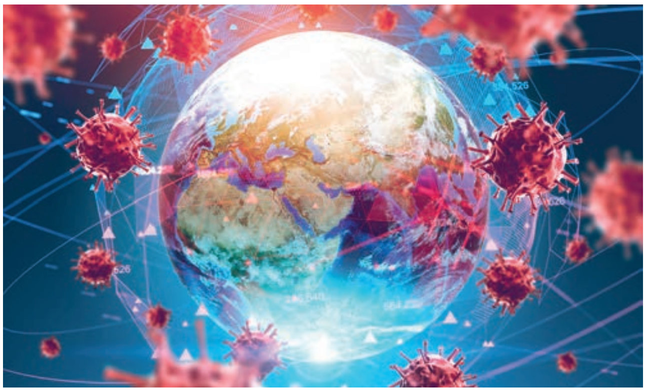
Finally, as a show of solidarity and support, the insurance industry recently provided free life insurance cover for 5000 frontline health workers, for one year, effective 14 April 2020, to combat the Coronavirus pandemic. The cover will enable families or named beneficiary of any medical doctor that dies in the line of duty to claim N3 million; Pharmacists/Nurses N2 million and others N1 million. The premium which is in the sum of N112, 500,000 for the cover has been fully paid by 19 Nigerian Life Insurance companies in line with the principle of No Premium No Cover.

## POSSIBLE TRAJECTORIES OF RECOVERY FOR THE NIGERIAN ECONOMY

The factors that will determine the path of the economic recovery of a country from Covid-19 may be

4 World Bank report 2018

5 Combined ratio: Measure of insurer profitability and calculated simply by taking the sum of claim-related losses and general business costs and then dividing that sum by the earned premiums over the period.



divided into health and economic risks.

Health risks are the possibility of a second wave of infections occurring despite lockdowns, curfews and a ban on interstate travel, and, the timeframe to find a vaccine. The economic risks are the effectiveness of the stimulus package and the risk of prices falling below profit levels coupled with the risk of weak demand for products in a country's strategic sector. The oil & gas sector accounts for over 80% of Nigeria's foreign exchange earnings. Since foreign reserves is a measure of a country's creditworthiness among lenders, the impact of low prices and production levels in the oil & gas sector feeds into poor performance in other sectors.

In Nigeria, given the volatility and uncertainty of the global oil market and indeed the global economy, the NESG[6] gives 3 scenarios on the oil price outlook from 2020 to 2023.

- Oil price projection 1: Relative stability in the global oil market. Global oil price expected to average $25/barrel in 2020 and close at $55/barrel in 2023.
- Oil price projection 2: The oil price projects a less optimistic overview. A deeper downturn in the global oil market is expected, reflecting oil price averaging $20/barrel in 2020 and eventually picking up to $45 barrel in 2023.
- Oil price projection 3: This mimics a worst-case scenario where global oil price averaged $15/barrel in 2020 and rises to $40/barrel in 2023.

If a cure is found within the next 3 to 6 months, then the following will occur:

- Impact of the 2nd wave of infections: reduced or stopped.
- Nigerians may fully resume work.
- Early rebound in oil prices-oil price projection 1
- Projected annual internally generated revenue of States to reduce by say 10%.
- Projected annual diaspora remittances to reduce by say 10%.

A possible vaccine discovery should assist oil prices to rebound from USD25 per barrel in 2020 to about USD40 per barrel in 2021 and USD55 per barrel in 2023. This is the best case scenario ("V" shaped recovery), with an occurrence probability of 20%. The oil & gas sector would begin to be profitable and add to the GDP from 2022.

If the vaccine is discovered between 9 and 12 months, then factors such as reduction/stoppage of 2nd wave of infections and freedom of movement would be achieved later. The effects of the pandemic on economic activity could last well beyond the end of the social distancing, and GDP recovers slowly. In Nigeria, this comes with an economic downside:

- Deeper downturn in oil market leading to slower rebound in oil prices-oil price projection 2
- Deeper shortfall in projected annual internally generated revenues of States (say 20%).
- Deeper shortfall in annual diaspora remittances (say 20%)

In this most likely scenario ("U" shaped recovery) which has a 50% probability of occurrence, the price of oil could be as low as USD20 per barrel in 2020 to rebound in 2021 after the vaccine is found, averaging USD45 per barrel in 2023. The sector should be marginally profitable in 2022, followed by modest growth in 2023.

If the world does not find a vaccine in the next 15 months, then the following will occur:

- A 2nd wave of infections leading to a spike in cases.
- Drastic lockdown measures to try and contain virus.
- Much deeper downturn in market leading to a much slower rebound-oil price projection 3
- Projected annual internally generated revenues of States to reduce by say 30%.
- Projected annual diaspora remittances to reduce by say 30%.

This worst-case scenario ("W shaped recovery) which has a 30% probability of occurrence, would be bad for the Nigerian economy as oil prices would fall to as low as USD15 per barrel in 2020 and the economy could contract by up to 4%. The price of oil should eventually pick up, with the discovery of the vaccine, to about USD40 per barrel in 2023.

6 Sectoral Impact Assessment and Optimal Policy Response: Covid-19, Global oil price and the Nigerian economy (2020)

**Dr. Corneille Karekezi**
GMD/CEO of Africa Re

# Conversation with Dr. Corneille Karekezi, GMD/CEO of Africa Re

Interview by **Adogbo Alfred**

***The Covid-19 pandemic caught the whole world unawares. Governments, scientists, businesses and ordinary people are trying one initiative or the other to stay afloat, pending a lasting solution. As the leading reinsurance company in the continent, what actions is Africa Re taking in this global fight against Covid-19?***

Covid-19 is an unprecedented event that started as a health crisis and is gradually evolving into an economic and social crisis. The economic crisis has been projected to lead Africa to its first recession in 25 years due to the loss of lives and livelihoods. Based on the direct and indirect impact of the pandemic, Africa Re has taken the following measures for different categories of stakeholders namely: employees, clients, partners etc.

Long before the World Health Organisation (WHO) declared Covid-19 as a pandemic on 11 March 2020, the Corporation began to sensitize employees with necessary health tips. As the crisis evolved an internal ad-hoc committee was set up. The committee meets daily and coordinates the corporate response to the pandemic. The committee meets frequently and makes recommendations to Executive Management. Some of the recommendations implemented include the cancellation of physical meetings, provision of hand sanitizers and face-masks as well as temperature checks at entry points in all business locations. These measures have been effective as none of our staff or members of their immediate families have been infected.

Later on, our Business Continuity Plan (BCP) was activated following the strengthening of our IT infrastructure and procurement of additional laptops as well as internet modems. Our BCP aligned with the directives of the WHO and local government directives. As of today, all client-facing staff and essential back-office employees can work from home. We have been open for business and responding to our clients and partners seamlessly thanks to our investment in our information technology infrastructure over the years.

Covid-19 is a threat to survival due to the disruption of the supply chain and weakening demand as a result of economic inactivity enforced by different governments. Africa Re embarked on a stress-test to consider the likely impact of the pandemic on pessimistic, realistic and optimistic scenarios. Following our analysis for May 2020, the Corporation remains resilient even with the pessimistic scenario. This is largely due to the conservative investment policies, prudent underwriting practices, robust capital management strategy and overall administrative expense control. Our liquidity position is also strong as our assets outweigh our liabilities by at least two times; this is an enviable position in the industry today.

As a pan-African entity, the Corporation is also giving back to the continent through the Africa Re foundation. The beneficiaries of our Corporate Social Responsibility initiatives when disbursed are: Africa Centre for Disease Control and


**Mr. Corneille Karekezi presenting a paper at the Innovation Forum by Africa Re in Lagos, Nigeria**

Prevention (Africa CDC), 41 member states shareholders of Africa Re through the local insurance regulator and 8 host countries (Nigeria, South Africa, Morocco, Cote d'Ivoire, Egypt, Ethiopia, Kenya and Mauritius) where Africa Re offices are located.

***Africa Re's performance for 2019 was a net improvement over last year's results. This positioned the Corporation for a better 2020. But the Covid-19 pandemic has come to disrupt whatever was on motion. Can you tell our readers how Africa Re can absorb the shock and what its stakeholders can expect at the end of this year 2020?***

The year 2019 was very good for the Corporation as we grew our top line, underwriting performance, investment income and net profit with significant margins. Management appreciates the effort of all employees after the outlier performance recorded in 2018.

The rebound was really strong and returned the Corporation to its usual territory of shareholder returns. We will continue to strive to maximize returns to our shareholders for their commitment and trust in the Corporation.

Our gross written premium grew by 5.94% to US$ 844.79 million with the underwriting performance growing by 25.54% to US$ 25.98 million. The investment income and other income grew in line with the recovery of the global financial markets by 165.78% to US$ 66.10 million following an average return on investment of 5.26%. Overall, the Corporation achieved an increase of 219.48% in net profit to reach US$ 99.90 million. Our shareholders' funds continue to grow with an achievement of 6.34% to reach US$ 975.20 million. The return on average equity improved to 10.56% compared with 3.44% recorded in 2018. In 2019, the financial strength and credit rating from AM Best and Standard & Poor's were maintained at A (Excellent / Stable Outlook) and A – (Strong / Stable Outlook) respectively. The achievements recorded in 2019 were within the targets defined in our 2019 – 2023 strategic plan with some key metrics surpassing our expectations. In all, 2019 was a very good year for the Corporation.

As I said earlier, our extant policies, market knowledge and governance framework have prepared us for a difficult time like this. We are still striving to improve as we recently reviewed our governance framework for better oversight and support to the Executive Management. The Board committees were expanded from three to five and the increase of Board members to include two independent directors has also been authorized. At the moment, one of them has been recruited while the recruitment of the other is in progress.

The resilience you see today was planted through strong leadership of our early leaders: Edward Mensah (1977 – 1984), Eyessus Zafu (1984 – 1993) and Bakary Kamara (1993 – 2011). Ours is to take the Corporation to greater heights. The support of a stable and competent Executive Management and Board of Directors as well as truly committed shareholders cannot be overemphasized. According to John Maxwell, "I believe that everyone chooses how to approach life. If you're proactive, you focus on preparing. If you're reactive, you end up focusing on repairing", Africa Re has chosen to be prepared based on the following considerations I mentioned earlier: 1) conservative investment policies, 2) prudent underwriting practices, 3) robust capital management strategy and 4) overall administrative expense control. This could only be achieved with the support of our diversified and competent employees.

2020 has proven to be a difficult year and the depth of its impact is dependent on how soon normalcy is restored. This depends largely on how soon Covid-19 is contained and when a vaccine is discovered by medical experts. There are reports that significant progress has been recorded and we remain optimistic that a vaccine will be discovered by the end of the year. Also, there is an assurance of a quick recovery as national governments are deploying different monetary, fiscal and other macro-prudential policies to reduce the impact of the pandemic.

There is so much uncertainty in the air and we do not have sufficient information at this time to take a position in 2020. To this end, we have withdrawn any initial projection in 2020 pending the completion of the second quarter financials for better clarity on our portfolio positions. The Corporation should release its 2020 projections later in the year after considering the different constraints. At the moment, we have little exposure to pandemics / infectious diseases in some business locations and we are also monitoring regulatory interpretation of policy terms and conditions as they could be material to our overall claims exposure. The economic stress of most African countries is leading to the depreciation of currencies which will likely impact our premium income. The volatility of the financial markets is also being closely monitored.

The Covid-19 crisis affects all sectors of the economy and the insurance industry is not an exception. Africa Re will be collaborating with other local, regional, continental and international players in the industry for continuous support and a unified position across the value chain. At the moment, the impact of this pandemic will be split between 2020 and 2021.

***We know the "before Covid-19" but nobody knows exactly how the period "after Covid-19 " would be for governments, businesses and the society at large.***

***In this uncertainty, what can the insurance public expect for the period "after Covid-19" ?***

The pandemic has reinforced the importance of the insurance industry beyond words and the insuring public must understand the disruption in our world today. Indeed, a lot of things will change and the risk landscape will evolve as technology dominates our overall experience – healthcare becomes a priority, business models evolve, education is disrupted, travel industry restructured, existing work policies get reviewed and digitization becomes the focus. In all, many things are going to change and everyone should brace-up for it.

Given the identified changes to our way of life, the need for insurance for risk management as a safety net cannot be overemphasized as the overall consumer behaviour due to risk aversion begins to evolve. For those that have insurance coverage, it is recommended that they liaise with their insurance provider for any direct or indirect financial loss (Covid-19 infection, business interruption, event cancellation, job loss and more) suffered as a result of this pandemic to ascertain and clarify policy coverage and make claims where possible.

***Congratulations on the completion of your doctorate studies, early this year. Given your tight schedule as the group CEO of the leading reinsurance group on the continent, coupled with the academic stress that comes with a doctorate programme, the first question anybody would ask is how did you manage to sail through all these?***


As a senior executive leading a billion-dollar company, this is the question I get often since I completed the doctorate programme. The degree is focused on solving industry problems academically thereby contributing to practice and the industry at large. This degree allowed me to focus on practically-oriented research in the domain of strategy management. This achievement is a mix of different factors that I have learned since the beginning of my professional career including time management, passion for continuous learning, commitment and dedication.

Firstly, on time management, this programme started in August 2015 and the final dissertation was presented in January 2020. During this period, combining the role of GMD/CEO and academic research was an arduous task that required good time management skills. In this role, irrespective of the strong competence level of the supporting teams, most managerial and leadership responsibilities cannot be delegated to rob some time for the studies. On the contrary, the CEO of Africa Re cannot succeed without putting in more than 12 hours on a working day. One must learn to use his weekend time as well. Also, the time in-between travels and late nights were committed to the study of research practices and past research in the domain of interest. This requires maximizing time through detailed planning of key tasks and deliverables. It involves keeping an eye on the end game while making sacrifices amidst doubts through the renewal of strength, faith and hope.

Secondly, my passion for continuous learning was also critical to the completion of the programme. I have a quest for knowledge that was responsible for the pursuit of this doctorate. The degree is not an end in itself but the beginning as the research findings are applied across companies in the same industry, industries and countries. It is a unique learning experience that broadens and deepens one's knowledge across different domains whilst contributing to strategy as a practice.

Lastly, this academic pursuit requires commitment and dedication. Research involves different phases and interactions with the research supervisor from identifying a research topic, submitting a research proposal, determining an appropriate research methodology, quantitative and qualitative data analysis and much more. Each of these deliverables goes through numerous iterations of refinements that could be difficult, daunting and draining. There was so much pressure during the study but in the end, the satisfaction from completion is worth it.

The whole experience is fulfilling as one is contributing to the body of knowledge. On the day of the dissertation defense after everything had been completed, the cheers from family, congratulations from friends and admiration from colleagues gave me a great feeling of satisfaction such that all the disappointments, frustrations and rejections during the research were forgotten. I recommend it to anyone passionate and curious about dynamically solving problems in this volatile, uncertain, complex and ambiguous world.

***Any specific message for Africa Re stakeholders (cedants, brokers, shareholders, staff, etc. ) at this moment?***

The insurance industry was built for a time like this and we have to seize this moment to project our value to the insuring public, market participants and

As a senior executive leading a billion-dollar company, this is the question I get often since I completed the doctorate programme. The degree is focused on solving industry problems academically thereby contributing to practice and the industry at large.

Africa Re Headquarter, Lagos Nigeria.

communities. In a quote credited to Rahm Emanuel during the 2008 financial crisis, Chief of Staff to President Obama and former Mayor of Chicago said "you never let a serious crisis go to waste and what I mean by that is that it's an opportunity to do things that you could not do before".

This is a watershed moment for the insurance industry to broaden its horizon and bridge the protection gap through general awareness of the benefits of the industry in mitigating the impact of losses on the insuring public. A study by EFInA research identifies that the majority of the population are not even aware of insurance and its benefits in most parts of the continent.

Another opportunity embedded in this crisis focuses on access barriers to insurance in Africa. The issues of usage and access barriers can be addressed by adopting innovation practices across the value chain from personalization in alignment with customer behaviour and digitization of the distribution process as the industry rebuilds customer's trust that must have been damaged over the years through a customer-centric focus.

The digitization investment required by the industry is quite high and it is necessary that ceding companies explore strategic partnerships with technology companies to develop agnostic technology platforms while maintaining their distinctive and core competencies in the domain of insurance. This will help them focus on overall product innovation especially the rising need for usage-based insurance.

To our clients and partners, we stand in solidarity with you in this difficult period and remain committed to seamless customer service, risk protection, technical assistance and superior underwriting capacity amidst the deteriorating and shrinking capital in our market. Africa Re remains your financially stronger partner in progress.

To our employees, Management appreciates their commitment to the success of the Corporation. We believe that their health comes first and the Corporation will be covering 100% of any healthcare-related expenses due to Covid-19. The Corporation will continue to comply with the recommendations of the WHO and national governments to the barest minimum. All members of staff have been empowered with all tools in line with their roles and responsibilities to work from home as outlined in the BCP.

To our shareholders, Management appreciates your continuous commitment to the Corporation and unwavering trust in its leadership during this difficult period. As an initiative, your insights and ideas during the monthly stress test meetings have been helpful with all outcomes showing that the Corporation is resilient even in the most pessimistic scenarios.

This is a difficult period and I believe that our world will emerge even stronger as we ride the tide of Covid-19 and its healthcare, economic and social consequences.

# African Insureance Icon

# EDWARD MENSAH

**1934 – 2020**

Mr Edward Mensah in 2011 in Lagos, Nigeria

Autobiography by the late **Mr Edward Mensah** (himself);
Image illustration by **Adogbo Alfred**

Born on 7 September 1934, Edward Mensah attended Accra High School and on obtaining his Cambridge School Certificate in 1955 commenced his business career in Banking (Barclays Bank D. C + O) in 1956. He had the benefit of the Bank's Training Courses "A" and "B". He was given charge of the Bank's Agency at Ambassador Hotel and later manned the Achimota Agency.

While in the Bank, he met Mr. Bob Freeman, an African American and a renowned, Actuary, who so inspired him that he decided to give up Banking to join Mr. Freeman's Insurance Company. Thus began Edward Mensah's insurance career in 1959.

His mentor's companies, Ghana Life Assurance and Ghana General Insurance were both subsequently acquired by Government and became the nucleus for the formation of the State Insurance Corporation of Ghana in 1962. (now SIC Insurance Company Limited).

After working for only a year with Ghana "Life" and "Ghana General", he was awarded scholarship to study insurance at the Chartered Insurance Institute's College of Insurance in Surbiton in the United Kingdom and then to Croydon Technical College. (now University of Croydon). While studying in London, he did attachments to Branch Offices of the Provincial Insurance Company. He was seconded to Switzerland in 1964 on attachment to the Swiss Reinsurance Company in Zurich for special training in Reinsurance.

During the formative years of SIC, he was recalled home from his studies to come and assist with the huge volume of work emanating from Government sources. He worked with the new company for 2 years and was further seconded to leading London City Brokers – Willis Faber and Dumas and C.T. Bowrings. He had further attachment to Johnson & Higgins in New York.

He qualified as an Associate of the Chartered Insurance Institute of London (ACII) in 1967. In 1989 he was awarded the Professional Insurance Designation of Chartered Insurance Practitioner. He is a Fellow of the Ghana Insurance Institute.

Returning to the SIC in 1967, he rose through the Managerial ranks to become Chief Departmental Manager in 1969 with executive responsibility for

Supervision and Co-ordination of the functions of Underwriting Departments including Claims and International Operations.

He was promoted Executive Director in 1972 and assigned the sole responsibility to develop the Ghana Reinsurance Organisation, (now Ghana Re) organise its local and international operations, engage and train its officers locally and abroad, which he did with commendable distinction.

In 1973, he was appointed Insurance Expert Consultant to the United Nations Committee on Trade and Development (UNCTAD) in Geneva and participated in studies on Reinsurance problems in developing countries
His success in establishing Ghana Re as a National and International Company guaranteed him unassailable credentials for the position of the first and founding General Manager, Chief Executive Officer and Head of Mission of the African Reinsurance Corporation when it was brought into being in late 1977 and which commenced business from the Headquarters in Lagos on 1st January 1978. He established Regional Offices in Casablanca, Morocco and Nairobi, Kenya and also laid the foundation for another Regional Office in Abidjan for French Speaking Africa.

Given the socio-economic background of the 36 Member Countries of the African Reinsurance Corporation at the time, this unique institution's achievement within a comparatively short period under the leadership of Edward Mensah has been phenomenal.
He successfully completed his first tour of 5 years, which was renewed for a further term. He however voluntarily resigned in late 1984.

Edward Mensah has variously served in many international and regional institutions. He was a founding Director on the Board of Shelter Afrique, a pan –African institution with the mission of supporting the development of the housing and real estate sector in Africa.

He served on the Executive Committee of the Federation of Afro Asian Insurers and Reinsurers and was an expert Technical Member of the FAIR POOL. He was an Executive Founding Member of the African Insurance Organisation (A.I.O.).

He also played an equally important role in the development of insurance education in Africa. He was a Member of the 1st Governing body of the Insurance Institute of

" L-R : Mr Edward Mensah, Bakary Kamara, Felix Irukwu , Bene Lawson at the Send forth party of Mr Bakary Kamara in 2011 in Lagos

Sir Edward Mensah 2nd left standing

Ghana, and is a Past President. He is a Past Executive Member of the West African Insurance Companies Association (WAICA).
In 1975, he was guest speaker at the Swiss Insurance Training Center in Zurich, Switzerland. Included in a number of Papers and Lectures delivered in world insurance circles are "Insurance in Third World Countries with particular reference to Reinsurance" (1979) at the invitation of the Chartered Insurance Institute of London and "Insurance Policy Conditions" in Africa" at the 3rd World Insurance Congress in Buenos Aires, Argentina (1982).

Late in 1984, Mr. Edward Mensah established a Consultancy Firm – Edward Mensah & Associates. The office which was originally based in Lome, Togo, moved to Accra, Ghana in 1986 and later changed its name to Edward Mensah, Wood & Associates.

He was appointed Consultant for Africa by Willis Faber & Dumas and Swiss Reinsurance Company of Zurich Switzerland 1985 – 1987.

In 1987, he was invited as Consultant, by the PNDC Secretary for Finance & Economic Planning to give a written comment on 2 Drafts of Insurance Reforms which culminated in the 1989 Insurance Law.

As Regional Industry Expert, he worked with PricewaterhouseCoopers to put forward technical proposals for a World Bank Project – Diagnostic Study of the Insurance Industry in Ghana (1993).

As an Associate Director of Harris & Dixon, Lloyd's Insurance Brokers of London, he was assigned special responsibility for a feasibility study on the formation of a National Reinsurance Company for Sierra Leone (1989).

Edward Mensah served on the Board of Ghana National Insurance Commission from 2001 – 2004. By all accounts he has had a glittering insurance career and at 83 he was still engaged in many areas of the Insurance Institute in Ghana and in the industry.

Sponsored by the American Chamber of Commerce in 2000 Edward Mensah received training at the Faculty of Law, University of Ghana, Legon (ALTERNATIVE DISPUTE RESOLUTION CENTRE) as a CONCILIATOR in ALTERNATIVE DISPUTE RESOLUTION.

In recognition of his immense contribution to Insurance in Ghana and the continent in general, Edward Mensah is the proud recipient of 8 Industry Awards from various Insurance Institutes in Africa.

Sir Edwar Mensah, 2nd right, in the early years of Africa Re

# Marine Insurance

## and the Associated Liabilities Underwriting/ Claims

by **Olayinka Dawodu,**
Snr Manager, Underwriting and Marketing, Africa Re, Anglophone West Africa

The West African Regional Office organized a training on marine insurance and the associated liabilities in response to the market request, to assist and fill the knowledge gap in the regional market. The training took place at the Head Office building from 16 to 18 March 2020. It was attended by heads of technical, reinsurance managers, marine managers and claims managers. The opening ceremony which was declared open by the Acting  Regional Director, Mrs Temitope Akinowa was attended by the President of the Chartered Insurance Institute of Nigeria (CIIN) – Mr Eddie Efekoha and Chairman of Nigeria Insurers Association ably represented by Mr Iyiola Saraki. Both captains of the industry commended Africa Re for organising the training.

This workshop was put together as a positive response to the yearnings of the markets, which was also borne out of the mission of the Corporation to provide technical support to the cedants  to

boost underwriting skills and confidence in managing marine insurance portfolios. The course was aimed at enhancing technical knowledge, understanding the scope of maritime risks, and risk assessment/rating.

Marine insurance is one of the special risks for which the right skills sets are not very common and it was very evident during the sessions, as participants listened with rapt attention and asked lots of questions to clarify their curiosities. The sessions were very interactive as facilitators were engaged throughout the duration of the training.

The marine training was organized in conjunction with one of our partners – Oakshoot Brokers, a Lloyd's broker in the United Kingdom. It was co-facilitated by Yinka Dawodu and Duncan Mukonyi, both of Africa Re and a team of facilitators from Oakshoot Brokers led by the Managing Director Mr George Grishin. The training commenced on the first day with the introductory topics relating to hull & machinery and the inherent liabilities. This was followed by the presentation on marine cargo insurance and Delay in Start Up (DSU/ALOP) cover. The discussions on the DSU were quite insightful as the presenter dwelled very well on the underwriting factors that should guide any underwriter in assessing the risk.

The first day ended with the presentations from a retired ship master/captain of many years - Captain Nani who took the participants through different

types of marine vessels, their characteristics/use and the importance of classification of vessels by the classification societies, with emphasis on the rating of such societies.

The audience was so impressed with his presentation that they requested that he should be given additional time the following day to continue. He stressed on why an underwriter should ensure that insured vessels are classified and where such classification evidence is not available, a thorough survey must be carried out.
Other topics taught were Protection & Indemnity (P&I), Charterers' Liability, War risk cover, Deviation risks underwriting, General/ Particular Average, Total Loss & Constructive Total Loss. The presentations were supported with case studies for practical explanations.

The training ended on the 3rd day with the presentation of certificates and corporate gifts to the participants, who in turn expressed their appreciation to Africa Re Management for imparting knowledge to them.
The marine training was attended by 52 participants representing cedants from Nigeria, Ghana, Sierra Leone and The Gambia.

# Africa Re Foundation


Mobilising resources for the development of the insurance industry and the risk management in Africa

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